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Factors Influencing Stock Valuation: A Systematic Review of the Role of Market Fundamentals and Sentiment

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ABSTRACT

Stock valuation is a crucial aspect of investment decision-making, influenced by both company fundamentals and market sentiment. This study aims to systematically examine the influence of these two factors through a Systematic Literature Review (SLR) approach on literature published between 2020 and 2024 in the ScienceDirect database. The analysis of 10 articles shows that fundamental indicators such as financial performance, financial ratios, and revenue growth significantly influence stock valuation. However, market sentiment, including investor opinion, news coverage, and social media activity, also plays a significant role in shaping stock prices, often leading to deviations from fundamental values. This study emphasizes the importance of an approach that considers the interaction between fundamental factors and market sentiment for a more comprehensive understanding of stock valuation dynamics.

INTRODUCTION

Stock valuation is a crucial aspect of investment decision-making in the capital markets. Investors, financial analysts, and portfolio managers actively seek indicators that reflect a stock's fair value, both for short-term speculative purposes and long-term investment. In this valuation process, two primary approaches often form the focus of study: the fundamental approach and the market sentiment-based approach.

The fundamental approach emphasizes internal company factors, such as earnings, cash flow, and capital structure, which are widely recognized as the primary determinants of stock value. As explained by Damodaran (2006), in valuing equity, the value of option-based compensation should be subtracted from earnings for each future period, and the adjusted equity value should be divided by the number of shares outstanding to obtain a realistic per-share value. Although fundamental information is available in financial statements, investors' limited attention span can hinder optimal processing of this information. Research by Cronqvist et al. (2024) shows that even market participants considered sophisticated, such as financial analysts, face cognitive barriers in absorbing information that is not prominently displayed, such as option costs presented only in the footnotes of financial statements.

Meanwhile, the stock market also reacts quickly to external information, including disruptive solutions adopted by financial institutions. Stock prices reflect expectations regarding new information arriving in the market. According to Mishkin (2016), current stock prices are equivalent to optimal estimates based on available information. Therefore, expectations about future benefits from disruptive technologies will also be reflected in stock valuations.

However, stock valuations are not solely influenced by a company's fundamentals. Market sentiment, which reflects investors' collective perceptions of market conditions, also plays a significant role. One common phenomenon in the stock market is the boom-bust cycle, triggered by changing expectations and herding behavior among investors. Schaal and Taschereau-Dumouchel (2023) explain that boom periods can occur when excessive investor optimism drives high levels of investment, which are then mistakenly attributed as an indication of good fundamentals. This creates a self-reinforcing pattern that ultimately leads to a crash when investors realize their mistake. Thus, market sentiment can influence stock valuations that are not entirely based on fundamental factors.

In this study, the fundamental approach and market sentiment cannot be separated because they mutually influence stock valuations. Accurate stock valuation requires a comprehensive understanding of these two factors and how their interaction can influence stock prices in a dynamic market. Therefore, this study will conduct a systematic review of the existing literature to explore the role of these two factors in influencing stock valuations.

Based on this background, this study addresses two main issues: the influence of a company's fundamental indicators on stock valuation and the role of market sentiment, such as investor opinion, news coverage, and social media, in influencing stock prices. This study aims to systematically examine these two factors using a Systematic Literature Review (SLR) approach to provide a comprehensive mapping of previous study results. The research scope is limited to English-language scientific articles published between 2020 and 2024 in the ScienceDirect database, with a focus on the fields of business, management, accounting, economics, econometrics, and finance.

