

## Accepted Manuscript

Investor network: Implications for information diffusion and asset prices

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PII: S0927-538X(17)30477-8  
DOI: doi:[10.1016/j.pacfin.2018.02.004](https://doi.org/10.1016/j.pacfin.2018.02.004)  
Reference: PACFIN 999  
To appear in: *Pacific-Basin Finance Journal*  
Received date: 6 October 2017  
Revised date: 7 February 2018  
Accepted date: 13 February 2018



Please cite this article as: San-Lin Chung, Wenchien Liu, Wen-Rang Liu, Kevin Tseng , Investor network: Implications for information diffusion and asset prices. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. Pacfin(2017), doi:[10.1016/j.pacfin.2018.02.004](https://doi.org/10.1016/j.pacfin.2018.02.004)

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**Investor Network:****Implications for Information Diffusion and Asset Prices**San-Lin Chung, Wenchien Liu, Wen-Rang Liu, and Kevin Tseng<sup>1</sup>

06 February 2018

**Abstract**

In this study, we examine the information diffusion of firms in investor networks. Using a unique investor account-level dataset from the Taiwan Stock Exchange from 2005 to 2014, we identify the information diffusion of firms as their centralization in investor networks. Consistent with the theory of investor information networks, we find that central investors trade earlier and are more profitable than peripheral investors. Furthermore, they have greater access to superior, private information based on actual M&A events. More importantly, we find that centralized firms (i.e., firms with more central investors' networks) experience less delay in prices, and therefore demand lower price delay premiums than peripheral firms. These results suggest that investor networks speed up the incorporation of new information into asset prices, and cause the strength of information diffusion to have a great impact on stock returns.

*JEL classification:* G11, G12, G14

*Keywords:* investor network; information diffusion; price delay; asset prices.

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