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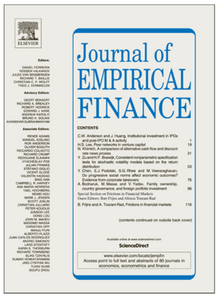

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Asymmetric attention and volatility asymmetry*

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Abstract

Analyzing a large sample of U.S. firms, we show that the asymmetry of stock return volatility is positively related to investor attention and differences of opinion. Using the number of analysts following a given firm to capture attention and the dispersion in analyst forecasts as a common proxy for differences of opinion, we show that the two effects are complementary. Furthermore, the effect of attention is strongest among stocks with low institutional ownership and high idiosyncratic volatility. Our results are robust to the traditional "leverage effect" explanation of volatility asymmetry. The findings relate to the previously documented relationship between attention and volatility and suggest that volatility asymmetry is driven by asymmetric attention.

JEL classification: G11,G12,G14.

Keywords: volatility asymmetry; leverage effect; analysts; investor attention

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