

Influence of Media Attention on Investors' Heterogeneous Beliefs: A Case Study of China's Stock Market

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Abstract

With the rapid development of Internet media, Internet media coverage has more or less influence on investors' psychological level. This article uses Python technology to climb 2019.9 to 2020.1 of the monthly news reports on A share listed companies in the Snowball net, and studies the relationship between media attention and investors' heterogeneous beliefs. It is found that media attention is positively correlated with investors' heterogeneous beliefs, that is, investors are more likely to choose stocks frequently reported by media. Further research finds that media reports will strengthen investors' heterogeneous beliefs, affect investors' investment behavior, and ultimately lead to the increase of stock trading volume.

Keywords: *Media Attention; Investor Heterogeneous Belief; Investor Behavior*

1 INTRODUCTION

China's securities market is in the critical stage of "emerging" and "transition", and the market's non effectiveness is more obvious. On the one hand, according to the 2018 survey of individual investors released by Shenzhen Stock Exchange, the irrational investment behavior of individual investors is mainly reflected in the high transaction frequency. About 46.4% of investors frequently traded in one week; about 31.9% of investors traded 1-2 times in one month; about 21.7% of them were traded for a quarter or longer and over 1 times. On the other hand, Internet media, as the most important information media, can disseminate information timely and widely. However, in the era of big data, investors may face more complicated information environment. Higher information asymmetry will aggravate the divergence of beliefs among investors, and may cause huge fluctuations in the stock market.

At present, there are two aspects in the research of investors' heterogeneous beliefs. First, the formation mechanism of heterogeneous beliefs. Representative scholars such as de Bond (1993) [1] used experimental research to predict the stock price to prove the heterogeneity of the prediction process; Harris and Raviv (1993) [2] put forward the heterogeneous interpretation theory that investors generate heterogeneous beliefs due to their own experience, knowledge storage and other differences; Chen Guojin, Wang Jing and others (2009) [3] found that the belief differences between investors are the source of the formation of investor structure differences Wang Lu Jun and Yan pin (2014) [4] comparative analysis of the technology and fundamentals of the stock pricing model, found that the fundamental analysis reduced the divergence of investors' opinions, and technical analysis enhanced heterogeneous beliefs. The second is the impact of investors' heterogeneous beliefs on the stock market. Bamber et al (1999) [5] used analysts' prediction divergence to measure heterogeneous beliefs. It was found that the existence of heterogeneous beliefs would lead to the phenomenon that the price of stocks decreased but the trading volume increased after the announcement of earnings; Zhang Pu, Chen Liang, etc. (2018) [6] found that the degree of information asymmetry is the key factor causing the volatility value of stocks, and the increase of information difference will strengthen the heterogeneous beliefs of investors. Yin Hai Yuan and Zhu Xu (2019) [7] adopt Markoff decision process to simulate the evolution process of investors' expectations. It is concluded that the

volatility, risk aversion and information asymmetry of investors' heterogeneous beliefs are negatively correlated with stock market liquidity. Zhou Qi, especially Zuo et al. (2020) [8] established a risk asset pricing model for the uninformed traders, and found that the belief bias demand and stock price of the uninformed traders have an impact on the decision-making of the insider traders. In the era of big data, with the cross flow of Internet media, investors blindly follow the media reports, which is likely to cause similar phenomena with "media effect".

This paper holds a similar view with Ma Jing (2018). Most of the above literature focuses on the impact of high efficiency of media reports on the stock market, and few studies are conducted from the perspective of irrational behavior of investors. In reality, the media is the overreaction of the stock market caused by the influence of limited rational investors. In the academic field, the mechanism of news reporting affects the performance of securities market mainly from the perspective of investor cognition and limited attention. However, what is the impact of heterogeneous beliefs on investors' media attention behavior is seldom mentioned by scholars. Under the background of China's special system, is such a serious investor's heterogeneous belief the real "pathogen" that leads to the frequent occurrence of media reports and stock return anomalies in China? How will the rapid development of Internet media affect the investor's heterogeneous belief? Only by solving these problems can we have a deeper understanding of the current situation of the development of China's securities market, play a more effective role in resource allocation of China's securities market, and ensure the stable development of the stock market. Therefore, the purpose of this paper is to explore the impact of Internet media reports on investor heterogeneity, and to explain stock return anomalies from a new perspective.

The structure of this article is as follows: This is the first section of this article, which introduces the background and the theme; the second section is theoretical analysis and hypothesis; the third section is the research design, including variable index selection, model setting, etc. the fourth section is empirical test, which validates the hypothesis; the last section is the conclusion and inspiration.

