Wisdom of the Institutional Crowd: Implications for Anomaly Returns

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February, 2023

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ABSTRACT

We hypothesize that when price correction requires more capital than any one investor can provide, institutions coordinate trading via crowd-sourcing in the media. When the crowd reaches a consensus, synchronized trading occurs, prices are corrected, and anomaly returns result. We use over one million Wall Street Journal articles from 1980 to 2020 to develop a novel textual measure of institutional investors making predictions in the media (InstPred). We show that (i) both value and momentum anomaly returns are 34% to 63% larger when InstPred is higher, and (ii) institutional investors collectively trade the anomalies more aggressively when InstPred is higher. Our results are reinforced by tests using quasi-exogenous variation in temporal investor-WSJ connections and cannot be explained by existing measures such as document tone.

A large body of literature studies how the news media affects financial market outcomes. These studies develop several novel insights regarding how investors respond to the news. We focus instead on institutional investors as providers of news, as for example, financial news articles frequently report the views and predictions of investment banks, fund managers, investment advisors, and their employees. Hence, these institutional investors might influence the production of business and financial news. In this paper, we study how institutional investors' engagement in news production affects asset prices.

We propose a crowd-sourcing mechanism where informed institutional investors share their information via reputable news media to aggregate signals and encourage other investors to trade in the same direction. The incentives to coordinate are especially strong when trading strategies have systematic components spanning entire sectors or style categories, as is the case for major anomaly portfolio strategies. In particular, moving prices for such portfolios often requires far more capital than any one investor has available, resulting in a need for coordination among investors (Abreu and Brunnermeier (2002, 2003), Von Bommel (2003)).

We highlight that sharing signals through a reputable media outlet can attract more investors and ultimately expedite the process of price correction even for these broad systematic portfolios. As more investors learn and share their signals through the media, the number of aligned investors grows. When the size of this institutional crowd reaches a critical mass, arbitrage trades accelerate, prices correct, and anomaly returns result. Hence, news articles covering institutional investor predictions should predict both anomaly returns and institutional investors' trading on the anomalies.

Our approach to testing the above predictions is distinct from the existing literature and features two rather unique contributions. First, the crowdsourcing mechanism predicts that signals gradually accumulate, and it takes time for investors to reach a consensus that anomaly portfolios are mispriced. We thus focus on a 3-month rolling window of news accumulation, and predict anomaly returns at the monthly frequency. In contrast, the majority of studies on the media examine short-term

outcomes of one to five days. Second, the existing literature heavily focuses on the tone or sentiment of media content. In contrast, we focus on interpretable content relating to institutional investor predictions as motivated by our thesis.

We consider the momentum and value anomalies, which are ideal for testing our hypothesis because the two anomalies are known to have large systematic components requiring large amounts of liquidity. For example, momentum has a significant industry component (Moskowitz and Grinblatt (1999), Hoberg and Phillips (2018)) and significant factor-based components (Ehsani and Linainmaa (2021)). The value anomaly also has a large systematic component (Davis, Fama, and French (2000)). Moreover, value and momentum have been documented to be "everywhere" (Asness, Moskowitz, and Pedersen (2013)). The high visibility makes the two anomalies more attractive for institutional investor coordination.

We test our model predictions by constructing a novel measure of institutional investors' information sharing using over one million articles in the Wall Street Journal from 1979 to 2020. We take three steps to construct our measure. First, we use Google word2vec embedding technology to tag each article regarding the extent to which it relates to institutional investor content, and the extent to which the article includes prediction content. We take the product of these content loadings to capture the intensity of institutional investors' predictive statements (*InstPred*) in each WSJ article. Second, we aggregate the article level measure to the Fama-French 48 industries, where we train a neural network to assign industry tags to articles based on training using a subsample of articles with stock ticker tags. Finally, we compute abnormal institutional prediction activity for each industry-month by comparing the InstPred intensity in the recent 3 months to its long-term average a year ago. We map the resulting signal to the standard firm-month return database used in the anomalies literature and assess whether abnormal institutional predictions amplify momentum and value anomaly returns.

Our main empirical finding is that abnormal institutional prediction activity in the news media crowd-sourced over 3 months strongly amplifies both momentum and

value anomaly returns. The amplifications are economically large—a one-standard-deviation increase in institutional predictions boosts momentum by 51%-63% relative to the benchmark level and value by 34%-45% of the benchmark level. Results are strong both in cross-sectional Fama-MacBeth regressions and in stringent value-weighted portfolio tests. Additionally, the amplification of InstPred on the anomaly returns is observed throughout our sample period, even during the financial crisis. This finding is consistent with our conceptual framework not relying on any link to the state of the economy.

Our results also confirm the model's prediction that a crowd-sourced consensus for correcting mispricing can only be reached over time. In particular, when aggregating our textual measure over different past month horizons, we find that 2 to 12 months of signal aggregation is needed to produce highly significant anomaly amplifications. [1] The amplification effect of InstPred on the anomalies is a robust and novel feature of the data. We show that only articles scoring highly on *both* institutional investor content and prediction content contribute to the crowd-sourced signal. Moreover, separating our findings from the existing literature, our results are fully robust to controls for positive tone, negative tone, and uncertain textual tenor that are widely used in existing studies.

