Home-country media slant and equity prices

Benjamin Golez
University of Notre Dame



Rasa Karapandza
European Business School



Not all news is created equal...

- The Wall Street Journal:
 - U.S. edition
 - Europe edition
- Two companies:
 - U.S. company: General Motors
 - European company: Volkswagen

General Motors: Faulty ignition switches

The Wall Street Journal (Europe Edition)

GM Will Pay Big Penalty In Criminal Settlement

Lead journalist: Mike Spector

18 September 2015

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Experts say that the soft over the Labor Day weekend. higher nitrogen-oxide emisaccording to Margo Oge, who weaken Volkswagen Chief ExVolkswagen and its Audi unit celved," she said. "I'm a perthe EPA's Office of Transporta

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The approximate number of Volkswagen diesel-powered cars affected by the 'defeat



The Wall Street Journal (Europe Edition)

Lead journalist: William Boston

21 September 2015

VW Halts Sales of Some Cars In U.S.

By William Boston Anny Harder and Mike Spector

Volkswagen AG's crisis over luxury compact model. allegedly cheating on U.S. emissions tests deepened, with the German auto maker halting American sales of popular diesel-powered cars, issuing a customers' trust and launching an external investigation.

Volkswagen Chief Executive issued a recall.

"I personally am deeply ury car maker, is finding it trust of our customers and the with rivals BMW AG and Daim investigation is continuing. public," Mr. Winterkorn said in ler AG, which makes Mercedesa statement issued by the Benz vehicles.

Board alleged that Volkswagen emissions. feat device," in the cars to may have cheated to got those did. About 482,000 Volks- already down more than 30% wagen diesel-powered cars are since peaking in March, said.

The EPA probe could force "There is no way to put an Volkswagen and its Audi AG optimistic spin on this-this is unit to recall thousands of ve-roully serious," said Max Warhicles that contain the com- burton, an analyst with Bern-Continued from Page One

The four-cylinder 2.0-liter engine is commonly found in the federal Clean Air Act and recently retired as director of the law, at the time the largest Volkswagen's Passat, Jotta. could face fines of as much as the EPVs Office of Transporta- U.S. environmental enforcement

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The investigation comes at in regulatory credits. He narrowly survived efforts a critical time for the auto by a major shareholder to cust maker, which is based in him earlier this year and was wolfsbarg, Germany. Volks-volksvagen might have to repassed over for the chairman's wagen's namesake brand has call the cars and fix them, offijob, the company's top post, this month.

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company on Sunday, adding that Volkswagen is cooperating with authorities and has the world's leading auto maker reduces their effectiveness commissioned an external by sales. Volkswagen has built during normal driving. The reproduc-On Friday, the U.S. Environ. U.S. market on a promise that mental Protection Agency and its clean-diesel engines deliver the allowable standard, the the California Air Resources better performance and low agency said. Diesel-powered

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U.S. officials said Volks- reason VW was using them, day. Those companies faced turbo direct injection, or TDI, wagen violated two parts of according to Margo Oge, who \$83.4 million of penalties under Golf, Beetle and in Audi's A3 \$37,500 per car, or more than tion and Air Quality after more action in history.

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California is separately investigating the auto maker. The most well-known defeat- erate violation of any kind of

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Clean Air Act violations similar

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The Wall Street Journal (US Edition)

Lead journalist: William Boston 21 September 2015

VW Halts U.S. Sales Of Certain Diesel Cars

emissions tests deepened, with Mercedes-Renz vehicles By William Boston,

and Mike Spector

diesel-powered cars and issu-

It also launched an external investigation.

The company could face billions of dollars in fines and fected. the crisis could further to oust him earlier this year and was passed over for the direct injection, or TDI, engine essary" to regain public trust chairman's job, the company's is commonly found in Volks- in the company. top post, this month.

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Who looks more confident?

Continued from page B1

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Overall tone: The company could face billions of dollars in fines and the crisis could further weaken Martin Winterkorn's position. him earlier this year and was

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Volkswagen diesel-powered cars affected by the 'defeat

Overall tone:

-2.15



In this paper, we show that...