METHODOLOGY

The method used in this study is a Systematic Literature Review (SLR). SLR is a research approach that aims to identify, evaluate, and summarize all evidence relevant to a research question or topic in a systematic and structured manner. The main objective of SLR is to present an in-depth and objective literature review, thereby supporting evidence-based decision-making (Yuliana et al., 2024). This systematic review is a type of secondary research that aims to summarize empirical results from previous studies, identify unexplored research gaps, and provide a foundation for further research. This study uses a structured literature search approach to identify relevant articles, which are then analyzed in depth using content analysis methods. The research procedure includes the stages of formulating research questions, searching the literature, establishing inclusion and exclusion criteria, selecting literature, presenting and preparing data for analysis, and drawing conclusions. The literature review focused on scientific articles obtained from the ScienceDirect database, a multidisciplinary resource in the field of cutting-edge technology. To support the main research question, several secondary research questions were examined:

RQ1: What is the influence of a company's fundamental indicators, such as financial performance, financial ratios, and revenue growth rate, on stock valuation according to the results found in the academic literature review?

RQ2: How big a role do market sentiment factors—including investor opinion, news coverage, and social media activity—play in influencing stock valuations based on published research?

This study combines the results of previous quantitative studies to identify remaining knowledge gaps. The main criteria applied in this Systematic Literature Review (SLR) refer to the methodology used by Yu et al. (2020) in their study. Data were collected using keywords relevant to the research topic, namely Stock Valuation, Fundamental Factors, and Market Sentiment, into the search feature on the ScienceDirect website. The keywords used were "Stock Valuation" OR "Stock Price Assessment" AND "Fundamental Factors" OR "financial Indicators" AND "Market Sentiment". Table 1 presents the inclusion criteria used in this study to identify relevant literature. The determination of inclusion and exclusion criteria is based on the formulation of the research questions and objectives. Only studies that have gone through a peer-reviewed process, written in English, published between 2020 and 2024, and are openly accessible are included in this research analysis.

Table 1. Inclusion and Exclusion Criteria

No	Inclusion	Exclusion
1	Studies focusing on the topics of Stock Valuation, Fundamental Factors and Market Sentiment	Studies that do not focus on the topics of Stock Valuation, Fundamental Factors and Market Sentiment
2	Literature published in English	Literature published in languages other than English
3	Open access literature sources	Sources with restricted access
4	Subject areas include Business, Management, Accounting, Economics, Econometrics, and Finance.	Subject areas that do not include Business, Management, Accounting, Economics, Econometrics, and Finance.
5	Literary sources published from 2020 to 2024	Literary sources published before 2020
6	Articles that are reviews and original research (research articles)	Articles that are not reviews or original research

The identification phase aimed to obtain literature sources relevant to the topic "Stock Valuation: A Systematic Review of the Role of Fundamentals and Market Sentiment" from established databases. The initial search yielded 1,818 articles. In the first stage of screening, articles were limited to publications from subscribed journals, resulting in 1,474 articles. Subsequent screening focused on articles relevant to subject areas such as Business, Management, Accounting, Economics, Econometrics, and Finance, reducing the number of articles to 1,249. Articles were then filtered to include only reviews or original research articles (review and research articles), resulting in 1,203 articles. Further filtering was performed based on publication year between 2020 and 2024, resulting in 430 articles. These articles were then filtered based on open access, resulting in 50 articles. In the final stage, 10 articles that met all criteria were selected for further analysis and entered into Mendeley for in-depth organization and analysis.

The Quality Assessment stage is carried out to identify and evaluate data based on predetermined quality assessment criteria.

QA1: Does the journal used discuss the relationship between company fundamental indicators and stock valuation in a context relevant to the research?

QA2: Does the journal used explicitly discuss the role of market sentiment factors (investor opinion, news, and social media activity) in influencing stock valuations?

RESULTS

Selection Results: Based on the search process, journals were selected based on the predetermined inclusion and exclusion criteria. At this stage, 10 journals were identified. The data was then reviewed to ensure they were relevant to the research objectives.

Quality Assessment Results, Table 1 shows the results of the quality assessment, which identifies which data sources were deemed suitable for use in this study.