We next conduct two tests to examine our model's mechanism in explaining the above results. The first test addresses endogeneity concerns, especially the possibility that unobserved industry state variables might be driving our asset pricing results. Our model predicts that the effect of InstPred on anomaly returns should be strong specifically when industries' institutional investors are *connected* to the WSJ. We first use institutional investors' historical name-mentions in WSJ articles from *unrelated industries* to draw quasi-exogenous variation in institutional investors' WSJ connectedness in a focal industry. We find that the amplification effects of InstPred on the anomaly returns are indeed larger in industries whose major institutional investors have stronger connectedness to the WSJ. Second, we examine journalists

[1] Our finding of a gradual accumulation of information is also consistent with the concept of gradual price accumulation noted in Da, Gurun, and Warachka (2014).

leaving WSJ as another source of quasi-exogenous variation that temporarily "shuts off" our model mechanism. We find that the amplification effects are indeed weaker in industries whose major institutional investors are more exposed to the departure of WSJ journalists. These tests using variation that is closely related to our mechanism, but plausibly exogenous to industries' state variables, demonstrate our crowd-sourcing mechanism in driving the asset pricing results.

Our second test of the model mechanism examines institutional investor trading behavior. Our model predicts that institutional investors will trade on the anomalies specifically when a consensus in the media is reached. We use the Thomson-Reuters Institutional Holdings (13F) database and examine changes in stock holdings by actively trading institutions. We find that institutions indeed trade more aggressively on anomalies when InstPred is higher. These results provide unified support for our model mechanism in both price and quantity tests of asset pricing (Koijen and Yogo (2019)).

We complete our analysis by examining the thematic content institutional investors discuss when making predictions in the WSJ, and their link to value and momentum returns. This analysis is meant to motivate future research on understanding anomalies via textual content. Although a full treatment is outside the scope of our study, we believe future research using content analysis to assess different theories of anomaly returns remains fruitful. We start with identifying 25 "economic themes" from the taxonomy of 180 media content themes developed by Bybee et al. (2020). We compute article-level exposures to each of these 25 themes and aggregate them to the industry-month level.

We then run Fama-MacBeth return regressions that interact each of the 25 themes with variables in our baseline regressions. Several new insights relevant to the two anomalies emerge. We find that 14 out of 25 economic themes are important in driving InstPred's effects on value anomaly, and 6 themes are important for momentum anomaly. These findings suggest that multiple economic forces likely come together to create these anomaly returns. Moreover, the themes that boost momentum and

value are quite distinct. Themes relating to economic growth and macro conditions are uniquely important for momentum returns. In contrast, issues in corporate finance such as corporate earnings, governance, IPOs, and managerial changes are uniquely related to the value premium. These results can motivate future research exploring the roots of the anomalies themselves.

Our paper makes two novel contributions to the literature. First, our conceptual framework and empirical findings suggest a new way to view the interaction between institutional investors, media, and asset prices. Prior studies on media and asset pricing primarily view investors as responding to the news while treating the news itself as essentially exogenous.[2] A notable exception is Ahern and Sosyura (2014), who illustrate that operating companies can also generate news in the context of mergers (yet this article does not consider investors as we do). As investors' responses to news are oftentimes short-lived, most studies typically focus on the short-term return response to the news over a horizon of a couple of days (Huberman and Regev (2001), Tetlock (2007), Tetlock, Saar-Tsechansky, and Macskassy (2008), Tetlock (2010), Engelberg, McLean, and Pontiff (2018), among others). We propose that institutional investors can also contribute proactively to the production of business news itself by sharing their predictions in order to shorten the holding period of their strategies. We illustrate this crowd-sourcing mechanism by extending the theoretical framework of Abreu and Brunnermeier (2002), and we derive and test several fresh empirical predictions. We find that news not only has a short-term impact on returns (documented in the literature), but it also has long-term amplification effects on major anomalies that are novel and economically large.

Our second contribution is to offer a new approach to detect where the most profitable cross-sectional momentum and value opportunities exist at any point in

[2]For instance, Tetlock (2007) demonstrates that media coverage directly influences how investors process information. Media coverage attracts investor attention (Engelberg and Parsons (2011), Fang, Peress, and Zheng (2014), Solomon, Soltes, and Sosyura, (2014)) and reduces information asymmetry (Fang and Peress (2009), Tetlock (2010), Huberman and Regev (2001), Peress (2008)). News has also been extensively studied to lead to stock market reactions (Peress (2014), Engelberg, McLean, and Pontiff (2018), Jeon, McCurdy, and Zhao (2021), Guest (2021), among others).

time. Our empirical findings demonstrate that institutional investors' prediction activity in the news significantly amplifies momentum and value anomaly returns. Hence, our work complements existing literature on time-varying momentum and value as we illustrate a new condition that drives their significance.[3] Our news-based setting also allows researchers to examine specific economic themes that have strong links to momentum and value.[4]

We end this section with a summary of limitations. First, we focus on just one news outlet, the Wall Street Journal (see also Dougal et al. (2012) and Guest (2021)). While WSJ is widely regarded as a major reputable media source for financial and business news, we expect institutional investors might also crowdsource trading signals via other reputable media outlets. We are limited by data-availability, but the consequence would be that our results are under-stated. Second, although our empirical findings support our model predictions and we find support in both anomaly returns and the quantity of institutional investor trades, we cannot fully rule out endogeneity concerns. We mitigate this concern using quasi-exogenous variation in institutional investors connections to the WSJ (we identify connections using data from unrelated industries), and in tests based on the departure of connected journalists. Yet future research further exploring causality in this setting remains fruitful.

