

Financial News Sentiment and Investor Confidence: Determinants of Stock Price Volatility in IDX30

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Abstract

The purpose of this study is to analyze the effect of financial news sentiment and investor confidence on stock price volatility of 30 companies on the Indonesia Stock Exchange that are members of the IDX30 index. This study uses a quantitative approach and signal theory. The population consists of all companies indexed by IDX30 and sampling using a saturated sample approach or total sampling where all companies indexed by IDX30 are sampled. The Natural Language Processing method is used to measure financial news sentiment and Market to Book Value of Equity to measure investor confidence. Stock price volatility is measured using standard deviation of risk or price volatility. The analysis technique uses multiple regression. The results showed that financial news sentiment affects stock price volatility, and investor confidence has no effect on stock price volatility in IDX30 companies. The results of this study indicate that a small portion of stock price fluctuations are influenced by financial news sentiment and investor confidence levels. The majority of stock price movements are determined by other factors not included in this analysis.

Keywords: Financial News Sentiment, Investor Confidence, Stock Price Volatility, IDX30, Signal Theory.

1. Introduction

Information is one of the key factors that influence investment decisions in the stock market in the current era of globalization. Financial news information or rumors disseminated by mass media often cause sentiment that affects investor psychology. Rumors play an important role in conveying information on stock market fluctuations through news sentiment (Zhang et al., 2022). Rumors on social media can trigger changes in news sentiment, causing investors' behavioral decisions to deviate from the best decisions. In addition to rumors, high investor confidence in a particular news story can increase the impact of this sentiment, while skepticism can reduce market reaction. In this context, stock price movements reflect the interaction between financial news sentiment and investor confidence levels. Therefore, in increasingly complex and unpredictable market conditions, it is important to understand how these two factors affect stock price movements.

One of the stock price indices that often experiences stock price fluctuations in trading is the IDX30 index which consists of 30 companies with high liquidity, and large market capitalization based on certain criteria. The following is data on stock price fluctuations in the IDX30 index in 2019-2024 listed on the IDX.



Figure 1. IDX 30 Index Development Chart

Based on figure 1, it can be observed that the IDX30 index shows significant fluctuations over the period 2019 to 2024. From the movement of the index chart, there has been significant volatility, namely the lowest index decline of 343.87 due to COVID-19 in March 2020, in the following year the IDX30 index movement showed the potential for recovery, but experienced a decline of 416.41 on June 19, 2024 due to global sentiment from foreign investor outflows, fluctuations in global financial market indices that occurred were influenced by uncertainty surrounding the monetary policy of the United States Central Bank (The Federal Reserve or The Fed). Specifically, speculation about the possibility of a benchmark interest rate cut by the Fed has created an atmosphere of uncertainty among market participants. This situation has led to a phenomenon of divestment among investors in various global stock markets, as evidenced by the decline in major indices. Stock price volatility is also influenced by microeconomic factors such as financial news sentiment and investor confidence as well as macroeconomic factors such as inflation and exchange rates.

Stock price volatility is influenced by various factors caused by information entering the capital market (Arafat A. et al., 2024). The information will result in a new stock price adjustment, in other words, the information will affect stock price volatility (Mengwei, 2024). When financial news sentiment reveals positive information, it will reduce stock price fluctuations and will increase investor confidence, high investor confidence can reduce stock price volatility. When investors feel confident about the prospects of the company or the market as a whole, investors tend to invest more steadily, which leads to lower price fluctuations. especially in IDX30 indexed companies. This is in line with the signaling theory expressed by Glosten & Milgrom (1985) that information disclosure is very important because it will affect investor confidence and cause investors to respond accordingly.