Table 1. Quality Assessment

No	Writer	Journal Title	Q1	Q2	Results
1	Rui Albuquerque, Vyachesla Fos, Enrique Schroth	Value creation in shareholder activism	Y	Y	✓
2	Henrik Cronqvist, Tomislav Ladika, Elisa Pazaj, Zacharias Sautner	Limited attention to detail in financial markets: Evidence from reduced-form and structural estimation	Y	Y	✓
3	Edouard Schaal and Mathieu Taschereau-Dumouchel	Impact Herding through booms and busts	Y	Y	✓
4	Maurizio Montone, Martijn J. van den Assem, Remco CJ Zwinkels	Company name fluency and stock returns	Y	Y	✓
5	Shinichi Hirota	Money supply, opinion dispersion, and stock prices	Y	Y	✓

No	Writer	Journal Title	Q1	Q2	Results
6	Jiaxin Duan, Fangyuan Kou, Zining Wang, Yixin Wei	When echoes surpass voices: Market reaction to forwarded news	Y	Y	✓
7	Valeriy Zakamulin, John A. Hunnes	Stock earnings and bond yields in the US 1871–2017: The story of a changing relationship	Y	Y	✓
8	Xinyue Zhang, Emawtee Bissoondoyal-Bheenick, Angel Zhong	Investor sentiment and stock market anomalies in Australia	Y	Y	✓
9	Laura Arenas, Emili Vizuete-Luciano, Anna María Gil-Lafuente	Banking FinTech and stock market volatility? The BIZUM case	Y	Y	✓
10	Alexios Anagnostopoulos, Orhan Erem Atesagaoglu, Elisa Faraglia, Chryssi Giannitsarou	Cross country stock market comovement: A macro perspective	Y	Y	✓

DISCUSSION

Based on the research questions, we will answer and explain the results of these questions, starting from RQ1 and RQ2.

RQ1: What is the influence of fundamental company indicators, such as financial performance, financial ratios, and revenue growth rate, on stock valuation according to the results found in the academic literature review? In RQ1, the research results show the influence of fundamental company indicators, such as financial performance, financial ratios, and revenue growth rate, on stock valuation. The results are shown in Table 2 below:

Table 2. The Influence of Company Fundamental Indicators on Stock Valuation

No	Writer	Journal Title	Findings
1	Rui Albuquerque, Vyachesla Fos, Enrique Schroth	Value creation in shareholder activism	The results of the study indicate that fundamental company indicators, such as financial performance, financial ratios, and revenue growth, play a significant role in stock valuation, particularly after the announcement of shareholder activism. Approximately 74.8% of the abnormal returns are due to the treatment effect, reflecting expectations of improved company performance, such as increased ROA and operational efficiency. Meanwhile, 13.4% comes from the activists' ability to select undervalued stocks (stock picking), and the remaining 11.8% from sample selection effects. These findings also indicate that activist investors' experience contributes to value creation and improved company performance, as well as

No	Writer	Journal Title	Findings
			reducing the risk of ownership conflicts (proxy contests). Thus, fundamental indicators and investor experience are key to creating value through activism.
2	Henrik Cronqvist, Tomislav Ladika, Elisa Pazaj, Zacharias Sautner	Limited attention to detail in financial markets: Evidence from reduced-form and structural estimation	This research shows that fundamental indicators such as option-based compensation expense (previously only recorded in the footnotes of financial statements) have a significant impact on stock valuations when they become more visible on the income statement following the adoption of FAS 123-R accounting rules. Prior to FAS 123-R, option expense did not directly impact reported earnings, so analysts and investors with limited attention tended to overlook it. After this expense was moved to the income statement, companies with high option compensation experienced a decline in reported earnings, an increase in earnings per share (EPS) failures, and a decline in analyst stock recommendations. Despite no changes in fundamentals such as earnings or cash flow, market valuations of these companies declined. This indicates that the visibility of fundamental information plays a significant role in how financial indicators influence stock valuations.
3	Edouard Schaal and Mathieu Taschereau-Dumouchel	ImpactHerding through booms and busts	This research offers a different perspective from the traditional approach to fundamental indicators. In the model they developed, the authors show that even if technology fundamentals are actually poor, investment and stock valuations can still increase significantly if investors collectively believe the prospects are good. This means that in certain contexts,Stock valuations do not always accurately reflect fundamental indicators, as investor expectations can be shaped by biased or incomplete information. In the early stages of a boom, investors view others' investment decisions as indicative of sound fundamentals, leading them to invest even when there is no solid evidence of the new technology's effectiveness. This means that fundamental indicators can be "clouded" by social dynamics and misperceptions, causing stock valuations to rise even when objectively unsupported by strong financial data.
4	Maurizio Montone, Martijn J. van den Assem,	Company name fluency and stock returns	This study shows that fluency (the smooth pronunciation or readability of a company name) is not only psychologically appealing to investors but also correlates with a company's fundamental quality. Companies with more fluent names tend to