2 THEORETICAL ANALYSIS AND RESEARCH HYPOTHESIS

2.1 The Influence of Media Reports on Investors' Heterogeneous Beliefs

EMH thinks that investors are completely rational and homogeneous, and the stock price can reflect any information they need. Then, information from the company level or media coverage about stock will not affect investors' behavior, nor will investors get excess returns. But what is the reality? Under the background of behavioral finance, Miller (1977) [9] put forward the concept of heterogeneous belief to explain this phenomenon. He believed that under the short selling restriction, the stock price mainly reflected the expectation of optimistic investors, resulting in the overvaluation of the stock price, making investors obtain excess return, and the higher the degree of heterogeneous belief of investors, the greater the degree of stock price deviation. Behavioral finance theory explains this: investors have different beliefs, and limited energy and time constraints, so they can't objectively, unbiased and fairly analyze and process the existing information, resulting in their different expectations of future earnings, which affects their share of wealth distribution in the stock market, and ultimately leads to their own property losses and phenomena.

Economic psychology, one of the basic disciplines strutting behavioral finance, believes that the factors influencing investors' behavior are not only related to information, but also to their psychological characteristics. Investors' complex psychological changes, such as heterogeneous beliefs, affect their decision-making behavior all the time. Therefore, it is necessary to study how the psychological characteristics of investors affect the decision-making behavior of investors to achieve the stable operation of the financial market. The first condition for investors to make decisions is stock information. Only when they get reliable information can investors have investment behavior. In the information age, too many to count daily reports are the source of investors' information. Under the influence of heterogeneous beliefs, investors are mostly overconfident. When media attention is consistent with their expectations, they will trigger their irrational follow ups and cause the stock market turbulence. The impact of Internet media on the stock market is ultimately achieved through the impact on investors. Quan Xiaofeng and Wu Shinong (2010) [10] think that investors' attention is the premise of market reaction, and only when the information is concerned by

investors, the information will be reflected in the stock price; Liu Feng, ye Qiang, et al. (2014) [11] found that investors' attention has a significant positive impact on the current stock return, while media attention has a negative impact on the current stock return, but their interaction effect has a positive impact on the current stock return, which shows that investors' attention and investment behavior caused by media information dissemination are the direct factors that cause the change of stock return, The media's attention to specific stocks can enlarge the impact of investors' attention on stock returns. The 21st century is the era of big data. The rapid development of information media brings investors not only value information, but also "information disaster". Terence Odin, a behavioral economist, and Brad barber, a professor of finance at the University of California, think investors will face a worse stock market environment, Because the huge amount of information on the Internet will make investors easily anchor the information that supports their prediction, promote investors to have overconfidence psychology, determine the investment goal without screening, processing and analysis, and show insufficient caution, leading to irrational behavior. Some scholars have confirmed that individual investors are more inclined to buy stocks with high attention, because compared with institutional investors, they have no professional stock selection ability, mature experience and expensive information cost, so they can only rely on the media to mine valuable information. Antweiler (2004) [12] concluded that eye-catching news reports do attract more attention, Especially the Internet media reports, when the concentrated media reports cause investors to pay attention to the company or the event, it will urge them to spend more energy and time to study the field regardless of the cost, willing to increase the investment and eventually lead to the short-term excessive pursuit of the market. Therefore, the first hypothesis of this paper is proposed:

H1: Investors' heterogeneous belief is positively correlated with their media attention behavior, that is, the stronger the heterogeneous belief is, the more inclined investors are to buy stocks with high media attention.