Previous research has examined many factors that affect stock price volatility. Khairunisa & Nazir (2022) examining the effect of leverage, dividend policy and firm size on stock price volatility shows leverage and firm size partially have no effect on stock price volatility. Fitriani & Desmiza (2024) examined the effect of exchange rate, inflation, leverage, firm size on stock price volatility with the results of research on exchange rates and inflation have no effect on stock price volatility, while leverage and firm size have a significant effect on stock price volatility. Qatrunnada (2024) examines the factors that affect the stock return volatility of LQ45 companies in Indonesia, providing evidence that dividend policy does not affect stock return volatility, while leverage and investor sentiment positively affect stock return volatility. Some of these studies focus on the role of economic indicators, such as inflation and exchange rates, as well as specific factors that affect volatility, such as earnings and dividend announcements. However, it has not specifically examined the role of investor confidence and financial news sentiment in influencing stock price volatility, especially in

companies incorporated in the IDX30 index. In addition, the novelty of this research is applying a coding program (NLP) adopted into the financial scope to generate sentiment scores.

This study focuses on analyzing the effect of financial news sentiment and investor confidence on the stock price volatility of IDX30 companies on the Indonesia Stock Exchange, which is an important indicator of the performance of the Indonesian stock market. This research is based on the argument that stock price fluctuations cannot be separated from the psychological aspects of investors who react to information circulating in the capital market. Investors' sensitivity to different financial information can affect their investment decisions. Disseminated financial news sentiment tends to affect investor confidence which is reflected in investor trading behavior. Investors' reactions to positive or negative news are highly dependent on investors' confidence in the company's prospects. In addition, the credibility of the information source also affects investors' interpretation of the news. IDX30 stocks have high liquidity and large market capitalization so their movements are sensitive to market sentiment.

The purpose of this study is to quantitatively determine whether financial news sentiment using the Natural Language Processing (NLP) method and investor confidence affect stock price volatility. The NLP method has advantages over previous methods in that it can automatically analyze huge text data, minimize bias, accurately detect language nuances, provide real-time analysis, and generate standardized sentiment scores for statistical models, which can more accurately measure the relationship between news sentiment and stock price movements (Fazlija & Harder, 2022). Natural language processing is a field of computer science and artificial intelligence (AI) that involves processing natural languages such as English or Chinese (Lane et al., 2018). The novelty of this research is applying the coding program (NLP) adopted into the scope of finance. Processing with NLP involves translating natural language into data (numbers) that computers can use to understand the text or content being analyzed. The use of NLP in financial analysis is a relatively new approach, particularly in the context of the Indonesian market. The advantages of using NLP methods in sentiment analysis according to (Munasatya & Novianto, (2020), resulted in the best accuracy value in the test accuracy of 93.26%. This research is expected to make a significant contribution and better understanding of the dynamics of the Indonesian capital market and encourage the development of more sophisticated analytical tools for emerging financial markets. In addition, stock price volatility influenced by news sentiment and investor confidence has significant implications in Financial Accounting, especially in the valuation of assets and liabilities based on fair value, disclosure of market risk, and the presentation of accurate and relevant financial statements which are important information in decision making.

2. Literature Review

2.1. Signaling Theory

Signaling theory, Spence (1978) explains the behavior of two parties when they access different information. This theory explains the actions taken by the signaler to influence the behavior of the signal receiver. According to Brigham & Houston, (2018) an action taken by company management provides clues for investors on how management views the company's prospects. Information signals are needed by investors to consider investment decisions in the company concerned. The positive thing in signaling theory is that companies that provide good information will distinguish themselves from companies that do not have good news. Disclosure of important information will affect investor confidence and cause them to respond

accordingly (Glosten & Milgrom, 1985). When the news information is of good quality, it will be a positive signal and will make stock price fluctuations stable. Conversely, when the news information conveyed is of low quality, it can be a negative signal (Khairunisa & Nazir, 2022). Positive signals can increase investor confidence and increase the value of companies in the capital market, while negative signals can reduce investor confidence and affect stock prices (Henry Siswana & Ratmono, 2024).

