

Exposing Investor Sentiment In Stock Returns

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Abstract : This paper compares the explanatory power of sentiment level and sentiment shock. The preliminary test results show that sentiment shock plays a more significant role in explaining stocks returns, including the raw return and abnormal return. We also find that sentiment shock beta has a higher statistical significance than sentiment beta. These finding sheds new light on the relationship between investor sentiment and stock returns.

Keywords : sentiment level, sentiment shock, explanatory power, abnormal stock return, beta

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