This paper is organized as follows. Section 1 presents a simple conceptual framework. Section 2 describes our data and measure. Sections 3 and 4 show our empirical findings and tests of the mechanism. Section 5 explores the thematic content related to momentum and value anomalies, and Section 6 concludes.

[3]For instance, Barroso and Santa-Clara (2015) and Daniel and Moskowitz (2016) show that while momentum is profitable on average over a long period, its profitability can vary significantly, and even crash. Similarly, recent studies show that value anomaly returns vary over time, and the returns have been insignificant in the past two decades (Arnott et al. (2021), Eisfeldt, Kim, and Papanikolaou (2022)).

[4]A growing strand of literature has attempted to explore the role of media in unveiling the underlying causes of anomalies. Chan (2003) is one of the earlier papers, which finds evidence of slow information diffusion using news headlines regarding momentum. Hillert et al. (2014) find that firms with high media coverage exhibit stronger momentum, suggesting that media attention can impact investor behavior, thus supporting overreaction-based theories of momentum. Using a high-frequency decomposition of daily stock returns, Jiang et al. (2021) find evidence of pervasive underreaction to firm news. Our study complements this literature on many dimensions.

1 Conceptual Framework

In this section, we describe a simple framework to characterize how institutional investors use news media to disseminate tradeable information and coordinate price correction. Our framework adopts the basic setup of Abreu and Brunnermeier (2002), *AB model* hereafter, but adds news media into their setting.

Consider a market in which the prices of certain stocks deviate from their fundamental value.[5] When mispricing is corrected, an anomaly return results. There are two types of agents labeled as rational arbitrageurs and behavioral traders, following the terminology of the AB model. Arbitrageurs actively trade on information, while behavioral traders function as the liquidity providers who absorb trading orders and stabilize stock prices to a certain limit. Each arbitrageur is assumed to be infinitesimal, and the total mass of arbitrageurs is assumed to be 1.

At time 0, $\delta < 1$ faction of arbitrageurs are informed that certain stocks are mispriced, where δ is common knowledge among informed arbitrageurs. For instance, they learned that investors underreacted to past stock returns, leading to a profitable momentum trading strategy, or investors overvalued growth stocks, leading to a profitable value strategy.[6]

There are two key assumptions about arbitrageurs in the AB model. First, all arbitrageurs are risk-neutral but face capacity constraints. Hence, trading orders from one or few arbitrageurs cannot move the price. Instead, we specify that price correction occurs only when $\kappa \leq 1$ fraction of arbitrageurs trade in the same direction.[7] When it happens, the aggregate order imbalance of arbitrageurs exceeds the absorption threshold of behavioral traders, resulting in price correction. The price

[5] Following Abreu and Brunnermeier (2002) and Engelberg, McLean, and Pontiff (2018), we do not specify the exact cause for the mispricing. An example from Abreu and Brunnermeier (2003) is that investors are over-optimistic about the cash flow impact of new technologies in a sector such as railway, telecommunication, and electric vehicles, leading to overpricing in some or all stocks in the sector.

[6] We assume that there is no exogenous arrival of information to arbitrageurs after time 0. Hence, arbitrageurs do not face the sequential arrival of private information as in the AB model.

[7] For simplicity, we assume that all arbitrageurs face the same maximal amount of orders they can place. Because arbitrageurs are risk neutral, they will place their order to the maximum capacity.

of a mispriced stock thus appears constant during the buildup period and corrects at the moment when κ fraction of arbitrageurs have placed their orders. This critical mass requirement introduces a coordination element among arbitrageurs.

The second key assumption in the AB model is that arbitrageurs incur holding costs c per unit of time between the time they place their orders and the time the mispricing is corrected. Such holdings costs can be motivated by explicit costs such as margin requirements and borrowing costs for short selling, or opportunity costs such as inability to deploy capital to other trading strategies once the arbitrageur places the buy orders. Another example is implicit costs such as relative performance evaluation of fund managers (see more examples in Abreu and Brunnermeier (2002)). The critical mass requirement along with the holdings costs provide incentive for informed arbitrageurs to push for the price correction as early as possible.

Our key new ingredient to the AB model is that we add a news media (e.g., WSJ) through which informed arbitrageurs can disseminate their private information to uninformed arbitrageurs.[8] Without loss of generality, we assume that one news article comes out with the private information shared by an informed arbitrageur each period. Importantly, we assume that one piece of news does not perfectly transfer the private information to all uninformed arbitrageurs at once. Otherwise, price correction occurs immediately after the first arbitrageur shares her private information with the news media. Instead, we assume only ψ fraction of the remaining uninformed arbitrageurs fully accept the private information and become informed. This imperfect diffusion of information can be motivated by many reasons in practice. For

