

**Behaviour on the Boards: Motivations for Information-Sharing within Online
Communities and Intraday Securities Pricing Effects**

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Anonymous interactions within online communities and their wider implications on free speech, social movements and political change have become a topic of much debate since the commercial introduction of the internet. In the context of financial markets, online message boards, portrayed by media as a virtual “Wild West”, came under increased scrutiny following the “dot-com” crash. For academics, these online communities serve as extremely powerful tools, allowing us to observe and capture investor conversations in real-time.

Contribution to online financial communities, such as stock message boards, may be considered as “paradoxical” (Rafaeli and LaRose, 1993), in that a “free-riding tendency” (Olson 1985) by rational participants would result in a lack of original content. However, online stock message boards continue to thrive as a platform for investors to share tips, express opinion and to disseminate (mis)information. The high interactivity and low communication costs of online message boards result in a potential for social networks to amplify the effects of behavioural biases (Russ, 2007). Yet, previous studies on the informational content of message board postings, and the power of online communications in predicting abnormal returns yield conflicting results (Nardo et al., 2015).

Focussing on 854 securities listed on the comparatively lightly-regulated AIM submarket of the London Stock Exchange, which are subject to a combined 245,200 message board postings within a six-month observation window, this study seeks to test for a relationship between message board posting metrics and trading activity. Using fifteen-minute

intraday intervals, we first conduct an event study in which trade behaviour is analysed around abnormal message board activity events. “Positive” and “Negative” messages are identified using sentiment classification techniques for comparison. We then test for causality between selected posting and trading variables. Finally, message board participants are interviewed in order to identify participation within online financial communities at an individual level, and to provide behavioural context to our quantitative findings. This research ultimately adds to previous studies of online financial communities, an area of research still in its relative infancy (Zhang, 2014), and to the broader field of behavioural finance.