

Investors' Misreaction to Subsequent Bad News

Authors : Liang-Chien Lee, Chih-Hsiang Chang, Ying-Shu Tseng

Abstract : Comparing with prior studies mainly focused on the effect of a certain event (it may be the initial announcement of bad news or the repeated announcements of identical bad news) on stock price, the aim of this study is to explore how investors react to subsequent bad news with identical content. Empirical results show that as a result of behavioral pitfalls, investors underreact to the initial announcement of the bad news (i.e., unknown bad news) and overreact to the repeated announcements of the identical bad news (i.e., known bad news).

Keywords : subsequent bad news, behavioral finance, Investors' misreaction, behavioral pitfalls

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