[8]Following Abreu and Brunnermeier (2003) and Hong and Stein (1999), we assume that only arbitrageurs watch the news. However, our anomaly return results can be obtained even if we allow some behavioral traders to read public news and trade accordingly. Abreu and Brunnermeier (2002) state that arbitrageurs in the AB framework have a strong incentive to disclose their private information to shorten their holding periods. Yet, they question whether other investors perceive the disclosures as credible. Ljungqvist and Qian (2016) study 124 cases of arbitrageurs individually publicizing privately-gathered information and found that the disclosures indeed led to strong reactions from other investors, which further supports the foundations of our crowd-sourcing hypothesis. We argue that such disclosures are more likely to be credible when publicized in highly reputable media (such as the WSJ) and that such platforms can be used for crowd-sourcing. This logic is theoretically supported by Van Bommel (2003) (see Section 4 of the paper), who documents an informative equilibrium in the presence of reputation incentives in a related setting that also features wealth-constrained informed investors.

instance, not all uninformed arbitrageurs may pay attention to each piece of news, even if the news contains profitable trading information. Alternatively, some uninformed arbitrageurs who read the news may not infer the tradeable information the first time they see it. As a result, as more news about the private information comes out over time, uninformed arbitrageurs progressively become informed and trade on the information accordingly. More precisely, at any time $t > 0$, we can compute the mass of informed arbitrageurs to be $1 - (1 - \psi)^t(1 - \delta)$.

Once an arbitrageur becomes informed of the tradeable information, she can look back at the news and back out the mass of informed arbitrageurs. As a result, all informed arbitrageurs can fully anticipate the timing regarding when price correction occurs, i.e., when $1 - (1 - \psi)^t(1 - \delta) = \kappa$. All informed arbitrageurs thus place their orders right before the mass of informed arbitrageurs reaches κ. We thus have the following proposition:

Proposition 1: *If $\delta < \kappa$, there exists a time $t^* > 0$ at which all informed arbitrageurs place their trades and anomaly returns realize, where*

$$t^* = \frac{log(1 - \kappa) - log(1 - \delta)}{log(1 - \psi)}. \tag{1}$$

Proposition 1 makes an important empirical prediction that anomaly returns are realized only when enough (i.e., t^*) arbitrageurs share their information via the news. Hence, the intensity of WSJ articles citing statements from institutional investors (our empirical analogy for arbitrageurs) *over a span of past periods* provides a condition for the realization of anomaly returns.

Our model mechanism for Proposition 1 also makes an empirical prediction on the trading behavior of institutional investors. In particular, as more institutional investors learn the tradeable information from WSJ, they trade in a synchronized fashion that corrects mispricing and results in anomaly returns. This leads to the following two empirical predictions that we test in our empirical section.

Empirical Prediction 1: *Anomaly returns are greater when more WSJ articles*

mention predictive statements from institutional investors.

Empirical Prediction 2: *Institutional investors trade more aggressively on the anomaly when more WSJ articles mention predictive statements from institutional investors.*

Discussions on the simple model: For simplicity, our model assumes that informed arbitrageurs can perfectly foresee the time of price correction. As a result, they all trade synchronously right before the price correction. In practice, some informed arbitrageurs may place their orders before the price correction. For instance, they may face negligible holding costs, or their expected timing for the price correction is observed with noise. In these cases, we expect that anomaly returns are still realized approximately when the mass of informed arbitrageurs reaches κ at t^*. Institutional investors' trading on anomalies will not all occur precisely at t^*. Instead, their trades will become more intense as time approaches t^*.

We note that our framework assumes that informed institutions truthfully reveal their signals to the WSJ. Given the literature on price manipulation and cheap talk, it is relevant to further assess the conditions needed to induce truth-telling. For a theoretical treatment in a related setting, we refer readers to Van Bommel (2003)'s Section 4, which studies the effects of introducing reputational incentives into a model that otherwise supports strategic price manipulation in its absence.

Finally, our model assumes that informed arbitrageurs have equal access to the news media. In practice, building connections with the news media may take time, and arbitrageurs may have heterogeneous access to the media. We expect that our predicted mechanism is likely to be more prominent when arbitrageurs are more connected with the news media. This motivates our tests based on plausibly exogenous variation in the connectedness between arbitrageurs and the news media. We believe such tests can help to distinguish our model from other drivers for anomaly returns.

2 Data and Measures

2.1 Data

Our news data set consists of the full text of all articles published in the Wall Street Journal from June 1979 to December 2020, provided by the Dow Jones Newswires. This data set has several desirable features for testing our hypotheses. First, WSJ is among the largest newspapers on business and financial news by circulation in the U.S., making it one of the most effective media to spread tradeable information among investors.[9] Second, WSJ is widely regarded as authoritative and independent, making the quoted information providers accountable for any spreading of fake news.[10] Hence, informed institutional investors can find it worthwhile to share their information with WSJ without worrying excessively that their signals might be discredited as cheap talk.[11] Third, the WSJ article full-text data set represents the longest history of digitized news available from Dow Jones & Company, allowing us to study anomaly returns over a long span of 40 years.

We start by transforming raw article text using standard procedures (e.g., see Bybee et al., 2020). We set all characters to lower case, remove common stop words, and words with fewer than 4 letters, and we separate text into small units (i.e., tokenization). We next convert the inflected forms of each word (e.g., "find", "finds" and "found") to be the same (i.e., light lemmatization). We then obtain bi-grams of all pairs of adjacent uni-grams, and our final processed vocabulary includes uni-grams and bi-grams over our 40-year sample. As we are interested in industry-level economic news, we exclude WSJ articles with subject tags corresponding to non-economic content such as books, sports, entertainment, lifestyles, arts, and reviews. We also use the journal section tags to further exclude sections pertaining to Books,

[9] According to the SEC 10-Q filing of News Corp (WSJ's holding company), WSJ had average daily subscriptions of 3.22 million as of December 2020. See https://www.sec.gov/ix?doc=/Archives/edgar/data/0001564708/000156470821000004/nws-20201231.htm

[10] For instance, WSJ is one of four news medias and the only business-focused news media in the U.S. that reached the prestigious "newspapers of record by reputation" status. See https://en.wikipedia.org/wiki/Newspaper_of_record.