2.2. Financial News Sentiment

Financial news sentiment is defined as the attitude, opinion, or judgment contained in the text of financial news towards a company, industry sector, or general economic conditions. Sentiment analysis has attracted much attention in financial research. Financial markets react to emotional information in financial texts. If the market provides negative sentiment, investor sentiment will react negatively, and conversely, if the market provides positive sentiment, investors will react positively (Fadhel et al., 2022). Investor sentiment is one of the behavioral finance assumptions that can trigger systematic risk with noise, thus affecting stock volatility. Therefore, positive or negative information displayed by the media directly affects investor decisions. Access to information is not only through traditional media such as printed magazines or newspapers, but also through electronic media which is now owned by almost all levels of society (Hidayat et al., 2023).

2.3. Investor Confidence

Investor confidence is an important factor in financial market trends and plays an important role in capital flow and stock market trading stability. When investors receive clear and transparent information, they tend to be more trusting and willing to invest. According to Istiqomah (2023) many factors affect investor confidence such as transparency in providing information, company financial performance, political stability, and the general economic situation. Factors that affect investor confidence include the existence of financial reports that are accountable and in accordance with accounting standards, as well as the application of the 5C principle in credit analysis (Putriyandari et al., 2019). Financial reports serve as a tool to convince investors of the company's performance, while the 5C principle helps investors evaluate the seriousness and ability of clients to manage their entrusted funds. Consistent and timely disclosure of financial information can increase the company's openness to stakeholders and increase investor confidence. Thus, when investor confidence is high, investors will have more confidence to invest, which will have an impact on lower stock price fluctuations (Sari, 2024).

2.4. Stock Price Volatility

Stock price volatility is a measure of uncertainty or the ups and downs of future stock movements. Stock price volatility can be interpreted as a measure of how much stock price changes occur in one year. This change is calculated based on the standard deviation of stock returns expressed in consecutive combinations of stocks. If the volatility of stock prices is high, it shows that the supply and demand for shares is not normal, so it can be considered as a measure of the uncertainty of the results achieved by these shares (Fitriani & Desmiza, 2024). According to Nia Wati & Ayu Puspitaningtyas (2023), fluctuations or ups and downs in the share prices of companies with large capabilities are a common phenomenon on the stock exchange, but few people understand why the company's share price fluctuates violently in certain periods. Internal factors (micro environment) and external factors (macro environment) affect stock price fluctuations on the stock exchange, including individual stock prices and comprehensive stock prices such as the JCI and IDX30 indices.

2.5. Previous Research

2.5.1 The Effect of Financial News Sentiment on Stock Price Volatility

Based on information signal theory, signals play a crucial role in shaping investment decision-making. Utami et al., (2024) prove that sentiment towards information plays a role in influencing stock price fluctuations. Sentiment in financial news has a major impact on stock market trading activities, this is due to investors' assumptions about the good and bad condition of the company conveyed by financial news in the mass media. News and topics related to a company can have a direct impact on its share price (Utami et al., 2024). Positive financial news influences investors to invest so that stock fluctuations become low and stock prices grow, which causes stock price volatility. The presence of information that provides a good or bad narrative of a company will lead investment actors to more careful and anticipatory actions in investing. This phenomenon will cause stock price volatility or uncertainty in stock price movements. Research by Li et al. (2021) shows that information disseminated through mass media has a significant impact on investor behavior and news sentiment is positively related to volatility on a 1-day lag, and negatively related to volatility on a 2-day lag. Research of Jati & Indriastuti (2024) and Qatrunnada (2024) also showed results that there is a relationship between financial news sentiment and stock price volatility. Accordingly, the research hypothesis is formulated as follows.

