Googlization and retail investors' trading activity*

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Abstract

According to Barber and Odean (2008), retail investors are net buyers of stocks that catch their attention. Using the Google Search Volume Index (SVI) as a proxy of attention, several papers document a positive relationship between the SVI and market trading volume, abnormal returns, and/or volatility. Such findings suggest that increased attention leads to a buying pressure that subsequently results in positive returns. In this paper, we focus on a sample of retail investors and use the SVI to test whether their aggregate (signed) trading activity is related to attention. We find that the relationship between the SVI and our retail investors' trading activity is positive, even when controlling for some socio-demographics or subjective investor characteristics. However, our results do not bring evidence that this relationship is stronger for purchases than for sales, thereby providing no support for the price pressure hypothesis.

Keywords: Investor attention ; Google SVI ; Retail investors

JEL Classification: D83, G11, G40

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