...in a large news data covering automotive industry in the U.S., Germany, and Japan:

- 1. National newspapers systematically report more favorably about home companies than about foreign companies.
- 2. The evidence is most consistent with the notion of media catering to home readers.
- 3. Differences in the tone of news across countries predict equity returns and temporary price deviations of cross-listed stocks.

The role of media in finance

- A large body of work studies biases in news reporting and the effects of such biases on financial markets (Anderson, Waldfogel, Stromberg, 2015; Tetlock, 2015):
 - Focus on domestic media; cross-country evidence mostly anecdotal (Gentzkow and Shapiro, 2006; Bie and Billings, 2005)
 - National newspapers as a yardstick to measure biases in:
 - Financial media (Reuter and Zitzewitch, 2006)
 - Local media (Gurun and Butler, 2012)

In our paper:

- We show that national newspapers are also biased and that such biases become apparent in cross-country comparisons.
- Cleaner setup to test the relation between media reporting and equity prices:
 - Media markets across countries segmented (language barriers and geographic distances)
 - Stocks cross-listed

Why automotive industry?

- 1. Special (iconic) status of car industry:
 - Important for national economies
 - Car brands as symbols of national identity and pride
- 2. Car companies compete at the international level:
 - Substantial media coverage across countries
- 3. Car companies are cross-listed:
 - Important for tests of media effects on stock prices

Main data: Prime Research

- A leading company in the field of media analysis for the automotive industry:
 - Data coded by trained native speakers in eight research centers around the globe.
- Data coded up to the level of a <u>segment of an article</u> (title/paragraph/self-contained message):
 - News tone: Discrete scale from -4 to +4
 - Other variables:
 - Eight general topics of news (e.g., financial performance, market structure, ecology)
 - Time dimension of news (past/present/future event)
 - Reference to experts, financial institutions, public entities
 - Visibility (reach)
 - Etc.

Main data: Three by three...

- "Big Three" from each of the three major car-producing countries:
 - U.S.: Ford, General Motors, Chrysler*
 - **Germany**: BMW, Daimler AG, Volkswagen
 - Japan: Toyota, Honda, Nissan

35 car brands / around 70% of global car production

*Chrysler included until 2014 when it was acquired by Fiat (Italian car producer)

- January 2007 December 2016
- 773,303 observations (segments) for which tone is assigned:
 - 188,118 articles
 - 186 national newspapers (86 American, 85 German, and 15 Japanese)

Home-country media slant: Preliminary evidence

	Amer	ican compa	inies	Gerr	nan compai	nies	Japanese companies			
	GM	Ford	Chrysler	VW	Daimler	BMW	Toyota	Nissan	Honda	
Panel A: Home	e media news t	one								
Mean	0.23	0.67	0.28	0.62	0.86	1.15	0.49	0.61	0.53	
No. of obs.	(107,000)	(60,819)	(42,948)	(192,115)	(74,318)	(40,660)	(21,585)	(7,557)	(7,071)	
Panel B: Forei	gn media news	tone								
Mean	-0.18	0.13	-0.60	-0.32	0.73	0.91	0.16	0.54	0.22	
No. of obs.	(67,668)	(14,180)	(10,242)	(35,866)	(9,130)	(7,283)	(50,424)	(10,836)	(13,601)	
Panel C: Home	e media news t	one - foreig	gn media no	ews tone						
	0.41	0.54	0.88	0.94	0.13	0.24	0.33	0.07	0.31	

Home-country media slant: Regression analysis

 Regress the tone of news of each news segment on a home dummy and a set of fixed effects and control variables:

News
$$Tone_{t,i,c} = \alpha + \beta Home \ dummy_{t,i,c} + \delta FE_{t,i,c} + \lambda News \ variables_{t,i,c} + \varepsilon_{t,i,c}$$

$$Home\ dummy = \begin{cases} 1, home-country\ news \\ 0, \quad otherwise. \end{cases}$$

- **Fixed effects:** Country effects / country-of-origin effects / company and time effects / newspaper effects / journalist effects / coder effects
- News specific controls: Visibility / photo/ unknown journalist / editorial board / references to experts, financial institutions, public entities / number of newspapers per country
- **Errors** clustered by company (similar, if clustered by year-month or by newspaper).

