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Sentiment changes, stock returns and volatility: evidence from NYSE, AMEX and NASDAQ stocks


Spyros Spyrou

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Notes

¹ Zhang, for instance defines the term investor sentiment as a representation of market participants' beliefs about future cash flows relative to some objective norm (the true fundamental value of the underlying asset; p. 9).

² The index (level and changes) is collected from www.stern.nyu.edu/~jwurgler, where it is publically available.

³ See <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french>. The site provides more details on the construction of the portfolios. Also see previous empirical studies for further details and discussion, such as Fama and French ([1993](#), [1995](#), [1996](#)), among others.

⁴ Their regression also includes a market return as a control variable, since high volatility stocks may have higher betas.

⁵ Testing for a unit root yields an Augmented Dickey-Fuller (ADF) test statistic for the level of sentiment equal to -2.1777 , and an ADF test statistic for the first difference of the level of sentiment equal to -8.7783 (the 1% critical value is -3.4456 ; the 5% critical value is -2.8676).

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