2.2 The Influence of Internet Media Reports on the Behavior of Investors with Heterogeneous Beliefs

Market information is very important to investors, so Internet media plays an important role in the securities market. Yu Zhongbo, Tian Gaoliang et al. (2011) [13] found that the disclosure and dissemination of information from Internet media to listed companies will directly affect the image of the company in the eyes of investors, and generate heterogeneous beliefs of investors in the process of public opinion guidance and decision-making of investors; Du Xiuli and Lu Jingyi (2018) [14] found that media, as an information intermediary, will have an impact on the transmission process, quality and quantity of information, and this process will inevitably attract the attention of investors. Although studies have shown that news media can help reduce the degree of information asymmetry among investors, For example, Bushee et al. (2010) [15] study confirmed that media reports are similar to information intermediaries, which can deliver company information to market participants in time, help investors understand the current situation of the company's operation, not only reduce the market friction cost, but also reduce the degree of information asymmetry, help investors accurately predict the future and reduce the probability of accidents. However, some scholars hold the opposite view that media reports may mislead investors, causing stock prices to deviate from fundamental values. For example, Klibanoff et al. (1998) [16] put forward the view that news may release reports leading to investors' wrong decision-making behavior; Zhong Chen, Zhang Xiaopu and Wu Xiong (2017) [17] found that public information disclosure would aggravate investors' heterogeneous beliefs, thus increasing stock price volatility and deepening the degree of "anomalies" in the capital market; Li Honghao (2017) [18] believed that the cost of obtaining and analyzing information for individual investors was high, and the power of driving them to gather information from formal channels was not strong, but rather they were more inclined to spread various "gossip" in the market. As we all know, in order to pursue sensationalism and attract the public's attention, the media may also over hype or exaggerate some hot issues (Core JE, Guay W, Larcker D f. 2008 [19]), At the same time, in order to pursue economic benefits, readers may provide some entertainment or interesting reports. In the face of a large amount of information in the market, the initial beliefs of investors are not completely consistent. When they are overconfident in themselves, they usually do not realize that they are in the information disadvantage of the market or extremely confident in personal decision-making, and pay less attention to the trading information of other market participants, they believe too much in their ability to interpret information and ignore

their psychological changes and the influence of their surrounding environment, which leads to the improvement of heterogeneous beliefs. Moreover, there will be differences in the interpretation of the same information by the investors with limited rationality, and there will be differences in the judgment of the information reported by the media, which further intensifies the divergence of the investors on the future earnings distribution of the company's stock, that is, deepening the degree of heterogeneous belief, Therefore, the second hypothesis is proposed:

H2: Media reports will reinforce investors' heterogeneous beliefs, resulting in an increase in stock trading volume.

3 RESEARCH DESIGN AND DATA SOURCES

3.1 Data Source and Sample Analysis

With the rapid development of the Internet, in addition to the regular media reporting channels, It has also formed network media such as financial network, xinhuanet.com, hexun.com and Snowball net, which are favored by investors. Snowball net, one of the most visited financial websites in China, has better representativeness and integrity. Therefore, crawler technology is used to get the required number of news media reports. There are two ways to search the number of monthly news articles related to the company's shares on Snowball net. One is search code , the other is search abbreviation.

Wang Xiaoyan and other scholars believe that the majority of small and medium cap stocks in Shenzhen stock market are more speculative and heterogeneous than those in Shanghai stock market. In order to ensure that the network news contains more basic information of listed companies, this paper selects companies listed in Luxi City, with an initial sample of 505 companies, selects relevant data of listed companies from September 2019 to January 2020, and processes the data as follows: (1) samples with default values of variables are removed; (2) samples of ST and Pt companies are removed; (3) banks and securities companies are removed , insurance and other financial industry company samples; (4) listed companies after 2018 are excluded; (5) companies with B shares or H shares are excluded.

3.2 Variable Index Selection

The variables in this paper mainly include explanatory variables, explained variables and related control variables.

1) Heterogeneous Beliefs of Investors

The formation of heterogeneous beliefs is mainly related to people's psychological characteristics, behavioral activities and so on. According to the existing literature, scholars mainly use indicators such as analysts' forecast divergence, turnover rate or stock volatility to quantify. Referring to the research of domestic and foreign scholars and combining with the characteristics of Chinese securities market, this paper selects the trend turnover rate after market adjustment as the heterogeneous belief index.

Model (1) was used to calculate the trend turnover rate after market adjustment:

$$\text{Beliefsturn}_{i,t} = \text{Turn}_{i,t} - \overline{\text{Turn}_{i,m}} \quad (1)$$

Where, $\text{Beliefsturn}_{i,t}$ represents the trend turnover rate of the stock i in the following months, $\text{Turn}_{i,t}$ is the turnover rate of the stock i in the first t month, and $\overline{\text{Turn}_{i,m}}$ is the average turnover rate of the stock i in the sample period.

2) Media Attention

Media reports are one of the important channels for investors to obtain market information. The frequency of news reports on individual stocks will attract investors' attention and lead to their different reactions. Therefore, the number of media reports has an important impact on investors' behavior, which can be used as a measurement index, expressed in $\text{Med}_{i,t}$. Most scholars use media coverage to measure the degree of media attention, so this paper uses news media to measure the number of respondents to measure the media's attention behavior.

3) Abnormal Trading Volume

Luo Danglun, Li Xiaoxia et al. (2016) [20] believed that media news as an important external environment of the stock market, Actually, it affects the whole market by affecting investors' behavior, and the volume of stock can directly reflect this performance. Therefore, this paper selects abnormal stock volume to measure the investors' performance under heterogeneous beliefs, which is expressed by $AV_{i,t}$.

$$AV_{i,t} = \frac{Vol_{i,t}}{Vol_{i,m}} \quad (2)$$

Where, $AV_{i,t}$ represents the abnormal trading volume of stocks, $Vol_{i,t}$ represents the trading volume of stocks i in the first t month, and $Vol_{i,m}$ represents the average trading volume of stocks i in the sample period.

