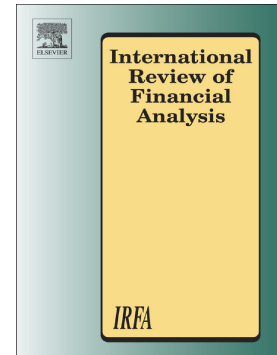


Accepted Manuscript

Investor Sentiment: Does it augment the performance of asset pricing models?

Deven Bathia, Don Bredin



PII: S1057-5219(18)30204-7
DOI: doi:[10.1016/j.irfa.2018.03.014](https://doi.org/10.1016/j.irfa.2018.03.014)
Reference: FINANA 1211

To appear in: *International Review of Financial Analysis*

Received date: 14 September 2017
Revised date: 15 March 2018
Accepted date: 25 March 2018

Please cite this article as: Deven Bathia, Don Bredin , Investor Sentiment: Does it augment the performance of asset pricing models?. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. *Finana*(2018), doi:[10.1016/j.irfa.2018.03.014](https://doi.org/10.1016/j.irfa.2018.03.014)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Investor Sentiment: Does it augment the performance of asset pricing models?

Deven Bathia

Queen Mary University of London*

Don Bredin

University College Dublin†

Abstract

This paper examines whether incorporating various investor sentiment measures in conditional asset pricing models can help to capture the impact of size, value, liquidity, and momentum effects on risk-adjusted returns of U.S. individual stocks. Using monthly data for the period January 1980 to December 2014, we determine the significance of equity fund flow, initial public offering (IPO) first day returns, IPO volume, closed-end fund discount, equity put-call ratio, dividend premium, change in margin debt, and sentiment index, by including them as conditioning information in asset pricing models. Our results show that sentiment augmented asset pricing models significantly capture the impacts of size, value, liquidity, and momentum effects on risk-adjusted returns. In particular, we observe that conditioning beta on equity fund flow, IPO first day return, and put-call ratio capture the predictive power of equity characteristics for all the asset pricing models.

Keywords: Investor sentiment, Asset pricing, Anomalies

JEL Classification: G02, G12, G14

*E-mail: d.bathia@qmul.ac.uk

†E-mail: don.bredin@ucd.ie **Corresponding author:** Deven Bathia, School of Business and Management, Queen Mary University of London, London E1 4NS, U.K. We would like to thank two anonymous referee for providing helpful comments.

Download English Version:

<https://daneshyari.com/en/article/11004809>

Download Persian Version:

<https://daneshyari.com/article/11004809>

[Daneshyari.com](https://daneshyari.com)