Home-country media slant: Pooled panel

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
							Major ne	wspapers	U.S. –G.	U.S. −J.	G. –J.
Home dummy	0.58	0.59	0.37	0.30	0.28	0.28	0.27	0.24	0.27	0.46	0.09
t-stat.	(6.56)	(6.91)	(8.75)	(9.71)	(9.17)	(9.31)	(10.15)	(10.85)	(16.97)	(13.66)	(4.45)
Visibility						-0.00	-0.00	-0.00	-0.00	-0.00	0.00
t-stat.						(-1.38)	(-1.27)	(-0.56)	(-0.79)	(-1.39)	(0.19)
Photo						0.15	0.16	0.13	0.16	0.14	0.17
t-stat.						(7.02)	(5.75)	(4.92)	(6.88)	(3.52)	(10.51)
Journalist unknov	vn					0.01	0.05	-0.69	0.01	-0.05	0.06
t-stat.						(0.41)	(2.59)	(-1.68)	(0.60)	(-2.82)	(3.02)
Editorial board						-0.11	-0.72	-1.38	-0.09	-0.24	0.11
t-stat.						(-1.01)	(-4.13)	(-3.72)	(-0.72)	(-1.43)	(0.68)
Expert						-0.20	-0.24	-0.26	-0.26	-0.09	-0.41
t-stat.						(-2.62)	(-6.42)	(-10.59)	(-3.36)	(-1.54)	(-2.50)
Financial Inst.						-0.29	-0.27	-0.26	-0.31	-0.28	-0.32
t-stat.						(-7.22)	(-2.83)	(-2.95)	(-7.38)	(-4.29)	(-9.33)
Public entity						-0.24	-0.19	-0.14	-0.21	-0.17	-0.48
t-stat.						(-2.46)	(-1.78)	(-1.39)	(-2.34)	(-2.14)	(-11.43)
Number of newsp	papers					0.01	0.00	0.00	0.01	-0.01	0.00
t-stat.						(1.79)	(0.50)	(0.59)	(5.00)	(-2.42)	(0.79)
Fixed effects											
Country	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country-of-origi	in -	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company \times Yea	r-month -	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Coder	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Newspaper	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Journalist	-	-	-	-	-	-	-	Yes	-	-	-
N	773,303	773,303	773,303	773,303	773,303	773,303	118,847	118,847	642,657	311,478	373,241
R^2	0.02	0.07	0.23	0.25	0.26	0.26	0.25	0.29	0.26	0.22	0.32

Home-country media slant: Pooled panel

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
							Major ne	wspapers	U.S. –G.	U.S. –J.	G. –J.
Home dummy	0.58	0.59	0.37	0.30	0.28	0.28	0.27	0.24	0.27	0.46	0.09
t-stat.	(6.56)	(6.91)	(8.75)	(9.71)	(9.17)	(9.31)	(10.15)	(10.85)	(16.97)	(13.66)	(4.45)
Visibility						-0.00	-0.00	-0.00	-0.00	-0.00	0.00
t-stat.						(-1.38)	(-1.27)	(-0.56)	(-0.79)	(-1.39)	(0.19)
Photo						0.15	0.16	0.13	0.16	0.14	0.17
t-stat.						(7.02)	(5.75)	(4.92)	(6.88)	(3.52)	(10.51)
Journalist unknow	vn					0.01	0.05	-0.69	0.01	-0.05	0.06
t-stat.						(0.41)	(2.59)	(-1.68)	(0.60)	(-2.82)	(3.02)
Editorial board						-0.11	-0.72	-1.38	-0.09	-0.24	0.11
t-stat.						(-1.01)	(-4.13)	(-3.72)	(-0.72)	(-1.43)	(0.68)
Expert						-0.20	-0.24	-0.26	-0.26	-0.09	-0.41
t-stat.						(-2.62)	(-6.42)	(-10.59)	(-3.36)	(-1.54)	(-2.50)
Financial Inst.						-0.29	-0.27	-0.26	-0.31	-0.28	-0.32
t-stat.						(-7.22)	(-2.83)	(-2.95)	(-7.38)	(-4.29)	(-9.33)
Public entity						-0.24	-0.19	-0.14	-0.21	-0.17	-0.48
t-stat.						(-2.46)	(-1.78)	(-1.39)	(-2.34)	(-2.14)	(-11.43)
Number of newsp	papers					0.01	0.00	0.00	0.01	-0.01	0.00
t-stat.						(1.79)	(0.50)	(0.59)	(5.00)	(-2.42)	(0.79)
Fixed effects											
Country	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country-of-origi	in -	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company \times Yea	r-month -	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Coder	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Newspaper	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Journalist	-	-	-	-	-	-	-	Yes	-	-	-
N	773,303	773,303	773,303	773,303	773,303	773,303	118,847	118,847	642,657	311,478	373,241
R^2	0.02	0.07	0.23	0.25	0.26	0.26	0.25	0.29	0.26	0.22	0.32

