

Retail Investors' Attention and Their Demand for Information

תשומת לב של משקיעים קמעונאיים והביקוש למידע

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Abstract

This study examines the dynamics of stock market movements and retail investors' demand for information. Using daily Internet search queries for the leading financial websites in the G-7 countries as a proxy for the demand for information, we determine that searching for financial websites is positively correlated with uncertainty and negatively associated with investor confidence. We find that market shocks, captured by several volatility proxies, Granger-cause attention to financial websites, and a heightened number of searches predicts an increase in the following trading day's volatility. In accordance with the leverage effect, the attention that individual investors pay to financial websites varies depending on the direction of the change in market returns. In addition, the day of the week affects the search for information, which is higher on Mondays and Tuesdays and lower on weekends. The results obtained satisfy the hypothesis about the overconfidence of investors. Consistent with the view that some retail investors are noise traders, we document that retail attention to financial websites has a positive effect on volatility and causes increases in trading volume.