[11] Abreu and Brunnermeier (2002) argue that without an institution monitoring the credibility of news, there may exist an equilibrium in which no informed trader publicizes the private information.

Bookshelf, Off Duty, Life & Arts and Golf Journal.

We next classify articles into industries. For articles that are about specific publicly traded firms, our data provides linked tickers. We use CRSP SIC codes and map these firms to Fama-French 48 (FF48) industries. For articles that do not have tickers, we apply a machine learning algorithm that classifies articles into FF48 industries based on the narrative structure of the articles and their topical attributes. Internet Appendix A summarizes this procedure. We exclude articles that are not assigned to a dominant FF48 industry during the prediction process. Our final sample includes 1,018,718 industry-tagged WSJ articles.

We next use Compustat data to obtain firm financials, CRSP for monthly stock returns, and the Thomson-Reuters Institutional Holdings (13F) database for each stock's institutional ownership. We restrict our sample to common shares (CRSP shrcd 10 or 11) that are traded on NYSE, Amex, or Nasdaq. We also require stocks to have a positive book value of equity. Finally, we exclude penny stocks with a price less than one dollar. We use the log book-to-market ratio as the value anomaly characteristic, and each stock's past return from $t-12$ to $t-2$ as the momentum variable. Internet Appendix B provides the definition of these variables and our firm control variables including size, investment, profitability, and standardized unexpected earnings (SUE).

2.2 Measuring Institutional Investors' Information Sharing

We use the text of WSJ articles to quantify institutional investors' predictive statements. This reflects the sharing tradeable information at the article level. We then aggregate to FF48 industries and merge with our monthly stock return database.

2.2.1 "Institutional Investor" and "Prediction" Content in WSJ

We measure each article's relatedness to institutional investors in two steps. First, we use Google's word2vec embedding model to identify words that are strongly related to the bigram "institutional investor." We choose the Google open-source word-

embedding model that is trained on 100 billion words using Google News corpus.[12] The use of Google News as input to Google's word2vec model ensures that our analysis is consistent with the contextual style of our newspaper corpus. The word2vec procedure generates a list of words that are most likely to co-appear in news articles relevant to our seed word "institutional investor."

Following Hanley and Hoberg (2019), we select the top 250 words with the highest similarity score to "institutional investor" and that also appear in our WSJ article sample. Table 1 lists the top 50 words for "institutional investor." These words intuitively include many investment banks, hedge funds, mutual funds, and words that are likely to appear in articles relevant to institutional investors. The full list of the 250 words is in Internet Appendix C.

Our second step quantifies each WSJ article's relatedness to institutional investors using the 250 keywords from above. We compute a cosine similarity score between each WSJ article and these 250 words. Cosine similarity naturally controls for document length and has been widely used in academic studies (e.g., Bhattacharya (1946), Salton and McGill (1983), and Hoberg and Phillips (2016)). The result is a score bounded in [0,1] for each WSJ article.

We also construct an analogous score for the unigram "prediction" using the word "prediction" as the seed word for the Google News word2vec embedding model. Table 1 lists the top 50 related terms for "prediction." These include words that frequently appear in predictive statements such as "forecast," "projection," "estimate," and "assertion." We provide the full list of 250 words in the Internet Appendix C.

Our main measure for capturing a WSJ article's relatedness to institutional investor predictions is the product of the cosine similarity score for "institutional investor" and the cosine similarity score for "prediction." This product is multiplied by 100 for ease of reporting. Table 2 provides examples of WSJ articles that score high

[12]The word2vec technique uses a neural network to learn the contextual use of each word based on the distribution and ordering of the words in the news corpus (Mikolov et al., 2013ab). This embedding method has been applied in recent financial studies of risk exposure (Hanley and Hoberg, 2019) and corporate culture (Li et al., 2020).

on the resulting "institutional investor & prediction" (InstPred) measure. In these examples, analysts or managers of institutions share their views on an industry's trajectory, illustrating our intuition for InstPred measure.

Panel A of Table 3 provides the summary statistics for our three article-level measures. On average, roughly 1% of the words in WSJ articles load on the institutional investor vocabulary, and 0.8% load on predictive statements. Both variables have medians greater than zero suggesting that most articles mention at least one word from each list, indicating that WSJ articles are informative on both themes. Regarding standard textual themes in the literature, we also construct cosine similarities for positive tone, negative tone, and uncertainty using keywords from Loughran and McDonald (2011). Panel B shows that InstPred is only mildly (20%-34%) correlated with these measures.

2.2.2 Standardized Institutional Investor Prediction for Industries

We next aggregate the article-level InstPred score to each FF48 industry in each month to facilitate our analyses of monthly stock returns. To mitigate the concern that some industries persistently have higher InstPred scores than others, we standardize industry-month InstPred scores so that a high score indicates abnormally high media coverage of the given theme relative to the industry's long-term average. By doing so, we identify specific industries and periods when each theme is particularly salient to WSJ readers relative to what has occurred in the past.

