Searching Stocks in Weekends: A Calendar Effects of Online Search

Abstract:

The effects of online search draw many attention of researchers from different areas and show strong predictabilities on stocks price, firm sales, and influence spread. Recent studies propose online search frequency for stocks as a direct and timely measure of investor attention. We test the theories on limited investor attention and propose that searching under different circumstances do not guarantee equal amount of attention. Weekend search better captures retail investors' attention and has higher predictability for short-term stock price while weekday search has more noise and lower predictability. Using data from the S&P 500 stocks and the daily search volume index (SVI) from Google Trends, we construct a weekend search measure and show this measure can shed light on inconclusive issues in the literature. First, it has been debated whether limited investor attention leads to reduced market response to Friday earnings announcements. We show that the reduced market response only happens when weekend search volume is low, and not when weekend search volume is high. We also find that, different from previous studies, our investor attention measure can predict returns of large stocks in the S&P 500.

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