Home-country media slant: Pooled panel

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
							Major ne	wspapers	U.S. –G.	U.S. −J.	G. –J.
Home dummy	0.58	0.59	0.37	0.30	0.28	0.28	0.27	0.24	0.27	0.46	0.09
t-stat.	(6.56)	(6.91)	(8.75)	(9.71)	(9.17)	(9.31)	(10.15)	(10.85)	(16.97)	(13.66)	(4.45)
Visibility						-0.00	-0.00	-0.00	-0.00	-0.00	0.00
t-stat.						(-1.38)	(-1.27)	(-0.56)	(-0.79)	(-1.39)	(0.19)
Photo						0.15	0.16	0.13	0.16	0.14	0.17
t-stat.						(7.02)	(5.75)	(4.92)	(6.88)	(3.52)	(10.51)
Journalist unknow	/ n					0.01	0.05	-0.69	0.01	-0.05	0.06
t-stat.						(0.41)	(2.59)	(-1.68)	(0.60)	(-2.82)	(3.02)
Editorial board						-0.11	-0.72	-1.38	-0.09	-0.24	0.11
t-stat.						(-1.01)	(-4.13)	(-3.72)	(-0.72)	(-1.43)	(0.68)
Expert						-0.20	-0.24	-0.26	-0.26	-0.09	-0.41
t-stat.						(-2.62)	(-6.42)	(-10.59)	(-3.36)	(-1.54)	(-2.50)
Financial Inst.						-0.29	-0.27	-0.26	-0.31	-0.28	-0.32
t-stat.						(-7.22)	(-2.83)	(-2.95)	(-7.38)	(-4.29)	(-9.33)
Public entity						-0.24	-0.19	-0.14	-0.21	-0.17	-0.48
t-stat.						(-2.46)	(-1.78)	(-1.39)	(-2.34)	(-2.14)	(-11.43)
Number of newsp	apers					0.01	0.00	0.00	0.01	-0.01	0.00
t-stat.						(1.79)	(0.50)	(0.59)	(5.00)	(-2.42)	(0.79)
Fixed effects											
Country	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country-of-origi	n -	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company × Year	r-month -	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Coder	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Newspaper	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Journalist	-	-	-	-	-	-	-	Yes	-	-	-
N	773,303	773,303	773,303	773,303	773,303	773,303	118,847	118,847	642,657	311,478	373,241
R^2	0.02	0.07	0.23	0.25	0.26	0.26	0.25	0.29	0.26	0.22	0.32

Media slant: Similar news

- Subsamples of similar news reported in all three countries within the same week:
 - Results driven by more positive article spin in home countries rather than selective media coverage

Same year-week and brand	Yes		
Same year-week, brand and topic		Yes	
Same year-week, brand, topic, and time			Yes
Home dummy	0.29	0.31	0.29
t-stat.	(7.85)	(7.77)	(6.82)
Fixed effects	Yes	Yes	Yes
News variables	Yes	Yes	Yes
N	465,056	272,221	196,022
R2	0.27	0.30	0.32

