Title: **SENTIMENT-INDUCED SHARE RETURNS**

Speaker: **Ian Cooper**
London Business School

Importance: Why this matters:

"Sentiment," which Google defines as "a view of or attitude toward a situation or event; an opinion," clearly plays a major role in establishing market prices. The interesting questions are how sentiment affects prices, how to measure sentiment, and whether sentiment effects promote or hinder efficient price discovery.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

The speaker and his colleagues tested for sentiment effects on a sample of upstream (producer) oil stocks 1983-2012 attempting to separate the stock return caused by changes in fundamentals and the part that causes deviations from fundamental value due to changes in sentiment.

Innovation: Are there new techniques of interest in the data or approach to the problem?

The authors use a fairly standard analysis technique of creating high- and low-effect portfolios and observing subsequent price behavior over time.

They apply two measures of sentiment, [1] the Baker/Wurgler composite index of general market sentiment index of IPO volume and returns, market volume, relative pricing of high and low volatility stocks, and [2] the "%bullish" from the American Assn of Individual Investors survey of investor sentiment.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. As expected, the B-W sentiment predicts mean reversion; and the retail bullish sentiment predicts momentum.

2. The measures of sentiment were based on broad and infrequent data sets that did not reflect the idiosyncrasies of the particular industry or the individual stocks comprising the group. Given the coarseness of the predictors, potentially more interesting results were obscured.

3. The authors conclude that their findings are inconsistent with theories where sentiment causes deviations from fundamental value.

Audience rating: 2.97