H1: Financial news sentiment affects stock price volatility

2.5.2 The Effect of Investor Confidence on Stock Price Volatility

Signaling theory explains that company management has more information than outside investors. Through the disclosure of financial news information, companies send positive signals that can increase investor confidence. Good signals will reduce uncertainty and will reduce stock price fluctuations. Investor confidence reflects investors' beliefs and expectations of the company's future performance and overall market conditions. Adequate disclosure of financial information allows investors to evaluate the feasibility of investment, understand the dangers of risk, and anticipate investment returns. If the disclosed financial information is accurate, investors are confident in the company's prospects and performance so that the stock price grows (Sari, 2024). When investor confidence decreases, demand for shares will decrease, resulting in a decrease in stock prices (Fakhri et al., 2024). A good signal will lower risk perception and reduce stock price fluctuations. Signals provided by companies, such as dividend announcements and clear financial reports, can increase or decrease investor confidence. When investor confidence is high it will cause stock prices to rise, but when investor confidence occurs excessively there will be a correction and cause volatility. Conversely, if investor confidence is low, the stock price drops dramatically and causes volatility.

Wardifa & Yanthi's (2022) research proves that investor confidence affects stock prices due to increased profitability and good management and high company value increases investor confidence in their investments and can affect stock price increases. Dewi & Suwarno (2022) and Dewi & Suwarno (2022) show a significant positive relationship between investor confidence and stock price volatility. Therefore, from this description the research hypothesis is formulated as follows.

H2: investor confidence affects stock price volatility.

3. Methods

3.1. Population & Sample

The research population is all companies indexed by IDX30 that have a large market capitalization and high liquidity, with the effective constituent period is August to October 2024. The sample of this study was 30 companies listed in the IDX30 index, which were selected using the saturated sample method (total sampling), where all companies indexed by IDX30 were sampled.

3.2. Data Collection Techniques

Data was collected using the documentation method. The research data is in the form of financial news and financial statements (Q3) of IDX30 companies for the period August-October 2024 obtained online. Financial news will be processed with NLP techniques with lexicon-based logarithms to produce financial news sentiment scores.

3.3. Operational Definition and Measurement of Variable

3.3.1 Stock Price Volatility

Stock price volatility is a measure of how much stock price changes occur in one year, calculated based on the standard deviation of stock returns expressed in consecutive stock combinations. Measurement of stock price volatility using proxies in Fitriani & Desmiza (2024):

$$PV = \frac{AP (High) - AP (Low)}{0,5 [AP (High) + AP (Low)]}$$

Information

PV : Price Volatility
AP (High) : Highest stock price of company t
AP (Low) : lowest stock price of company t

3.3.2 Financial News Sentiment

Financial news sentiment reflects market perceptions and expectations that can influence the investment decisions of market participants. Financial news sentiment is proxied by positive and negative sentiment scores. Financial news sentiment analysis using Natural Language Processing (NLP) method with Google Colab involves processing financial news in text form to generate sentiment scores. News data is taken from online news sources, then processed through the steps of cleaning, case folding, data normalization, tokenizing, stopword/filtering, stemming. The following is the sequence in sentiment analysis using natural language processing techniques:

- 1) Cleaning, the process of removing noise in the text starts by eliminating special characters, emotion, excess spaces, numbers, and punctuation. Such noise generally has no meaningful value so it needs to be removed.
- 2) Case Folding, the process of converting all characters in the document into lowercase letters. Letters 'a' to 'z' are accepted. Characters other than letters are removed and considered delimiters.
- 3) Normalization, the process of identifying irregular words and writing redundant words then replaced with words that match the KBBI (Great Dictionary of the Indonesian Language).
- 4) Tokenizing, the process of breaking a sentence into a collection of words. Tokenizing cuts the input string based on each word that composes it. The NLTK (Natural Language Toolkit) library is used in the tokenization process.

- 5) Stopword removal/Filtering, the stage of taking important words from the tokenized result. Filtering can use stoplist algorithm (discarding less important words) or wordlist (keeping important words). The python literary library and NLTK (Natural Language Toolkit) are used in the stopword removal stage.
- 6) Stemming, converting all affixed words back to their base words according to language standards. Stemming specifically for Indonesian texts is available in the Sastrawi library.
- 7) Lexicon Based Analysis, analysis to get sentiment score. The resulting score is in the form of a positive or negative score. The score is calculated on a daily basis to measure sentiment dynamics based on the financial news analyzed.

