

DOCTORAL PROGRAMME

TRADING VOLUME AND DISPERSION OF SIGNALS

By

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Contents

Abstract	1
Acknowledgements	3
1 Introduction	7
2 Review of Literature	11
2.1 Theoretical work	11
2.2 Empirical work	12
3 Disagreement and Trading Volume	15
3.1 Variable Measurement	16
3.1.1 Measuring Volume	16
3.1.2 Measuring Disagreement	17
3.1.3 Control Variables	21
3.2 Data Sources and Sample	22
3.2.1 Construction of Anomalies	22
3.2.2 Variable Definitions	26
3.2.3 Data Snooping	27
3.3 Results	27
3.3.1 Descriptive Statistics	27
3.3.2 Properties of Disagreement	35
3.3.2.1 Number of Anomalies and Disagreement	35
3.3.2.2 Disagreement and Firm Characteristics	38
3.3.3 Regressions	40
3.3.3.1 Within and Cross Disagreement	44
3.3.3.2 Asymmetric Effect of Buy and Sell Signals	48
4 Information Environment and Properties of Analyst Forecasts	51
4.1 Variable Measurement	52
4.1.1 Information Quality and Environment	52
4.1.2 Analyst Forecast Dispersion and Accuracy	52
4.2 Data Sources and Sample	53
4.2.1 Variable Definitions	53
4.3 Results	54

4.3.1	Information Environment	54
4.3.1.1	EDGAR Adoption	57
4.3.2	Disagreement and Analyst Forecasts	57
4.3.3	Disagreement and Anomaly-related Turnover	59
5	Conclusion	67
	Bibliography	69
	Appendix	A-1
A.1	Variable Definitions	A-1
A.2	Robustness Checks	A-3
A.2.1	Regressions with size included	A-3
A.2.2	Financial Firms	A-4
A.2.3	S&P 500 Membership	A-4
A.2.4	Book to market splits	A-4
A.2.5	NASDAQ stocks	A-4
A.2.6	Portfolio sorts	A-9

List of Figures

3.1	Turnover Trend	28
3.2	Heatmap of Anomaly Correlations	29
3.3	Disagreement Trend	30
3.4	Disagreement and Anomaly Groups	31
3.5	Properties of simulated disagreement	37
3.6	Disagreement and Firm Characteristics	39
4.1	Anomalies and Turnover	63

List of Tables

3.1	Anomaly Papers	17
3.2	Anomalies List	19
3.3	Disagreement by Industry	32
3.4	Correlations and Descriptive Statistics	33
3.5	Regression: Different Specifications	41
3.6	Regression: Different Measures of Turnover	45
3.7	Regression: Within and between group disagreement	47
3.8	Bivariate Portfolio Sorts by NBUY/NSELL	49
3.9	NBUY/NSELL, Disagreement, Turnover, and Returns	50
4.1	Descriptive Statistics and Correlations	55
4.2	Information Environment: Summary of Regression Splits	56
4.3	Regression: EDGAR adoption	58
4.4	Analyst Forecasts and Disagreement	59
4.5	Excess Turnover by Anomaly	61
A.1	Variable Definitions	A-1
A.2	Regression: Including Firm Size	A-5
A.3	Regression: Financial Firms	A-6
A.4	Regression: S&P 500 Membership	A-7
A.5	Regression: Book-to-market Terciles	A-8
A.6	Regression: Different Exchange	A-10
A.7	Univariate Portfolio Sorts: Different disagreement and turnover measures	A-11

Abstract

I propose a new measure of investor disagreement based on thirty-nine factors from the return-predicting anomaly literature. Consistent with theoretical work on volume, I show that a one standard deviation change in anomaly-based disagreement is associated with a 16.7% higher turnover in the next period. The positive and significant relationship is robust to different specifications, alternative measures of turnover and disagreement, and different periods. I document that a firm's information environment moderates the effect of disagreement on volume. Disagreement effects are stronger for firms with less public information and more complex information releases. Anomaly-based disagreement also explains analyst behavior — it is positively related to their forecast dispersion and absolute forecast errors in earnings and target prices.