

Does Breaking News Break Investors' Attention?

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Does Breaking News Break Investors' Attention?

Abstract:

People allocate their limited resources by directing attention toward salient events. We investigate how breaking news unrelated to the focal firm can dilute the positive effect of a company's new product announcements on stock returns. We constructed daily news significance using user traffic data from ten major news sites, categorizing news content into predictable and unpredictable. Each new product was classified as either breakthrough or incremental innovation using BART-Large-MNLI, and sentiment was estimated using DistilBERT. Our analysis reveals that the positive effect of new product announcements on stock returns diminishes when investors are distracted by breaking news, especially unpredictable events and for firms with more retail investors.

Keywords: new product, innovation, stock market return

Track: Innovation Management & New Product Development