

## **PROPOSAL: KNOW WHAT YOU BUY: INVESTOR INFORMATION ACQUISITION, STOCK PRICES AND PRODUCT DEMAND**

**Heather Tookes, Assistant Professor of Finance  
Yale School of Management**

The goal of this study is to measure the impact of investor research on both product sales and equity market characteristics such as trading volume and price volatility, at the individual firm level. By doing so, we seek to uncover the relationships between investor awareness, product demand and stock market activity. The basic intuition is that individual investor awareness may impact demand for not only stocks, but also products (i.e., it may be seen as a substitute for advertising).

This project will involve: (1) measuring investor research intensity at the individual stock level; (2) documenting cross-sectional differences in intensity (e.g., are investors more likely to research stocks in particular industries?); (3) measuring the impact of equity market research (and changes in intensity) on firm sales, shareholder base, trading volume, price volatility, etc.

There has been work in the finance literature linking brand perception to stock holdings and performance. These studies have documented that individual shareholders have a preference for stocks with high brand awareness and that high advertising expenditure is associated with a wider shareholder base and greater trading volume. This project extends this line of research by examining the possibility of a distinct role for research by investors. A second line of literature examines questions related to the impact of information acquisition on stock prices and volatility. By directly measuring research intensity by individual investors, we will be able to shed additional light on these issues.

Our study is based on a unique dataset of stock research queries ('hits' by ticker, date and time) from a major investor education and stock research website for the period beginning August 10, 2005.

The summer RA will obtain significant exposure to financial market research as well as experience working with firm-level sales and financial data. The student's tasks will include intensive data collection, cleaning and processing. Most of this will be firm-specific data related to sales and products produced, but may also include stock market data. Much of the supplemental information to be gathered will be downloaded from various websites. The student should have strong quantitative skills and basic knowledge of econometrics/statistics. SAS programming skills and significant experience with Excel are desired.

Co-authors: Laura Frieder (Krannert School of Management, Purdue)