

## **Abstract**

This research explores the role of investor sentiment in shaping stock market performance, focusing on how psychological factors influence investment decisions and market outcomes. Using a mixed-methods approach, the study investigates how shifts in investor mood, optimism, fear, and herd behavior contribute to stock price fluctuations, market volatility, and overall financial stability. The goal is to understand the connection between investor sentiment and market trends, and how emotional and psychological factors affect the decision-making process in investment environments.

The research integrates quantitative analysis of stock market data, sentiment indicators, and investor behavior metrics with qualitative insights drawn from interviews with investors, financial analysts, and market experts. The quantitative component evaluates the correlation between sentiment indices (such as the Consumer Confidence Index and Investor Sentiment Surveys) and stock market performance, exploring how sentiment drives market trends and price movements. The qualitative aspect provides deeper insights into how individual and institutional investors perceive and react to market conditions, exploring the role of emotions and cognitive biases in shaping their investment strategies.

Findings from this study reveal significant links between investor sentiment and stock market performance, demonstrating that psychological factors can drive both short-term price movements and long-term market trends. The research offers practical recommendations for investors, analysts, and policymakers on how to incorporate sentiment analysis into investment strategies and market forecasting, ultimately enhancing decision-making in financial markets.