Media slant: News verifiability

- General topic of news:
 - Low (easy to verify): Company structure, market position
 - Medium: Corporate strategy, product strategy, financial performance and management
 - **High** (difficult to verify): CSR/ecology, employee relations
- Time reference of news:
 - Past/Present/Future

	Low	Medium	High	
Past	0.05	0.22	0.26	†
Present	0.09	0.30	0.32	t-stat.=1.74
Future	0.17	0.28	0.63	+

4

Media slant: Car scandals & announcements of car recalls

- VW scandal:
 - Sept 18, 2015 Dec 31, 2015
- Toyota crisis:
 - Aug 28, 2009 Jan 31, 2010
- Recalls (U.S.):
 - Report dates (by brand)
- Market valuations

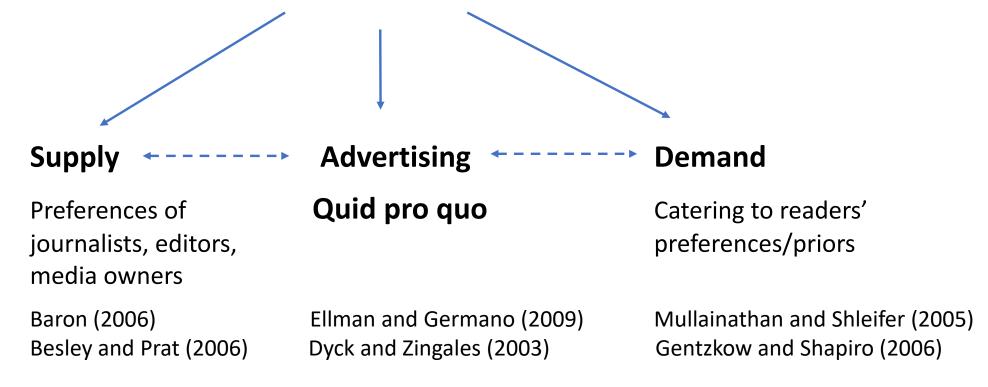
	[1]	[2]	[3]	[4]	[5]	[6]
			_		Recalls	
				≥5,000	≥50,000	≥500,000
				N = 551	N = 277	N = 64
Home dummy	0.28	0.25	0.28	0.28	0.28	0.28
t-stat.	(9.31)	(6.60)	(9.49)	(9.00)	(9.05)	(9.21)
VW scandal		-2.88				
t-stat.		(-26.22)				
Home dummy \times VW scandal		0.58				
t-stat.		(6.27)				
Toyota crisis			-1.21			
t-stat.			(-26.02)	•		
Home dummy \times Toyota crisis			0.46			
t-stat.			(5.53)			
Recall				-0.34	-0.51	-0.65
t-stat.				-(4.87)	(-5.07)	(-5.10)
Home dummy \times Recall				0.29	0.47	0.88
t-stat.				(3.29)	(3.10)	(3.06)
Other controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
N	773,303	773,303	773,303	773,303	773,303	773,303
R^2	0.26	0.26	0.26	0.26	0.26	0.26

The Wall Street Journal: U.S. versus European edition

- Same ultimate owner
- Many articles written by the same journalist and published on the same day
- Both editions coded by the same coders

	[1]	[2]	[3]	[4]
Home dummy	0.19	0.16	0.16	0.13
t-stat.	(2.30)	(4.79)	(4.75)	(3.21)
Visibility			0.00	0.00
t-stat.			(0.06)	(1.34)
Photo			0.04	0.01
t-stat.			(1.93)	(0.21)
Expert			-0.29	0.21
t-stat.			(-3.52)	(-4.76)
Financial Inst.			-0.17	-0.12
t-stat.			(-1.86)	(-1.04)
Public entity			-0.12	-0.16
t-stat.			(-1.24)	(-2.16)
Fixed effects				
Country	-	Yes	Yes	Yes
Country-of-origin	-	Yes	Yes	Yes
Company $ imes$ Year-week	-	Yes	Yes	Yes
Coder	-	Yes	Yes	-
Journalist	-	Yes	Yes	-
Coder imes Journalist	-	-	-	Yes
N	43,126	43,126	43,126	25,834
R^2	0.00	0.37	0.37	0.45

What drives home-country media slant?