The measurement tool uses a lexicon-based algorithm from natural language processing that produces two scores, including a positive score and a negative score with a score range > 0 considered positive and a score < 0 considered negative. These scores are calculated on a daily basis to measure sentiment dynamics based on the financial news analyzed.

3.3.3 Investor Confidence

Investor confidence is the investor's belief in the stability and potential growth of financial markets and certain investments. Investor confidence is measured using Market to Book Value of Equity (MBVE), comparing the market value of a company's equity to its book value. The higher this ratio, the more confident the market is that the company will provide a higher than expected return on its equity in the future and reflect the company's growth prospects. A high ratio indicates that investors believe in better growth potential and profitability. Measurement of investor confidence using research by (Nopianti & Suhayati, 2022):

$$MBVE = \frac{\text{Outstanding shares} \times \text{Closing Price}}{\text{Total Equity}}$$

Description:

MBVE = Market to Book Value of Equity.

Outstanding Shares = Number of shares outstanding.

Closing Price = Closing Price

Total Equity = Total Capital

3.4. Analysis Method

Data analysis is the systematic retrieval of data from interviews, field notes, and documents to classify, describe, integrate, pattern, and organize data into categories and draw conclusions that are important for research (Sugiyono, 2017). The analysis technique used in this research is to use descriptive statistical analysis techniques, regression tests, classical assumption tests, and hypothesis testing. The multiple regression formula used is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Description:

Y = Stock Price Volatility

X₁ = Financial News Sentiment

X₂ = Investor Confidence

β₀ = Constant

β₁ – β₂ = Regression Coefficient

ε = Error Term

4. Results and Discussion

4.1. Research Results

4.1.1 Descriptive Statistical Test

Descriptive statistical test results regarding the effect of financial news sentiment and investor confidence on stock price volatility are in table 1 as follows.

Table 1. Descriptive Statistics of Research Variable

Variable	N	Minimum	Maximum	Mean	Std Deviation
Financial News Sentiment	30	22.00	79.00	38.2333	11.38263
Investor Confidence	30	0.69	2.87	1.3106	0.48839
Stock Price Volatility	30	1.04	1.64	1.2811	0.14980

Source: Data processed (2025)

Based on the descriptive test results above, the authors can describe the distribution of data obtained by researchers. The financial news sentiment variable produces an average value of 38.2333, which shows that the average research sample financial news is a positive sentiment, which means that the information presented reflects the positive market perceptions and expectations of market participants. The average value of investor confidence is 1.3106, which shows that investors have an optimistic or confident sentiment towards market conditions and investment prospects. Stock price volatility variable, average stock price volatility of 1.2811, which means positive, indicating that stock prices tend to increase during the study period.

4.1.2 Classic Assumption Test

A. Normality Test

Normality test is a test used to determine whether the data distribution is normally distributed or not (Sintia et al., 2022). The tool used in the normality test in this study uses the Kolmogorov-Smirnov Test, if the significance value is higher than 0.05, then the data follows a normal distribution, and vice versa.

Table 2. One-Sample Kolmogorov-Smirnov Test
Unstandardized Residual

N	30
Normal Parameters ^{a,b}	Mean 0.0000000
	Std. Deviation 0.13145184
	Absolute 0.122
Most Extreme Differences	Positive 0.122
	Negative -0.087
Test Statistic	0.122
Asymp. Sig. (2-tailed) ^c	0.200 ^d

Source: Data processed (2025)

The residual values are normally distributed, according to the results of table 2, because the Kolmogorov-Smirnov test has a significance of 0.200 which is greater than 0.05.

B. Multicollinearity Test

Table 3. Multicollinearity Test Result

Collinearity Statistics		
	Tolerance	VIF
Financial News Sentiment	0.920	1.087
Investor Confidence	0.920	1.087

Source: Data processed (2025)

The Financial News Sentiment variable and the Investor Trust variable have a VIF with a value of 1,087. All variables show VIF values below 10, which indicates the absence of multicollinearity in this study. Therefore, this regression model can be used.