No	Writer	Journal Title	Findings
	Remco CJ Zwinkels		have better financial performance, such as higher profitability and positive earnings surprises. In regressions that consider fundamental characteristics such as return on assets, Tobin's q, and market-to-book ratio, it was found that companies with high fluency scores do indeed exhibit superior fundamental indicators. This supports the hypothesis that fluency is a signal of information about company quality, not simply the result of perceptual bias.
5	Shinichi Hirota	Money supply, opinion dispersion, and stock prices	In traditional models such as discounted cash flow (DCF), stock valuation relies heavily on a company's fundamentals, such as projected future cash flows, financial performance, and discount rates. However, this paper highlights that in practice, stock prices often deviate from fundamental values. The developed model shows that stock prices do not always reflect a company's fundamental value, as they are influenced by external factors such as the money supply and market frictions (e.g., short-selling restrictions and investor funding constraints). This means that while fundamental indicators play a role, market prices do not always move in line with them. In fact, an increase in the money supply can lead to stock overpricing, where the stock price is higher than its fundamental value, especially when optimistic investors have sufficient funds to buy but pessimistic investors cannot short-sell.
6	Jiaxin Duan, Fangyuan Kou, Zining Wang, Yixin Wei	When echoes surpass voices: Market reaction to forwarded news	The question of the influence of fundamental indicators such as financial performance and financial ratios on stock valuation is not the primary focus of this paper. However, through testing control variables such as ROA (Return on Assets), leverage, and company size, it was found that these variables remained significant in regressions examining market reactions to news. This indicates that company fundamentals still influence stock valuation, but their role can be overshadowed or distorted by external factors, such as the type of news and how it is disseminated. Therefore, although it does not explicitly discuss the influence of financial ratios or revenue growth, this paper acknowledges the relevance of fundamentals as a determinant of stock prices, especially when controlled for in market reaction analysis.

No	Writer	Journal Title	Findings
7	Valeriy Zakamulin, John A. Hunnes	Stock earnings and bond yields in the US 1871–2017: The story of a changing relationship	This research is very relevant to answer RQ1 because it focuses onThe study examines the relationship between fundamental corporate indicators, particularly earnings yield (the ratio of earnings to stock price), and bond yield. The authors show that over two historical periods (1871–1932 and 1958–2017), there is a long-run equilibrium relationship between stock earnings yield and bond yield. Another important finding is the existence of a one-way causality from bond yield to earnings yield, both in the short and long run, indicating that stock valuations are strongly influenced by changes in bond yield levels as a reflection of market expectations of risk and future cash flows. Furthermore, the detected structural changes—such as those in 1932 and 1958—indicate that the stock valuation paradigm has also changed over time, including a shift from the Graham & Dodd intrinsic value approach to the Fed model, which equates earnings yield with bond yield without explicitly considering the risk premium.
8	Xinyue Zhang, Emawtee Bissoondoyal-Bheenick, Angel Zhong	Investor sentiment and stock market anomalies in Australia	In this study, fundamental corporate indicators such as gross profitability (GP), return on equity (ROE), and return on assets (ROA) were found to have a positive relationship with stock returns in the Australian capital market. This result is consistent with previous findings in the United States market and is reinforced by risk-adjusted testing using the Fama-French five-factor model. For example, a long-short strategy on GP, ROE, and ROA indicators yields a positive and significant return spread—indicating that companies with stronger fundamentals tend to generate higher stock returns. Conversely, investment indicators such as asset growth (AG), inventory growth (IG), and net operating assets (NOA) exhibit a negative relationship with stock returns, supporting the hypothesis that investors tend to overreact to investment signals, thus creating mispricing. These findings suggest that fundamental indicators remain relevant in explaining temporal variation in stock returns, but may be influenced by other factors such as market sentiment.
9	Laura Arenas, Emili Vizuete-Luciano, Anna	Banking FinTech and stock market volatility? The BIZUM case	The study in this journal specifically does not directly emphasize classic fundamental indicators such as financial ratios or revenue growth in stock valuation. However, the approach taken shows that the adoption of disruptive technology (in this case,

