

Investment Analysts Journal >

Volume 48, 2019 - [Issue 2](#)

1,158 44

Views | CrossRef citations to date | Altmetric 0

Articles

Investor sentiment, stock returns, and analyst recommendation changes: The KOSPI stock market

Karam Kim, Doojin Ryu & Heejin Yang

Pages 89-101 | Received 28 Dec 2018, Accepted 28 Apr 2019, Published online: 08 Jun 2019

🗨️ Cite this article 🔗 <https://doi.org/10.1080/10293523.2019.1614758>

🔄 Check for updates

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

📄 Full Article

📊 Figures & data

📖 References

🗨️ Citations

📊 Metrics

📄 Reprints & Permissions

Read this article

🔗 Share

ABSTRACT

By analysing daily data on the KOSPI stock market, we examine how investor sentiment and stock market returns respond to announcements of changes in analysts' recommendations. In addition, we examine the effect of these announcements on the relationship between investor sentiment and stock returns. We find that investor sentiment is more sensitive to upgrade announcements than it is to downgrade announcements, implying that analyst reports yield meaningful trading indications to uninformed investors. Furthermore, investor sentiment becomes pessimistic prior to bad news being released, significantly affecting the response of stock returns to downgrade announcements. Thus, investor sentiment is one possible cause of asymmetric stock market reactions to changes in analysts' recommendations.

KEYWORDS:

Analyst recommendation changes

event study

investor sentiment

KOSPI market

stock returns

JEL CLASSIFICATION:

G14

G15

G24

Acknowledgement

This work was supported by the Ministry of Education of the Republic of Korea and the National Research Foundation of Korea [NRF-2017S1A5A2A01025583].

Notes

1 For example, Seok, Cho, and Ryu ([2019](#)) examine whether investor sentiment influences the relationship between earning announcements and stock returns. They find that the responses of stock returns around earning announcements are greater in stocks with higher investor sentiment.

2 The characteristics and importance of the Korean stock market are well documented in the recent finance and investment literature (e.g., Chung, Cho, Ryu, & Ryu, [Forthcoming](#); Ryu, Ryu, & Hwang, [2016](#)).

3 The evaluation period can be adjusted depending on the research purpose (Wong, Manzur, & Chew, [2003](#)). We set the period to 14 days to construct the RSI variable. The analyses using other periods yield the same conclusions.

4 As a robustness check, we also construct the sentiment indicator by incorporating the implied volatility index (VKOSPI), which measures investors' fear and sentiment in the KOSPI200 options market. However, our overall conclusion remains the same. The results are available on request.

5 As a robustness check, we also incorporate the VKOSPI (or its first difference) series into [equation \(2\)](#) to control for market volatility. The amended regression equation is as

follows: $S_{i,t} = \alpha_0 + \alpha_1 \times \text{MKT}_t + \alpha_2 \times \text{VKOSPI}_t + \varepsilon_{i,t}$. However, our overall conclusion remains the same. The results are available on request.

6 The results based on the VKOSPI level are qualitatively the same as those based on the first difference of the VKOSPI.

Related research

People also read

Recommended articles

Cited by
44

Information for

Authors
R&D professionals
Editors
Librarians
Societies

Opportunities

Reprints and e-prints
Advertising solutions
Accelerated publication
Corporate access solutions

Open access

Overview
Open journals
Open Select
Dove Medical Press
F1000Research

Help and information

Help and contact
Newsroom
All journals
Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG

 Taylor & Francis
by informa