C. Heteroscedasticity Test

Table 3. Heteroscedasticity Test Result

Variable	Gletjser
Financial News Sentiment	0.650
Investor Confidence	0.529

Source: Data processed (2025)

The results of the heteroscedasticity test with the Gletsjer method show that the significance value of each independent variable is greater than 0.05 so it can be concluded that the model does not occur heteroscedasticity.

D. Autocorrelation Test

Table 4. Autocorrelation Test Result

Model Summary ^b				
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.480 ^a	0.230	0.173	0.13623	1.976

Source: Data processed (2025)

The Durbin Watson test results are obtained at 1.976, in the area where there is no autocorrelation, namely $du < DW < 4-du$ or $1.5666 < 1.976 < 2.4334$. Therefore, it is concluded that there is no autocorrelation.

4.1.3 Hypothesis Testing

A. F-Test

Table 5. F-Test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.150	2	0.075	4.032	0.029 ^b
	Residual	0.501	27	0.019		
	Total	0.651	29			

Source: Data processed (2025)

The F test shows that there is a joint influence between the financial news sentiment variables and investor confidence on stock price volatility, it can be seen that the significance level is smaller than 0.05, which is 0.029.

B. Determination Coefficient Test

Table 6. Determination Coefficient Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.480 ^a	0.230	0.173	0.13623

Source: Data processed (2025)

The results of the coefficient of determination test that the Adjusted R Square value is 0.173, which means that the variability of the Financial News Sentiment and Investor Trust variables on Stock Price Volatility in this study is 17.3% while the remaining 82.7% is explained by variables outside the research model.

C. T-Test

Table 7. T-Test Result

Variable	Unstandardized Coefficients B	Std Error	Standardized Coefficients Beta	t	Sig.
Constant	1.055	0.100		10.586	<.001
Financial News Sentiment	0.006	0.002	0.492	2.793	0.009
Investor Confidence	-0.016	0.054	-.053	-0.301	0.766

Source: Data processed (2025)

Partial test results show that Financial News Sentiment has a significant value of 0.009 < 0.05 and a t-test value of 2.793. This indicates that financial news sentiment affects stock price volatility. The investor confidence variable in the table above has a significant value of 0.766 > 0.05 and a t-test value of -0.301, indicating that investor confidence has no effect on the stock price volatility of IDX 30 companies. The second hypothesis is rejected.

Regression Model:

$$Y = 1.055 + 0.006X_1 - 0.016X_2 + 0.100e$$

Which means:

- 1) The constant value $a = 1.055$, meaning that if the financial news sentiment (X_1) and investor confidence (X_2) is zero, then the stock price volatility of IDX30 companies is estimated to be 1.055%.
- 2) Coefficient value (X_1) = 0.006, meaning that every 1% increase in financial news sentiment (X_1) will increase the stock price volatility of IDX30 companies by 0.006%, assuming other variables remain constant.
- 3) Coefficient value (X_2) = -0.016, this value shows a negative effect (opposite direction), meaning that every 1% increase in investor confidence (X_2) will reduce the stock price volatility of IDX30 companies by 0.016%, assuming other variables remain constant.

4.2. Discussion

4.2.1 The effect of financial news sentiment on stock price volatility

Hypothesis testing results show that financial news sentiment affects stock price volatility. Financial news has an important role in shaping investors' expectations of a stock's prospects. The more positive news about a company, the more likely investors are interested in buying the stock and vice versa, negative news can encourage investors to sell their shares. Published news such as news of increased profits or business expansion is considered a positive indication that the business is performing well and has a bright future, and when

many investors invest in the company. Conversely, news of declining performance or problems with regulations is considered a negative signal indicating risk or uncertainty. These phenomena trigger stock price movements, and the greater the stock price fluctuations, the higher the volatility. In addition, the frequency of news also plays an important role in influencing volatility. The more frequent the news about a particular company or industry, the greater the potential for large price movements. This is because investors tend to pay more attention to stocks that appear more frequently in the news and this phenomenon causes stock price volatility or uncertainty in stock price movements.