No	Writer	Journal Title	Findings
	María Gil-Lafuente		FinTech, such as BIZUM) by traditional banks in Spain has a significant impact on their stock price volatility. This volatility, in financial theory, is considered a reflection of market risk associated with a company's fundamental value in the eyes of investors. Using the GARCH-M model, this study shows that the adoption of FinTech strategies by banks leads to a significant decrease in stock price volatility ranging from 25.30% to 60.11%, depending on the bank. This indicates that investors perceive technology adoption as a positive signal for a company's performance and stability, which indirectly reflects an increase in its fundamental value. These findings support the theory that investors project the future based on new information, including digitalization strategies, which impact long-term financial performance expectations.
10	Alexios Anagnostopoulos, Orhan Erem Atesagaoglu, Elisa Faraglia, Chryssi Giannitsarou	Cross country stock market comovement: A macro perspective	The research in this journal highlights the importance of firm characteristics, particularly multinational firms, in explaining cross-country correlations in stock markets. While not directly focused on traditional financial ratios such as profitability or solvency, this research emphasizes the role of investment in intangible assets, such as technological capital and R&D expenditures, as new fundamental indicators that significantly influence a firm's stock value. Empirical findings indicate that multinational firms with high investments in intangible capital have a higher correlation of stock returns to global stock markets. In this context, financial performance is viewed in terms of global strategic linkages and technological innovation capacity, rather than solely from conventional financial statements. Therefore, strategic fundamental indicators, such as involvement in foreign direct investment (FDI) and technological development, have a significant influence on stock values in international markets.

A discussion of the ten journal articles analyzed shows that a company's fundamental indicators remain a central element in stock valuation, although their role can be influenced, strengthened, or even overtaken by external factors such as market sentiment, social perceptions, and policy dynamics. Most studies confirm that financial metrics such as ROA, ROE, Earnings Yield, revenue growth, and investment in intangible assets have a significant influence on stock value, both directly and as a signal of long-term performance.

However, this discussion also reveals thatStock valuations do not always reflect intrinsic value based solely on fundamentals. Several studies have found that investor psychological factors (such as impressions of a company's name or the herding effect), the visibility of information in financial reports, as well as monetary policy and market restrictions (e.g., prohibitions on short selling) can trigger stock price deviations from their fundamental values. This suggests that market mechanisms are not entirely efficient in processing fundamental information. Furthermore, recent studies emphasize the importance of non-traditional strategic indicators, such as a company's involvement in foreign direct investment (FDI), the adoption of disruptive technologies, and diversified multinational activities, as a means of expanding the understanding of fundamental indicators. A company's global strategy and innovative capacity are considered to provide strong signals to investors regarding long-term growth prospects and lower systemic risk.

Overall, this discussion focuses on the relevance and dynamics of fundamental indicators in the context of an increasingly complex stock market, where internal factors (financial performance and structure) interact closely with external factors (sentiment, regulation, and globalization). Therefore, understanding stock valuation requires an approach that is not solely based on accounting figures but also considers strategic, behavioral, and systemic aspects.