4) Control Variables

In the empirical study, besides the influence of independent variables on dependent variables, the influence of factors other than independent variables on empirical results should also be considered. This paper refers to the practice of You Jiaxing (2012)[21]and introduces the following control variables:(1) the number of years the company has been listed, denoted by Age; (2) the operating capacity of the company, AF as shown; (3) asset-liability ratio, expressed as Lev; (4) the size of the company is expressed as follows Size: (5) equity concentration degree, expressed as Herf. Table 1 shows all variables and descriptions applicable to this study:

TABLE 1 RELATED VARIABLES AND EXPLANATIONS

Variable	Definition	Description
<i>Beliefsturn</i>	Trend turnover	The difference between monthly turnover rate and the mean value in the sample period was used to measure
<i>Med</i>	Media attention	The number of monthly news in the sample period is measured by taking logarithm
<i>AV</i>	Abnormal trading volume	The difference between monthly trading volume and the mean value in the sample period was used to measure
<i>Age</i>	Years of listed companies	Measured from the date the company went public to the number of years in the sample year
<i>Lev</i>	Asset-liability ratio	The ratio of total liabilities to total assets at the beginning of the quarter is used for measurement
<i>Size</i>	The company size	The total assets of the company at the beginning of the quarter after logarithmic transformation are used for measurement
<i>Herf</i>	Ownership concentration	The sum of squares of the shareholding ratio of the top 10 major shareholders of the company was used to measure
<i>AM</i>	Total asset turnover	The ratio of total liabilities to total assets is used for measurement

3.3 The Empirical Test

In this paper, descriptive statistical analysis of the main variable indicators is given in Table 2, and correlation statistical analysis is given in Table 3. According to the result of Table 3, there is a significant positive correlation between trend turnover rate and abnormal turnover volume and media coverage intensity. It shows that the higher the degree of heterogeneous belief of investors in the stock market, the more investors tend to the companies with higher media attention.

TABLE 2 DESCRIPTIVE STATISTICS OF MAJOR VARIABLES

	Min.	Max.	Mean.	Std.Deviatio	Varianc	Partial degrees	Kurtosi
Med	2.9444	9.4601	5.89868	1.0013813	1.003	.341	-.057
Beliefsturn	-142.095%	185.365%	-0.077%	22.2643%	495.70	1.455	14.180
Av	-2.8542	2.66351	-.01386	.43593304	.190	.060	5.027
Am	.00001	1.64231	.296761	.24482402	.060	1.590	4.230
Size	19	28	22.60	1.598	2.554	.822	.604
Herf	.0086	.6642	.190302	.1196260	.014	.979	.947
Age	2	28	13.60	8.789	77.238	-.052	-1.708
Lev	.0003	.9613	.421323	.2070605	.043	.137	-.712

TABLE 3 CORRELATION ANALYSIS OF MAJOR VARIABLES

	Beliefsturn	Med	Av	Lev	AM	Size	Herf	Age
Beliefsturn	1.00	.266**	.134**	0.077	-.138**	.336**	.125**	.311**
Med	.266**	1.00	.101**	.182**	-0.061	.320**	-.116**	.275**
Av	.134**	.101**	1.00	-0.002	-.106*	-0.011	-0.032	.089*
Lev	0.077	.182**	-0.002	1.00	-0.044	.532**	0.028	.278**
AM	-.138**	-0.061	-.106*	-0.044	1.00	-0.074	0.04	-.247**
Size	.336**	.320**	-0.011	.532**	-0.074	1.00	.090*	0.384
Herf	.125**	-.116**	-0.032	0.028	0.04	.090*	1.00	-.213**
Age	.311**	.275**	.089*	.278**	-.247**	0.384	-.213**	1.00

* significantly correlated at the 0.05 level (bilateral), ** significantly correlated at the.01 level (bilateral)

For hypothesis 1, this paper USES univariate and multivariate regression analysis to discuss the relationship between heterogeneous beliefs and media attention.

1) Univariate Analysis

First, according to the investor's heterogeneous belief level, the sample stock is divided into 5 equal categories: Low, 2, 3, 4, High; secondly, the media attention performance of each group is counted; lastly, the difference between High and Low is calculated and its significance is calculated. According to the statistical results of Table 3, the difference between the highest and lowest values of media attention (High-Low) is 0.210, and is significant at 1% significant level.

