Executive Summary of the Bachelor Thesis: Social Media and Meme Stocks – Danger for the Global Financial System

This thesis analyzes the impact that activity on social media has had on share prices based on the meme stock incidents of 2021. It also examines possible existing dangers.

The following research question was posed:

Does social media have an impact on share prices, what dangers exist, and what influence do they have on the stability of the financial market?

To answer this question, in a first step existing literature about the impact of social media on the financial markets is analyzed. Literature from the time before the meme stock happenings of the year 2021, and literature of after 2021 are examined.

In a next step, specific stocks that are commonly known as meme stocks since 2021 are investigated. The examined shares are the shares of GameStop, AMC Entertainment Holdings, Blackberry and Bed Bath & Beyond. The thesis analyzes the volume and price movements and compares them with the daily number of tweets (posts on the social media platform "Twitter") shared about each specific stock. The data about the trading volume, share prices and daily number of tweets shared is retrieved from the Bloomberg terminal at University of Zurich.

It can be demonstrated that the shared tweets on Twitter indeed had a significant impact on the examined shares. In the analyzed time frame, the movements of the trading volume and of the share price occured with a timely delay compared to the number of shared tweets. This is a mandatory requirement, because if the movements would have been on the same time as the movements of the number of tweets shared, Twitter users could also just be talking about the movements but not directly be the trigger. Mostly after strong increases of the number of tweets shared, the trading volume and also the share prices spiked. In addition, most of the time when the number of shared tweets decreased, the trading volume calmed down and the prices dropped.

Finally, based on the examined cases dangers and serious possible influences on the stability of the financial markets are identified. In all the cases a short squeeze with a bad intention of hurting holders of short positions, such as hedge funds, is detected. The social media users

wanted to sabotage big financial players such as hedge funds. This also shows that the social media investors all together were acting as one large investor, manipulating the market by driving the share prices upwards on purpose with a specific intention. This indeed can bring enormous dangers, hurt the market's trustworthiness, and can bring bankruptcies of institutions with it. In addition, it can lead to a serious damage to the stability of the financial markets.

I conclude that social media had a significant impact on the examined shares' prices. There were existing dangers identified, that should not be underestimated. In addition, it is likely, that with the strong growth of social media, such a phenomenon happens again. Therefore, regulations might be considered in the future, even though it would be a challenge to regulate social media.