We obtain standardized InstPred using a 2-step procedure. First, for each industry i in each month t, we compute the average InstPred score (Q_{it}) over all articles mapped to the industry in the month. Second, we standardize Q_{it} by computing its mean and standard deviation over the thirteen observations $Q_{i,t-24}, ..., Q_{i,t-13}$, and Q_{it} itself. The standardized measure is then $Z_{i,t} = \left[\frac{12}{13}Q_{i,t} - \frac{1}{13}(\sum_{k=13,...24} Q_{i,t-k})\right] / \sigma_{i,t}$.[13] Our use of the ex-ante window spanning months $(-24, -13)$ ensures that information

[13] Our standardization includes Q_{it} in the calculation of the standard deviation to ensure that $Z_{i,t}$ is bounded (it is bounded in $\left[-\frac{12}{\sqrt{13}}, \frac{12}{\sqrt{13}}\right]$. Excluding Q_{it}, in contrast, would allow $Z_{i,t}$ to be unbounded and large outliers would be present.

is standardized relative to the level of media coverage from a "clean period" that was over one year in the past. A high value of $Z_{i,t}$ indicates that the InstPred theme is highly present in WSJ articles that cover industry i in month t.

Finally, we note that our hypothesis and model suggest that price correction and institutional trading occur only when media content accumulates over a period of time (after t^* periods in the model). Hence, we construct our final measure (*InstPred*) as the 3-month rolling average of $Z_{i,t-2}$, $Z_{i,t-1}$ and $Z_{i,t}$. Our choice of a 3-month window is arbitrary. Yet fund managers have to file quarterly reports for performance evaluation; hence, a quarter can be a natural window for transmitting important anomaly signals. Notwithstanding that, we experiment with various window lengths from 1 month to 36 months, and we find that WSJ InstPred significantly boosts momentum and value returns when the rolling window size is between 2 months and 12 months (t-statistics > 3). See details in Figure 1.

Using the above standardization and rolling-window procedures, we construct several additional textual measures from WSJ articles. These include the standardized "institutional investor" theme, standardized "prediction" theme, standardized number of WSJ articles, and standardized themes regarding tone and uncertainty. We then merge all industry-month measures to firms for empirical analyses.

Table 4 reports summary statistics for our firm-month sample. The InstPred measure has a mean of 0.161 and is indeed bounded between $-\frac{12}{\sqrt{13}}$ and $\frac{12}{\sqrt{13}}$ and is thus not susceptible to outliers. InstPred also has low correlations with all popular cross-sectional return predictors including the book-to-market ratio, past returns, size, investment, profitability and standardized unexpected earnings. InstPred has a mild (13%) correlation with the standardized number of WSJ articles. We thus include this as a control in all of our main regressions.

3 Evidence on Momentum and Value Anomalies

This section presents our main stock return results. We first present monthly cross-sectional Fama-MacBeth (1973) regressions and then examine portfolio sorts.

3.1 Cross-Sectional Regressions

3.1.1 Baseline Results

We conduct Fama-MacBeth monthly regressions in which the dependent variable is stocks' monthly returns at $t+1$. To ease interpretation, we report annualized returns in percentage by multiplying the monthly returns by 1,200. Our first empirical prediction in Section 1 is that anomaly returns are stronger when institutional investors communicate more via WSJ, i.e., when InstPred is greater. Hence, we run the Fama-MacBeth regression with the following specification for each month:

$$ret_{i,t+1} = \beta_1 Anomaly_{i,t} \times InstPred_{i,t} + \beta_2 Anomaly_{i,t} + \beta_3 InstPred_{i,t} + X_{i,t} + \epsilon_{i,t+1},$$

where $Anomaly_{i,t}$ is either the stock's past cumulative return from $t-12$ to $t-2$ for the momentum anomaly or the natural logarithm of the stock's book-to-market ratio for the value anomaly, $InstPred_{i,t}$ is the WSJ institutional investor predict measure for the stock's FF48 industry, $X_{i,t}$ is an array of control variables that have been shown to predict returns, including the stocks' market capitalization (in logarithm), investment, profitability, standardized unexpected earnings (SUE), and the standardized number of WSJ articles for the stock's FF48 industry.

To ease interpretation, we standardize all non-interactive independent variables to have mean 0 and standard deviation of 1. The term $Anomaly_{i,t} \times InstPred_{i,t}$ is the product of the two standardized variables. In all tests, we report t-statistics based on Newey-West adjusted standard errors with two lags.

Table 5 presents the baseline Fama-MacBeth regression results. Column (1) shows that the momentum anomaly is significantly stronger when WSJ InstPred is higher. A one-standard-deviation increase in InstPred corresponds to an increase

in the momentum anomaly by 1.94% per year with a t-statistic of 3.42.[14] Compared to the benchmark momentum anomaly of 3.81% when InstPred is at its mean, a one-standard-deviation increase in InstPred boosts momentum anomaly by 51% (= 1.94%/3.81%) of the benchmark level. Column (2) shows similar results after further controlling for other stock characteristics that are known to predict returns: A one-standard-deviation increase in InstPred corresponds to an increase in momentum anomaly by 1.57% per year (with a t-statistics of 3.06) or 63% of the benchmark momentum anomaly level.

