Background Noise? TV Advertising Affects Real-Time Investor Behavior

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Abstract

Using minute-by-minute TV advertising data covering some 300 firms, 327,000 ads, and $20 billion in ad spending, we study the real-time effects of TV advertising on investors' searches for online financial information and subsequent trading activity. Our identification strategy exploits the fact that viewers in different U.S. time zones are exposed to the same programming and national advertising at different times, allowing us to control for contemporaneous confounding events. We find that an average TV ad leads to a 3% increase in SEC EDGAR queries and an 8% increase in Google searches for financial information within 15 minutes of the airing of that ad. These searches translate into larger trading volume on the advertiser's stock, driven primarily by retail investors. The findings on retail investor ad-induced trading are corroborated with hourly data from Robinhood, a popular retail trading platform. We also show that ads induce searches and trading of companies other than the advertiser, including of close rivals. Altogether our findings suggest that advertising originally intended for consumers has a non-negligible effect on financial markets.

Keywords: Advertising; Limited Attention; Retail Investors; SEC EDGAR; Robinhood

JEL Classification: G11, G12, L15, M37

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