RQ2: How significant a role do market sentiment factors, including investor opinion, news coverage, and social media activity, play in influencing stock valuations based on published research findings? In RQ2, the research findings indicate a significant role played by market sentiment factors—including investor opinion, news coverage, and social media activity—in influencing stock valuations. The results are shown in Table 3 below:

Table 3. The Role Played by Market Sentiment Factors in Influencing Stock Valuations

No	Writer	Journal Title	Findings
1	Rui Albuquerque, Vyachesla Fos, Enrique Schroth	Value creation in shareholder activism	Research by Albuquerque, Fos, and Schroth (2022) examines value creation in shareholder activism. This study found that announcements of activist intentions yielded an average return consisting of 74.8% expected value creation, 13.4% stock selection, and 11.8% sample selection effects. Higher treatment values predicted improved firm performance and a lower probability of proxy contests, while abnormal announcement returns did not. This suggests that the estimates identify more effective activism campaigns. This study highlights the importance of using the joint distribution of investment strategies and announcement returns to recover the expected returns and costs of activism.
2	Henrik Cronqvist, Tomislav Ladika,	Limited attention to detail in financial	The findings in this paper further emphasize the role of limited investor attention (which can be

No	Writer	Journal Title	Findings
	Elisa Pazaj, Zacharias Sautner	markets: Evidence from reduced-form and structural estimation	interpreted as a form of market sentiment) to less salient financial information. After the adoption of FAS 123-R, investors began to recognize the impact of option costs on earnings and firm value, but at a slower rate than analysts. Investor reactions to disappointing earnings announcements—which actually reflect newly reported option costs—directed a gradual decline in market valuations. This abnormal reaction to earnings reports suggests that investor sentiment and attention can lead to short-term stock misvaluations, particularly when important information is not prominently presented. While this study does not explicitly examine social media or news coverage, it provides strong evidence that limited attention, which can be influenced by the media and context in which information is presented, plays a significant role in shaping market sentiment and stock valuations.
3	Edouard Schaal and Mathieu Taschereau-Dumouchel	ImpactHerding through booms and busts	This research explicitly demonstrates that market sentiment and social processes such as herding play a significant role in shaping stock price and investment cycles. In the developed model, economic agents (investors and entrepreneurs) learn from the collective behavior of other market participants adopting new technologies, which in turn shapes their perceptions of the technology's value. When initial perceptions are overly optimistic, investment increases, reinforcing that optimism. This process creates a positive feedback loop that fuels booms. Conversely, when investors begin to realize their expectations are misplaced, confidence rapidly collapses, creating a bust.Positive news or general signals, even if biased or inaccurate, can trigger a herding effect, which then leads to stock valuations that do not reflect real conditions. In other words, market sentiment formed from collective and social information can significantly distort market valuations.
4	Maurizio Montone, Martijn J. van den Assem, Remco CJ Zwinkels	Company name fluency and stock returns	Market sentiment has proven to play a roleplays a significant role in determining stock valuations, particularly in the context of stocks with fluent company names. This study shows that naive investors (who are prone to bias) tend to respond more favorably to company names that sound good, especially when market sentiment is high. The abnormal return effect of stocks with fluent names is significantly higher during periods of strong investor sentiment and among smaller companies, which are more sensitive to market sentiment. Thus, collective investor perceptions and opinions, which can be

