

Institutional Investor Attention and Demand for Inconsequential Disclosures

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Abstract

We study how exogenous short-term changes in institutional owner attention affect managers' short-term disclosure choices. Holding institutional ownership constant and controlling for industry-quarter effects, we find that managers respond to attention by increasing the number of forecasts and 8-K filings. Rather than alter the decision of whether to forecast or to provide more informative disclosures, attention causes minor disclosure adjustments. Although attention explains significant variation in the quantity of disclosure, we find no change in forecast properties, abnormal volume and volatility, the bid-ask spread, or price impact of trades. Overall, our evidence suggests that management placates temporary institutional investor attention by making disclosures that have little effect on information quality or liquidity.