The relative importance of supply and demand factors primarily depends on (Gentzkow and Shapiro, 2008):

- The competitiveness of the media space
- Heterogeneity of readers views/preferences for news

What drives home-country media slant?

Our setting: News about car companies in national newspapers:

- Special / iconic status of car industry in the analyzed countries
- In each country, many newspapers compete for readers at the national level.

Catering to readers priors / views as a likely explanation for home-country media slant

Supporting empirical evidence:

- The Wall Street Journal case
- Results robust to controlling for journalist and newspaper fixed effects (major newspapers)
- Results robust to controlling for lagged sales
- Country-pair variation appears aligned with proxies for national pride and political relations

Home-country media slant and equity prices

- Home-country media slant may (Tetlock, 2015):
 - *Reflect* cross-country differences in investor beliefs
 - *Reinforce* cross-country differences in investor beliefs
- Rational investors may (*try to*) undo the effect of media slant. At least two limiting factors:
 - National newspapers create **common knowledge**: As other may trade on the news, it may be risky to trade against the crowd (De Long et al., 1990).
 - Media markets across countries segmented (language barriers): Difficult to disentangle media slant from the news about the underlying event being reported
- Two tests:
 - Domestic stock returns
 - Cross-listed stocks

Media slant and domestic stock returns

- Our companies held predominantly by home investors (Bloomberg).
- **Hypothesis:** If news tone captures investor beliefs, abnormally high home media tone may be associated with temporary stock price overvaluations and low future returns.
- Monthly frequency (Gurun and Butler, 2012):
 - **Home news tone**: Visibility-weighted news tone in home newspapers
 - Foreign news tone: Visibility-weighted news tone in foreign newspapers
- Trading strategy: 'Betting against the home media':
 - **Short**; if home news tone is **higher** than foreign news tone, and the difference between the news tones is higher than its cross-sectional median.
 - Long; otherwise.

Betting against the home media

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	All con	npanies			Long/Shor	t portfolio	

	Value-wei	ghting	Equal-wei	ghting	Value-wei	ghting	Equal-wei	ghting
Sharpe Ratio	0.08	3	0.28	8	0.84	1	0.54	1
Intercept	-0.24	0.02	0.09	0.29	2.39	2.24	1.46	1.48
	(-0.57)	(0.03)	(0.21)	(0.60)	(3.42)	(2.93)	(2.37)	(2.18)
Mkt – Rf	0.91	0.79	1.22	1.06	-0.77	-0.65	-0.67	-0.60
	(10.29)	(6.70)	(13.48)	(8.95)	(-5.31)	(-3.41)	(-5.33)	(-3.58)
SMB		-0.13		0.03		-0.47		-0.48
		(-0.40)		(0.10)		(-0.93)		(-1.06)
HML		0.30		0.57		0.09		-0.39
		(0.90)		(1.73)		(0.16)		(-0.83)
RMW		-0.41		0.06		-0.06		-0.38
		(-0.84)		(0.12)		(-0.07)		(-0.53)
CMA		-0.51		-0.90		0.92		0.49
		(-1.27)		(-2.23)		(1.43)		(0.84)
N	120	120	120	120	120	120	120	120
R ²	0.47	0.48	0.61	0.63	0.19	0.23	0.19	0.21

^{*}Monthly rebalancing, N-W t-stats with 6 lags.

Media slant and cross-listed stocks

- Domestic returns: One price per company: difficult to control for all the possible sources of risk and differences in company characteristics.
- Cross-listed stocks:
 - Two prices, two news tones...
 - Equity holders across countries entitled to the same cash flows
 - Daily frequency / additional tests:
 - Confirmatory bias
 - Distracted investors

Media slant and cross-listed stocks

- American and German car companies:
 - American companies cross-listed in Germany; German companies traded in the U.S. as ADRs and/or global shares
- Synchronous prices:
 - Currency and time matched unadjusted opening/closing prices
- Panel predictive regression (daily frequency):

$$\left(\frac{P_{t,i}^{Home} - P_{t,i}^{Foreign}}{P_{t,i}^{Home}}\right) = \alpha + \beta \left(Home \ news \ tone_{t,i} - Foreign \ news \ tone_{t,i}\right) + \lambda Controls_{t,i} + \varepsilon_{t,i}$$

Errors clustered by trading day.