Columns (3) and (4) show that the value premium anomaly is also significantly stronger when WSJ InstPred is higher. A one-standard-deviation increase in InstPred corresponds to an increase in the value anomaly by 1.38% (with a t-statistic of 3.61) and 1.40% (with a t-statistic of 4.01) without and with controls, respectively. Compared to the benchmark value anomaly when InstPred is at its mean, a one-standard-deviation increase in InstPred boosts value anomaly by 34% and 45% of the benchmark value anomaly without and with controls, respectively.

Lastly, in Column (5), we inspect our control variables by running the regression without InstPred. Consistent with the literature, we observe that past returns, book-to-market ratio, profitability, earnings surprise (SUE) positively predict future returns, and investment negatively predicts future returns. Size and number of WSJ articles also show negative associations with future returns, but they are not statistically significant.

In summary, our baseline results in Table 5 show that InstPred has an economically large impact on momentum and value returns. These results support our prediction that institutional investors' predictive statements via news media are an important synchronization device that predicts price corrections and anomaly returns.

[14]Given that our independent variables are standardized, a momentum anomaly is defined as the annual return difference between two stocks with a one-standard-deviation difference in past returns in the cross-section.

3.1.2 Results using Permutations of WSJ InstPred

We next sharpen our understanding of the baseline return results by examining the importance of having both the "institutional investor" and "prediction" themes mentioned in WSJ news for boosting anomalies. We construct four permutations in Table 6. Specifically, we examine the efficacy of the "institutional investor" theme when measured over articles that specifically lack content from the "prediction" theme. If mentioning "institutional investor" alone is adequate for boosting anomalies, then interacting "institutional investor" intensity with either a high-"prediction" dummy or a low-"prediction" dummy should generate similar results. We construct two additional WSJ thematic variables, Inst&HiPred and Inst&LoPred, by multiplying each article's "institutional investor" intensity with an above or below median "prediction" intensity, respectively. We observe in Columns (1)-(4) that although Inst&HiPred significantly boosts both the momentum and value anomalies, Inst&LoPred is ineffective in boosting either anomaly. This result indicates that institutional investor content without the presence of prediction content is inadequate to predict returns, indicating that both types of content are necessary. In Columns (5)-(8), we report similar findings for Pred&HiInst and Pred&LoInst. Hence prediction content without the presence of institutional investor content also is inadequate, as both types of content are necessary to predict returns.

The results in this section tie our empirical measure to our conceptual framework, which predicts that price corrections follow when institutional investors communicate tradeable information through the news media, indicating the presence of actionable "wisdom from the institutional crowd".[15]

[15] In the Internet Appendix Table IA.1, we address a potential concern that InstPred might capture news about institutional investors instead of news containing institutional investor' predictions of other industries. This test excludes the financial industries that contain institutional investors, and we find very similar results to our baseline findings in Table 5.

3.1.3 Controlling for Other News Measures

We next inspect whether our InstPred is an artifact of other known news measures that have been shown to predict returns. It is important to note that our research using InstPred has some major distinctions from most studies on media and stock returns. First, our goal is different from most studies as we do not seek to show that InstPred alone predicts future stock returns. Indeed most prior studies focus on unconditional measures of news such as positive tone, negative tone or uncertainty tenor to predict returns.[16] Instead, our goal is to show that InstPred specifically boosts anomalies like momentum and value. Second, our conceptual framework and empirical design do not aim to study the short-term effects of news on daily returns, oftentimes the effects on returns on the news day (Engelberg, McLean, and Pontiff (2018)). Rather, we focus on longer-term monthly anomaly returns, which is the basis for almost all of the anomalies literature. Hence, an interesting contribution of our study is that we find that lagged content from the media can predict monthly anomaly returns (even when value-weighted). This is important as few studies in the media and asset pricing literature find long-term effects.

With these distinctions in mind, we run horse race tests by controlling for four other news measures, one at a time, along with their interactions with the anomalies to examine their incremental effects. Columns (1) and (2) of Table 7 show that although InstPred robustly boosts momentum and value anomaly returns, the control for the number of articles does not boost either. This is consistent with Engelberg, McLean, and Pontiff (2018), who find that having news on a particular day only boosts anomalies on the same day itself. As we average content over longer periods of time (3 months) and lag our measures another month, and focus on industry-level signals, it is intuitive that our results are highly distinct from those in that study and are geared toward testing a different hypothesis rooted in difficult-to-coordinate anomaly trading.

[16] See pioneering works such as Tetlock (2007), Tetlock et al. (2008), Garcia (2013), Hillert et al. (2014), Da et al. (2015), and Soo (2018) in the literature.

Columns (3)-(8) of Table 7 add controls for the aforementioned widely-used features of news articles: positive tone, negative tone, and uncertainty. We observe that InstPred continues to robustly boost both the momentum and value anomaly returns even in the presence of these controls. We also find that neither measure of tone or uncertainty predicts future monthly anomaly returns. On the surface, the lack of results for tone might seem at odds with the literature. However, this is not the case as existing results for tone focus on short-term return prediction, and they focus on measures of media content that are firm-specific rather than industry-wide. Overall, the robustness of our findings to these controls further illustrates that our results are novel.

