Investor ESG Sentiment and Stock Returns: The Mediating Role of Media Coverage

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Abstract

This study investigates how ESG-related media coverage influences stock returns, comparing investor responses during the stable market of 2019 and the COVID-19 crisis in 2020. Using data from S&P 1500 firms and MarketPsych, we find that ESG media attention significantly shapes investor behavior, with stronger effects during periods of uncertainty. Negative ESG coverage – especially in headlines – correlates with lower returns during crises, reflecting heightened investor risk aversion. In contrast, detailed news articles positively influence returns under normal conditions, while social media shows minimal impact. ESG controversies also have a more persistent negative effect during crises. These findings highlight the importance of media narratives in ESG analysis and investment strategy, particularly when traditional financial signals are less reliable.

Keywords: Socially Responsible Investment, Social Media, ESG, Score, Buzz, Behavioral Finance.

JEL Codes: C90, G40, G50.

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