These results are in line with signal theory where financial information serves as a signal that helps investors assess the condition and business prospects of a company. Investors tend to react quickly to new information published by the media, especially in the digital era where the speed of information dissemination is very high. This reaction causes stock price movements to fluctuate more in a short time. The results of this study are consistent with the research of Hsu et al. (2021) and Livieri et al. (2022) which show that financial news sentiment has a significant positive effect on stock price volatility. The stronger the news sentiment, both positive and negative, the higher the level of volatility that occurs in the market.

Based on these findings, the practical implication that can be applied is that investors need to actively monitor financial news sentiment as a consideration in making investment decisions. To manage the risk due to high volatility, investors are advised to diversify their portfolio, set a stop loss limit, and avoid emotional decisions due to reactions to short-term news. For long-term investors, it is still advisable to focus on analyzing company fundamentals so that they are not easily affected by temporary price fluctuations due to market sentiment.

4.2.2 The effect of investor confidence on stock price volatility

Investor confidence is the level of investor confidence in stock market conditions, company performance, and overall investment prospects. The level of investor confidence has an important role in shaping stock market dynamics. This is closely related to signaling theory which explains how companies signal information to investors to build trust. When investors have a high level of trust, investors tend to be more confident in making investment decisions and are not easily affected by negative sentiment that occurs in the stock market. However, this level of trust is not always the main determinant of stock price volatility, even though investors have a high or low level of trust in the market. This is evidenced by the results of hypothesis testing in this study which show that investor confidence has no effect on stock price volatility. The lack of influence may be due to the fact that stock price volatility is more dominantly influenced by fundamental factors or internal factors such as the company's financial performance, industry conditions, and the macroeconomic situation as evidenced by research by Andriana et al., (2021) showing that macroeconomic factors affect stock price volatility by only 21% and the rest is influenced by other variables. The results of Anggraini et al's (2023) research, stock price volatility is influenced by various complex factors beyond investor confidence such as exchange rates, interest rates, inflation, consumer price index, and money supply and has a more significant impact on stock price fluctuations. This finding indicates that investor confidence does not have a significant effect on stock price volatility.

Thus, the practical implication of these findings is that investors are advised not to rely solely on the level of market confidence in assessing stock volatility risk. Instead, it is necessary to focus on analyzing fundamental factors and macroeconomic conditions that have more influence on stock price fluctuations.

5. Conclusion

The results of this study indicate that only Financial News Sentiment has an effect on Stock Price Volatility, while Investor confidence is not proven to have an effect. This finding indicates that in the short term, market participants on the Indonesia Stock Exchange are more responsive to information conveyed through financial news while the level of investor confidence, whose influence tends to be long-term and takes longer to be reflected in stock price movements. Limitations in this study are one of the causes of the lack of influence of investor confidence. This study has not considered the special characteristics of the Indonesian capital market, such as the dominance of retail investors who tend to react to short-term information, compared to decisions based on fundamental analysis or long-term confidence. In addition, the scope of the study, which only includes companies with large market capitalization and high liquidity levels, as well as a relatively short research period, also limits the level of data representativeness and generalization of research results.

For future research, it is recommended to include variables that reflect the characteristics of the Indonesian capital market, such as the proportion of retail investors, the level of market efficiency, and the level of information transparency. Future research should also consider external factors, such as macroeconomic conditions (inflation, benchmark interest rates), foreign fund flows, and exchange rate fluctuations that could potentially affect stock price volatility. In addition, the expansion of the research object is not only limited to companies with large capitalization and high liquidity, but also includes companies with medium and small capitalization, so as to provide a more comprehensive picture of the factors that affect stock price volatility in various market segments.

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