Media slant and cross-listed stocks

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]		
	Ne	ews report	ted at leas	t		News rep	orted in			
		in one o	country		home and foreign country					
Home news tone	0.26		0.23		0.26		0.24			
t-stat.	(4.82)		(4.21)		(3.16)		(2.89)			
Foreign news tone	-0.12		-0.09		-0.09		-0.09			
t-stat.	(-2.03)		(-1.57)		(-1.39)		(-1.45)			
Home news tone – foreign news	me news tone – foreign news tone 0.19					0.14		0.14		
t-stat.		(4.28)		(3.58)		(2.47)		(2.41)		
Rel. stock price diff. (t-1)			0.06	0.06			0.02	0.02		
t-stat.			(2.96)	(2.97)			(0.67)	(0.68)		
Rel. stock price diff. (t-2: t-6)			0.16	0.16			0.19	0.19		
t-stat.			(3.87)	(3.88)			(3.29)	(3.29)		
Log(Visibility home news)			-0.03	-0.04			-0.05	-0.06		
t-stat.			(-1.15)	(-1.20)			(-0.74)	(-0.92)		
Log(Visibility foreign news)			-0.02	-0.02			-0.05	-0.06		
t-stat.			(-1.41)	(-1.28)			(-0.93)	(-1.08)		
N	10,058	10,058	10,048	10,048	5,596	5,596	5,587	5,587		
R ²	0.00	0.00	0.02	0.02	0.00	0.00	0.01	0.01		

Confirmatory bias

- People perceive news as more credible when it confirms their prior beliefs (Rabin, Schrag, 1999; Gentzkow and Shapiro, 2006)
- Media effects should be strongest when:
 - Home news tone is positive
 - Foreign news tone is negative
- Subsample analysis

Cross-listed stocks: Confirmatory bias

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
		News repoi	ted at least			News re	ported in	
		in one	country		I	home and fo	reign countr	У
	All	H > - 1.5	H > -0.5	H > 0	All	H > - 1.5	H > -0.5	H > 0
	All	F < 1.5	F < 0.5	F < 0	AII	F < 1.5	F < 0.5	F < 0
Home news tone - foreign news tone	0.16	0.26	0.30	0.63	0.14	0.24	0.49	0.63
t-stat.	(3.58)	(3.87)	(3.17)	(2.58)	(2.41)	(2.29)	(3.30)	(2.58)
Rel. stock price diff. (t-1)	0.06	0.06	0.09	0.07	0.02	-0.02	-0.01	0.07
t-stat.	(2.97)	(2.13)	(2.90)	(0.99)	(0.68)	(-0.49)	(-0.14)	(0.99)
Rel. stock price diff.(t-2:t-6)	0.16	0.14	0.10	0.04	0.19	0.14	0.05	0.04
t-stat.	(3.88)	(2.78)	(1.94)	(0.38)	(3.29)	(1.87)	(0.57)	(0.38)
Log(Visibility home news)	-0.04	-0.00	-0.03	0.16	-0.06	0.10	0.10	0.16
t-stat.	(-1.20)	(-0.12)	(-0.61)	(0.93)	(-0.92)	(1.01)	(0.74)	(0.93)
Log(Visibility foreign news)	-0.02	-0.03	-0.05	0.06	-0.06	-0.07	-0.02	0.06
t-stat.	(-1.28)	(-1.53)	(-2.08)	(0.47)	(-1.08)	(-0.85)	(-0.16)	(0.47)
N	10,048							
	·	6,854	5,290	1,109	5,587	2,806	1,665	1,109
R2	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01

