

Editorial introduction – Volume 27 Number 2

A warm welcome to the second issue of 2025. This issue contains two papers related to financial market efficiency. The first is focused on price discovery in the foreign exchange market, while the second looks at how differences in investment sentiment between “tweets” on the social media platform “Twitter” (now “X”) and traditional media influence stock liquidity.

Volume 27 Number 2 contains the following articles:

Price Discovery for Competing Currency Numeraires

Iñaki Rodríguez Longarela and Geir Høidal Bjønnes

This paper investigates price discovery in the foreign exchange market, focusing on how the USD and EUR influence exchange rates, particularly for the Swiss franc (CHF) and Japanese yen (JPY). Using data from the Electronic Broking Services (EBS) interdealer market, the study explores which currency, the EUR or the USD, plays a more dominant role in price discovery. The authors apply standard tools for measuring price discovery—like Information Share (IS) and Component Share (CS)—to account for the lack of cointegration between exchange rates. The main findings suggest that, while turnover in USD/CHF is higher, EUR/CHF sometimes plays a more significant role over long periods, while USD/JPY leads in most cases, though EUR/JPY can also be influential at times. The study also highlights the importance of bid-ask spreads and trading volume in explaining price discovery, while liquidity appears to have little causal effect.

Sentiment Divergence and its Impact on Share Liquidity

John Garcia

This study looks at how differing investor sentiments from tweets and

traditional news media affect a company's share liquidity. While it's known that investor disagreement can drive market activity, the specific impact of sentiment differences across media sources has received little attention. Analyzing data from nearly 2,000 publicly traded U.S. companies between 2015 and 2021, the paper demonstrates that when sentiment from tweets diverges from that in the news, it results in greater share illiquidity, with a one standard deviation shift in sentiment resulting in a 10.41 change in illiquidity. Interestingly, the paper also reveals that this effect intensified during the COVID-19 pandemic, largely because of heightened illiquidity at that time. The study also touches on how investor attention might influence these patterns, though the results here are mixed. Overall, the paper offers new insights into how divergent investor sentiment, particularly from different media sources, can impact share liquidity, addressing an important gap in our understanding of market behavior.

We hope you enjoy reading the second issue of 2025!

Kind regards,

Editors-in-chief

Timothy King, Tatiana King, Vanja Piljak and Anastasiya Shamshur

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