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# The Geography of S&P 500 Stock Returns


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## Abstract

Investor bias in favor of geographically close firms has been documented in previous papers. An implication of this bias is that if local events cause nearby investors to trade together, then the correlation of stock returns of pairs of firms will increase as the distance between them decreases.

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## Notes

1. Reported in Table IV of [Pirinsky and Wang \[2006\]](#).
2. Zhu [2002] using a similar dataset, also finds strong evidence that retail investors overweight their portfolios in local stocks. Consistent with a familiarity explanation, he finds that advantageous information cannot explain the investor local bias.
3. When firms are incorporated in Bermuda but have operational headquarters in the United States, we use the U.S. location. For example, Tyco International is incorporated in Bermuda, but numerous press reports indicate that their operational headquarters are located in Princeton, N.J.
4. There are a variety of reasons for firms to have at least one missing monthly return. Here are two examples. MetLife Inc. went public on April 4, 2000, so it is missing four monthly returns and is excluded from the sample. Rockwell Collins was spun off to the shareholders of Rockwell International in July 2001. Hence, Rockwell Collins is missing 19 months of data and is excluded from the final sample of firms.
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6. Note t
7. See H ed at 1,980 miles.
8. Th y size is eliminat personal and investm



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