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# The Puzzling Media Effect in the Chinese Stock Market

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**ABSTRACT**

Due to tight control over the media, whether the media effect exists in China has been a much-debated question. This study focuses on Chinese stock markets and reports a different media effect on stock returns. Empirical results show that large firms, growth firms, and firms with high leverage are more frequently featured in media reports. Moreover, stocks frequently reported in the news yield higher stock returns than those less covered by the media. Stocks with much media coverage also exhibit significantly higher alphas in the Fama-French five-factor model. The results are robust to model settings and to well-known risk factors. Controlling for size, further analyses reveal that the media effect moderates the size effect and appears to be more pronounced among small stocks. An increase in media coverage tends to result in positive price pressures in the current month followed by a return reversal in the long run. The return pattern caused by abnormal increases in media coverage also supports the attention theory.

***Keywords:*** *Media Effect; Asset Pricing; Investor Attention; The Fama and French (2015) Five-Factor Model; the Chinese stock market*

JEL Classification: G11, G12, G15



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