Googlization and retail investment decisions

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Abstract

According to Barber and Odean (2008)'s theory of limited attention, retail investors predominantly buy stocks that catch their attention. In this paper, we test whether retail investors' trading activity is related to their level of attention, as measured by the Google Search Volume Index (SVI). While this link has already been documented previously by studies that focus exclusively on market trading volume, returns, and/or volatility, which are all publicly disclosed financial indicators. We document that the relationship between SVI and trading activity remains positive and significant beyond the market level perspective, and even if we restrict the analysis to a sample of investors having a specific socio-demographic or investment-related characteristic. However, our results do not support the fact that this relationship is stronger for purchases than for sales. This goes against the initial claim that attention leads to more buying activity. Overall, our results indicate a positive and contemporaneous relationship between attention and trading.

Keywords: Investors' attention ; Google Search Volume Index ; Retail investors ; Trading activity

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