



Local bias in investor attention: Evidence from China's Internet stock message boards☆



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ABSTRACT

In contrast to studies that focus on investment accounts, this study examines local bias in investor attention by analyzing messages posted by investors on China's Internet stock message boards. We find that individual investors pay more attention to stocks of local companies than to those of nonlocal companies. Local bias is particularly strong in underdeveloped regions, toward large, non-CSI 300, and low-turnover stocks and toward stocks with names that indicate their localities. The marginal effect of local bias is also considerably strong for distances within 500 km. (G10; G11; G14; G15).

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1. Introduction

Previous studies have provided ample evidence of the “local-bias” puzzles based on the analyses of investment accounts. Both institutional and individual investors tend to invest in equities of local companies despite the well-documented benefits of diversification [Coval and Moskowitz, 1999; Huberman, 2001; Ivković and Weisbenner, 2005].

In contrast to studies that explored the geography of investors' investment portfolios, this study investigates the geography of individual investor attention. A key obstacle encountered by empiricists is the difficulty of measuring investor attention directly. The majority of researchers rely on news and events considered likely to attract investor attention.¹ Da et al. (2011) use Google search frequency to measure individual investor attention directly. Similar to their innovative approach, a direct proxy using message posting activities on China's Internet stock message boards is designed in this study. Posting behavior is a revealed attention measure: if an investor posts a message relating to a specific stock on a message board, then he or she is genuinely paying attention to that stock. In addition, those who post on message boards are more likely to be real-world individual investors than

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¹ Barber and Odean (2008) use news, unusual trading volume, and extreme returns. Grullon et al. (2004) and Chemmanur and Yan (2009) use advertising. Seasholes and Wu (2007) use price limit events. Yuan (2015) uses some market-wide attention-grabbing events, such as record-breaking moments and front-page articles about stock markets.

institutional ones, because the latter normally uses sophisticated and powerful information service providers, such as Reuters or Bloomberg.

Chinese Internet stock message boards have a unique feature for this empirical study. Unlike their counterpart regulations in the United States and Europe, China's privacy law is not sufficiently comprehensive to protect Internet protocol (IP) addresses. Many Internet stock message boards explicitly display the IP information of posters (see Fig. 1). We can identify the location of posters based on their IP addresses using geolocation technology, and further categorize individuals according to whether they pay more attention to local companies.

The first issue we investigate is the existence of local investor-attention bias. We construct local-bias measurements based on data of more than 24 million message postings related to publicly traded companies between July 2008 and June 2010. We determine that individual investors tend to spend most of their time studying the stocks of companies whose headquarters are

伊利股份		19.00 0.30元 1.60%			最新动态	公司概况	股本结构	媒体报道	公告摘要
600887		成交量: 73524 (手) 成交额: 13974 (万元)			主要股东	历年分配	分析评论	行业分析	经营分析
+ 加关注									
Clicks	Replies	Title	Author	Update time	Original post time				
点击	回复	标题	作者	最后更新	发表日期				
17321	642	伊利股份再次面临智能线的压力, 这个位置是关键行情分水岭	183.9.29.*	10-13 17:33	06-16				
11843	188	600887是不是机会来了?	113.3.201.*	10-13 17:01	06-13				
1183	55	要买就买低价高储备煤炭股---新大洲A000571!!!!	60.190.255.*	10-13 16:51	09-23				
3207	41	底部反弹, 16.8最佳介入点。	爱情真善美	10-13 15:48	06-16				
17216	199	大盘震荡调整, 600887却在今日创造佳绩, 原因何在?	124.163.103.*	10-13 15:40	03-14				
20741	500	伊利的未来, 其实很明了 2	116.1.37.*	10-13 15:14	07-14				
1352	9	伊利股份 主力怎么想的?	58.244.14.*	10-13 13:37	06-15				
2045	92	伊利, 现在也是个烫手山芋啊, 看下 洛郝吡 吧	222.92.128.*	10-13 12:22	09-08				
1069	15	伊利相对来说还是挺抗跌的!	180.110.55.*	10-13 11:45	09-30				
9785	36	揭密进口奶粉的保质期——保质期内能否保质?	124.240.129.*	10-13 11:11	06-12				
1294	15	蒙牛今天涨了 6.39%, 伊利涨不到就是 软蛋	119.134.249.*	10-13 10:36	10-06				
4334	74	皇氏乳业PK伊利实业	61.132.138.*	10-13 10:34	08-12				
65	0	会补跌吗?	119.127.62.*	10-13 10:26	10-13				
2682	56	巴菲特在中国也会说永远不卖伊利股份	220.181.135.*	10-13 10:15	09-06				
2739	60	伊利股份——中国未来的可口可乐	220.181.135.*	10-13 10:14	09-06				
292	2	前期所讲到的追杀行情	184.82.60.*	10-13 10:00	10-10				
4419	120	伊利股份 散户进 8 2 10 叁 134 看主力资金趋势	113.220.100.*	10-13 09:42	03-17				
4167	92	震惊——伊利股份全面进军婴幼儿米粉和奶粉, 贝因美完蛋	58.83.254.*	10-13 09:32	09-04				
63547	1388	拉稀伊利	218.87.143.*	10-13 09:31	01-15				
377	2	匈牙利国会副主席希望伊利在匈投资建厂!	爱喝伊利	10-13 08:50	10-12				
1989	8	小心突然停牌.....	125.210.188.*	10-13 07:20	08-16				
1853	35	历史数据显示, 消费行业是十倍股与百倍股的主要发源地	219.239.218.*	10-13 06:44	08-22				
1093	31	追涨跌散户永远是弱者, 持有与企业共成长才是赚钱之道	219.239.218.*	10-13 06:43	08-22				
3312	119	上海“大智慧”是十足骗子公司, 不要买其股票, 更不要购买;	222.240.223.*	10-12 22:40	06-14				
969	9	不论是政策底还是市场底, 爱喝依然乐观并看好伊利!	爱喝伊利	10-12 21:03	10-11				
38	0	000	112.112.40.*	10-12 19:14	10-12				
2425	36	现在最安全的食品, 也许就是牛奶啦	南苑戒烟服务中	10-12 15:33	10-12				
271	3	今天先建仓20手。准备拿到过年看看	61.174.152.*	10-12 14:50	10-12				
18257	35	这几天蒙牛推出了新养道等几款牛奶, 伊利的舒化奶开始降价。	220.202.29.*	10-12 14:17	06-02				
545	8	庄家的成本7元!!!快跑!!!!	221.6.3.*	10-12 13:51	12-27				
890	17	7.3至31元~400%滴利润, 那个酒瓜还不走啊.....	58.19.180.*	10-12 13:51	01-26				
3057	137	嘿嘿~咋就不跌呢? 唱空滴活雷锋岂不要急死了呀~哼哼哈嘿~~	路过路过	10-12 13:51	07-02				
743	10	从6元多涨到45元可以满足, 被套是你太贪心了, 不要怪庄家	58.37.111.*	10-12 13:51	10-14				

Fig. 1. China's Internet stock message board Guba Eastmoney. Notes: The figure is a screenshot of Guba Eastmoney, the most popular Internet stock message board in China. The board provides the IP information of posters who do not log in with a registered account.

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