Distracted investors

- Sports as a distraction (Peress and Schmidt, 2018):
 - Sports attract tremendous attention / largely exogenous to company specific news / attention to sports varies across countries
 - Sports likely to distract those that are most susceptible to media slant
- Daily Google searches on major sports:
 - US: "football", "baseball", "basketball", and "hockey"
 - Germany: "fussball", "fußball", and "basketball"
 - Aggregate / demean / de-trend per country
- Subsamples with high attention to sports:
 - Google searches above 90th/95th percentile

Cross-listed stocks: Distracted investors

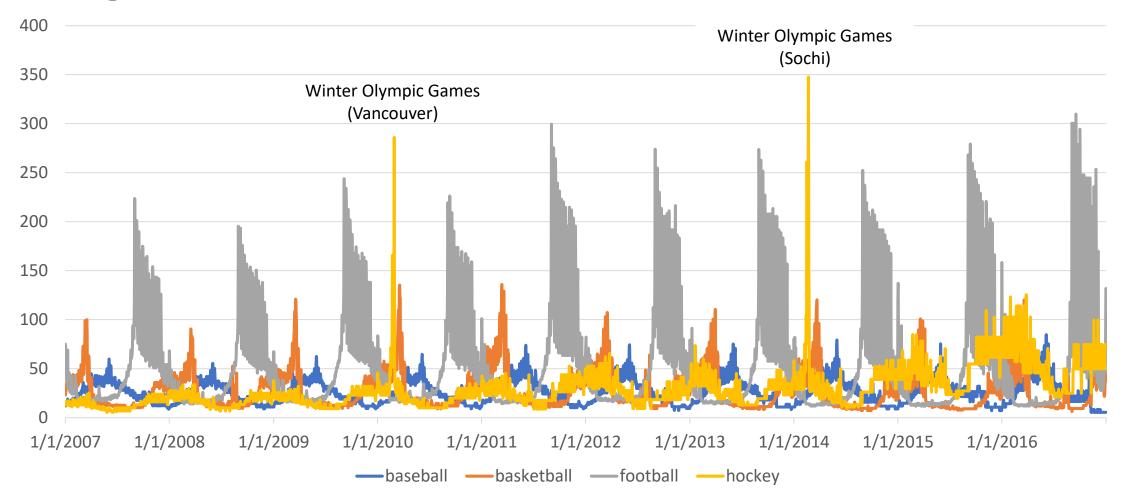
	[1]	[2]	[3]	[4]	[5]	[6]
	News reported at least in one country			News reported in home and foreign country		
	All	SSA > p90	SSA > p95	All	SSA > p90	SSA > p95
Home news tone - foreign news tone	0.16	0.12	0.07	0.14	0.06	0.01
t-stat.	(3.58)	(1.10)	(0.51)	(2.41)	(0.48)	(0.04)
Rel. stock price diff. (t-1)	0.06	0.08	0.03	0.02	0.07	0.02
t-stat.	(2.97)	(1.67)	(0.53)	(0.68)	(1.32)	(0.27)
Rel. stock price diff.(t-2:t-6)	0.16	0.16	0.16	0.19	0.12	0.14
t-stat.	(3.88)	(1.72)	(1.95)	(3.29)	(1.22)	(1.25)
Log(Visibility home news)	-0.04	-0.09	-0.21	-0.06	-0.10	-0.22
t-stat.	(-1.20)	(-1.28)	(-2.14)	(-0.92)	(-0.68)	(-1.18)
Log(Visibility foreign news)	-0.02	-0.04	0.01	-0.06	-0.23	-0.26
t-stat.	(-1.28)	(-1.43)	(0.38)	(-1.08)	(-1.88)	(-1.72)
N	10,048	1,946	1,024	5,587	1,035	553
R2	0.02	0.02	0.02	0.01	0.02	0.02

Conclusions & Implications

- Systematic evidence for home-country media slant:
 - Large-scale hand-coded news data for major car companies across three countries
 - Cross-section of domestic newspapers / international editions of The Wall Street Journal
- Evidence is consistent with the notion of media catering to domestic readers.
- Home-country media slant reflects/affects investor beliefs.
- Further implications:
 - Home-country bias (overinvestment in home countries)
 - Watchdog role of home media

Thank you!

Google searches: United States





Google searches: Germany