No	Writer	Journal Title	Findings
			formed through news and social media, magnify the effect of fluency-based valuations. However, ironically, rather than causing overpricing as in the "affect" hypothesis, the results of this study support the "information" hypothesis, namely that investors ignore information signals from fluency, resulting in initial underpricing and long-term abnormal returns.
5	Shinichi Hirota	Money supply, opinion dispersion, and stock prices	The findings in this paper also reinforce that market sentiment plays a significant role in shaping stock prices, particularly through opinion dispersion (differences in opinion among investors). When investors hold differing views on a stock's fundamental value, and the market experiences friction such as funding constraints or short-selling restrictions, the sentiment of the more active, typically optimistic, investor group dominates price formation. As a result, stock prices can be overvalued or undervalued depending on the dominant sentiment and market liquidity. This paper also emphasizes that market sentiment stems not only from rational analysis but also from perceptions, differing interpretations of information, and investors' cognitive limitations. Furthermore, empirical evidence suggests that when the money supply increases (for example, through quantitative easing policies) and investor opinion is widely dispersed, stock prices tend to rise disproportionately to their fundamentals, creating a disconnect between the stock market and the real economy.
6	Jiaxin Duan, Fangyuan Kou, Zining Wang, Yixin Wei	When echoes surpass voices: Market reaction to forwarded news	This study directly addresses RQ2 by confirming that market sentiment factors such as investor opinion, news coverage, and social media activity (particularly through the phenomenon of "forwarded" or reshared news) significantly influence stock valuations. The study shows that reshared news generates a greater market reaction than novel news, even when it contains no new information. This effect is explained by three main mechanisms: the filtering effect, where forwarded news is perceived as having been filtered by other platforms and therefore more relevant; the verification effect, where reshared news is perceived as more credible; and the amplification effect, where reshared news expands the news' reach and attracts more investor attention. These findings are reinforced by an analysis of Baidu search volume and trading volume, which shows that forwarded news triggers a significant increase in investor attention and market activity. Thus, this paper demonstrates that sentiment and news exposure play a significant

No	Writer	Journal Title	Findings
			role in shaping stock prices, in line with behavioral finance theory.
7	Valeriy Zakamulin, John A. Hunnes	Stock earnings and bond yields in the US 1871–2017: The story of a changing relationship	Although this paper does not directly examine market sentiment, investor opinion, news, or social media, there is an implicit relevance. One key factor causing historical changes in the relationship between earnings yield and bond yield is the paradigm shift in stock valuation theory and investor reactions to monetary policy and major economic events (such as the Great Depression and the Fed's policies). This suggests that investor perceptions and expectations of stock risk and value also influence stock valuations broadly, particularly during periods when more forward-looking, "modern" approaches began to replace historical approaches. However, because it does not explicitly evaluate market sentiment variables or social media activity, this paper's contribution to RQ2 is indirect and needs to be complemented by other studies focusing on behavioral finance or media-based sentiment.
8	Xinyue Zhang, Emawtee Bissoondoyal-Bheenick, Angel Zhong	Investor sentiment and stock market anomalies in Australia	This study shows that investor sentiment plays a significant role in creating stock market anomalies, particularly in Australia. By constructing Australia's first investor sentiment index using five market indicators (including stock turnover and the number of IPOs), the researchers found that eight of the eleven stock anomalies were amplified during periods of high sentiment. This means that long-short strategies, which exploit anomalies such as momentum, low beta, and idiosyncratic volatility, yield higher returns when investor sentiment is high. Interestingly, the most significant contribution comes from the "short leg" of this strategy, which is stocks perceived as overvalued. Investor sentiment pushes overvalued stock prices to remain high or even higher, creating more profitable shorting opportunities. Conversely, no strong relationship was found between sentiment and returns from the "long leg," indicating that sentiment is more dominant in distorting the prices of expensive stocks than cheap ones. This suggests that investor emotions and market perceptions can significantly influence stock valuations, creating deviations from their intrinsic value, particularly when constrained by short-selling constraints.
9	Laura Arenas, Emili Vizuete-Luciano, Anna	Banking FinTech and stock market	The role of market sentiment in influencing stock valuations is clearly evident in investor responses to the adoption of new technologies by traditional banks. This study shows that the launch of BIZUM