TABLE 4 UNIVARIATE ANALYSIS

Med	Mean
low	5.79033
2	5.65467
3	5.70999
4	6.52356
high	6.45544
High-low	.0210**

** significantly correlated at the level of.01 (bilateral)

2) Multiple Regression Analysis

Using investor heterogeneous belief index (β), the paper makes multiple regression analysis on the index of investor media attention behavior in the sample period. The basic model is as follows:

TABLE 5 TEST RESULTS OF THE INFLUENCE OF MEDIA ATTENTION ON INVESTORS' HETEROGENEOUS BELIEFS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.814512	0.678894	-1.199763	0.2308
Belifsturn	0.890692	0.223499	3.985219	0.0001
AM	0.042644	0.162072	0.263116	0.7926
AGE	-0.020284	0.005232	-3.877056	0.0001
SIZE	-0.203309	0.032174	-6.319008	0.0000
HERF	0.655089	0.343428	1.907502	0.0570
LEV	0.165621	0.222910	0.742995	0.4578

For hypothesis 2, verify the impact of media reports on investors' heterogeneous beliefs, add abnormal trading volume on the basis of (3), and the basic model is as follows:

$$AV_{i,t} = \alpha_{i,0} + \beta Belifsturn_{i,t} + \alpha Med_{i,t} + \sum \gamma Control_{i,t} + \varepsilon_{i,0} \quad (4)$$

For hypothesis 2, a (4) model is used for regression analysis, and the Eviews statistics are shown in Table 6. Trend turnover rate and media attention coefficient are both positive, and significant at 1% significant level. It shows that the degree of media attention will directly affect investors' behavior. The higher the media attention is, the higher the volume will be. This is because news media reports strengthen investors' heterogeneous beliefs, which cause investors' irrational behavior and increase trading volume. Hypothesis 2 is proved.

TABLE 6 TEST RESULTS OF THE INFLUENCE OF MEDIA ATTENTION ON HETEROGENEOUS INVESTOR BEHAVIOR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.537169	0.344486	1.559336	0.1196
Belifsturn	0.253262	0.115036	2.201583	0.0282
Med	0.106242	0.022705	4.679176	0.0000
AM	-0.149565	0.082126	-1.821170	0.0692
AGE	0.001368	0.002691	0.508439	0.6114
SIZE	-0.041700	0.016943	-2.461140	0.0142
HERF	0.019483	0.174646	0.111559	0.9112
LEV	0.032390	0.113009	0.286615	0.7745

4 CONCLUSIONS

Based on the current information age, using 505 A-share listed companies from September 2019 to January 2020, this paper studies the impact of news media on investors' Heterogeneous Beliefs under behavioral finance, efficient market hypothesis and other theories. After theoretical and empirical analysis, the following conclusions are obtained: First, media reports on listed companies will affect investors' heterogeneous beliefs. Because of their own knowledge, endowment, experience and other limitations, investors will pay more attention to stocks with higher media attention, so as to achieve the purpose of reducing information costs and obtaining higher returns; Second, the

news media will strengthen the heterogeneous beliefs of investors to a certain extent. The false information released by the Internet media sometimes for the sake of extensive attention will strengthen the belief differences of market participants, lead to their irrational behavior, and cause the increase of stock trading volume.

According to the above conclusions, it is found that investors' psychology is easily dominated by news media, and their heterogeneous beliefs will deepen the stock market volatility caused by media reports, which eventually leads to irrational investment behavior of investors. Therefore, the following revelations can be drawn: the network media should be responsible for the opinions issued by itself, should maintain a neutral attitude, have a sense of social responsibility, disclose the real matters within the company in time, provide effective value for all kinds of investors, and help their more rational decision-making media maintain their objectivity, more importantly, the media must stand firm and refuse to deceive the public with the listed companies; Now, due to the excessive competition in the media industry, in order to attract the attention of investors, the media may engage in vicious competition. There is a bad behavior of publishing unconfirmed false information. In this aspect, the government control is not strict. Therefore, it is also necessary to strengthen the efforts of the regulatory agencies to monitor the authenticity and controllability of the information released by the Internet media, and further improve the information disclosure of the media in the stock market of China relevant laws and regulations ensure that there are laws to be followed, which ensure that investors can fully understand the operation of Listed Companies in a timely manner and feed back to the stock price in a timely manner; Investors themselves should not only improve their own investment concept and risk awareness, but also improve their ability to identify the authenticity of information. Facing a large amount of information rationally, investors can reduce the degree of heterogeneous belief, reduce irrational investment behavior, and ensure the healthy and stable operation of the securities market.

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