No	Writer	Journal Title	Findings
	María Gil-Lafuente	volatility? The BIZUM case	as a collaborative digital strategy significantly reduced stock volatility, reflecting increased investor confidence in the company's stability. These findings suggest that investors are paying attention to and positively evaluating the strategic steps taken by companies in responding to technological dynamics. While not directly addressing the role of social media or digital public opinion, investor sentiment has generally been shown to be a significant factor in stock valuations. The influence of expectations, perceptions, and acceptance of disruptive technology demonstrates that market sentiment can strengthen or even shift the impact of fundamental variables in the stock valuation process.
10	Alexios Anagnostopoulos, Orhan Erem Atesagaoglu, Elisa Faraglia, Chryssi Giannitsarou	Cross country stock market comovement: A macro perspective	Although this paper does not explicitly discuss the role of social media or public opinion as part of market sentiment, there are strong indications that investor perceptions of globalization and corporate involvement in cross-border investment (FDI) are central factors in influencing stock valuations. Increasing stock market correlations across countries are found to be consistent with increasing corporate involvement in FDI, reflecting positive investor sentiment toward international exposure and corporate global expansion strategies. Using a production-based asset pricing model approach, this study finds that factors such as corporate involvement in foreign markets, investment in technological capital, and global integration play a significant role in driving uniformity in global stock market behavior. Therefore, although not elaborated in the context of social media, the role of market sentiment remains a key element in determining stock values across countries, particularly through investor perceptions of corporate innovation, international expansion, and strategic management.

Stock valuations are not only influenced by fundamental factors but also heavily influenced by market sentiment. This sentiment encompasses investor opinion, news reports, and social media activity, all of which can collectively shape market perceptions and expectations. Recent research shows that market sentiment can cause stock prices to deviate from their fundamental values. For example, forwarded news has been shown to trigger a greater market reaction than fresh news, as it is perceived as more credible and relevant. Furthermore, the herding effect, or bandwagon-based investment decisions, also contributes to rising stock prices, even without strong financial data. Psychological factors such as the readability of a company name (fluency) can also influence stock valuations, particularly during times of high investor sentiment. Differences of opinion among investors (opinion dispersion) and limited information also contribute to the influence of sentiment on stock prices.

Overall, evidence from various studies confirms that market sentiment plays a significant role in shaping stock values. Factors such as viral news, collective perception, limited attention span, and psychological biases have been shown to significantly deviate from intrinsic value. In a modern context heavily influenced by digital information and social media, the power of market sentiment is no longer merely a supplementary factor but has become a key component of stock price dynamics.

CONCLUSION AND RECOMMENDATIONS

Based on a systematic review of literature published between 2020 and 2024, it can be concluded that stock valuation is significantly influenced by a combination of fundamental company factors and market sentiment. Fundamental factors, such as financial performance, financial ratios, and revenue growth, remain the primary basis for determining a stock's fair value. However, various studies have shown that market sentiment, including investor opinion, media coverage, and social media activity, has the power to amplify, shift, or even distort the influence of these fundamental factors. In the highly dynamic context of modern financial markets, the complex interaction between internal company factors and external sentiment-based factors creates stock valuation patterns that do not always align with intrinsic value. Therefore, understanding these dynamics is crucial for improving the accuracy of stock valuations and anticipating price movements influenced by non-fundamental factors.

In line with these conclusions, several strategic recommendations warrant consideration by various stakeholders. Investors are advised to integrate comprehensive fundamental analysis with active monitoring of market sentiment to improve the accuracy of investment decision-making. Companies are crucial in maintaining the quality of financial reporting and developing effective public communication strategies, including reputation management on social media, to strengthen market perception of the company's value. For scientific advancement, future research is expected to adopt a multidisciplinary approach, combining traditional financial analysis with big data-based modeling and artificial intelligence to more accurately capture market sentiment dynamics. Furthermore, capital market regulators need to tighten oversight of the dissemination of information on digital platforms to maintain market integrity and protect investors from the influence of biased or misleading information.

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