3.2 Portfolio Sorts

We construct portfolios following Fama and French (1993, 2015). Specifically, we construct breakpoints for portfolios using only NYSE stocks. In each month, we sort stocks into 2 groups based on the NYSE median market capitalization. Independently, we sort stocks into 3 groups based on the 30% and 70% percentiles of the anomaly predictors among NYSE stocks (i.e., book-to-market for the value premium and past returns for momentum). Also independently, we sort firms into 3 groups based on the 30% and 70% percentiles of InstPred among NYSE stocks. This procedure results in 18 2×3×3 size-anomaly-InstPred portfolios. We then construct value-weighted excess returns for each portfolio. Finally, we compute the returns for the 3×3 anomaly-InstPred portfolios by averaging the returns of the large-cap and small-cap portfolios within each anomaly-InstPred category.

Table 8 shows the results. Panel A shows the momentum anomaly conditional on InstPred. When InstPred is low, we do not observe a significant momentum anomaly. The long-short portfolio based on past returns generates an insignificant 3.70% return per year (t-statistics = 1.50). As we move from low-InstPred to high-InstPred, the long-short portfolio returns increase monotonically to a highly significant 6.84% per year (t-statistic = 2.70) for the high-InstPred group.

Panel B shows the portfolio sort results for the value premium conditional on WSJ InstPred. Similar to the momentum anomaly, the long-short book-to-market portfolio generates an insignificant 0.16% per year (t-statistic = 0.08) when InstPred is low. The long-short returns increase monotonically from low-InstPred to 4.31% per year (t-statistic = 2.21) for the high-InstPred group.[17]

We next explore the impact of InstPred on the long-short anomaly returns over time. Our thesis based on institutional investor signal crowd-sourcing does not require our return results to be state dependent. Figure 2 plots ten-year smoothed portfolio returns (see Linnainmaa and Roberts (2018)) for the momentum anomaly (Panel A) and the value anomaly (Panel B) in High-InstPred and Low-InstPred portfolios. As the red dotted line (High-InstPred portfolio) is notably above the blue solid line (Low-InstPred portfolio) throughout our entire sample period with few exceptions for both anomalies, we conclude that InstPred amplifications are not materially linked to the state of the economy. We also highlight that the gap between the two lines even holds up during the financial crisis of 2008, indicating our results are not exposed to the momentum crash noted by Daniel and Moskowitz (2016). These findings differentiate our channel from alternative explanations, for example, the notion that media attention to extreme events such as crisis periods might generate our results. Overall, our calendar time value-weighted portfolio results reinforce our baseline findings established using Fama-MacBeth regressions.

4 Tests of Mechanism

In this section, we conduct two tests of our theoretical mechanism. The first considers plausibly exogenous variations in the extent to which institutional investors are con-

[17] It is well known that value premium is not significant in recent 15 years (see Eisfeldt, Kim, and Papanikolaou (2022)). Such low performance of the value premium drags down overall significance in each long-short portfolio return in Panel B of Table 8. In the Internet Appendix Table IA.2, we confirm that unconditional value anomaly returns in our sample, i.e., our replication of the HML factor of Fama and French (1993), and also the HML factor from Kenneth French's website, are insignificant in our sample period. Our unconditional value anomaly returns replicate the HML factor with a correlation of 98%.

nected to the WSJ. This test directly examines our model's proposed mechanism, where direct connections between informed institutions and the WSJ specifically drive our asset pricing results. The second test examines our model prediction regarding institutional investors' trading patterns, as we expect institutions to trade more aggressively on anomalies when InstPred is high.

4.1 Institutional Investor Connections to the WSJ

The prior section presented robust evidence that anomaly returns are significantly higher when InstPred is higher, supporting our model predictions. Yet, one concern is the possibility that an unobserved industry state variable might be driving both InstPred and future anomaly returns. For example, our industry-specific InstPred measure might correlate with a hidden signal regarding industry performance that drives anomaly returns, and InstPred might boost anomaly returns regardless of institutional investor connections to WSJ journalists. To address this concern, we now consider two sources of plausibly exogenous variation in investors' connectedness to the WSJ. Our tests use these variables to examine whether institutional investor interactions with the WSJ are specifically relevant to our anomaly results.

Variation in industries' investor-WSJ connectedness Our theory's most direct prediction is that observable interactions between informed institutions and the WSJ should drive our predictable anomaly returns. Our model posits that informed institutions have direct connections to reputable media, such as the WSJ. In practice, any given institutional investor will have strong or weak connections to the WSJ. This variation motivates a rather direct test of our proposed mechanism. When a sector's focused institutions in a given month have strong connections to the WSJ, the crowd-sourcing mechanism we propose is likely to be stronger in the sector relative to when the focused institutions are not connected. InstPred should thus amplify anomaly returns more in these sector-months. In contrast, when the investor-WSJ connection is weak, InstPred should be less informative.

To measure ex-ante connectedness using only plausibly exogenous variation, we measure each Fama-French 48 industry's average *investor-WSJ connectedness* in each month using three steps. First, We identify an industry i's major institutional investors in the Thompson Reuters Institutional Holdings (13F) Database as those having over 20% of their portfolio allocated to industry i's stocks in the previous quarter, or those institutions whose percentage allocation to industry i ranks among the top 10 of all institutional investors in the previous quarter.[18]

In the second step, we measure each major institutional investor's connectedness to the WSJ based on the occurrence of the given institutional investor's name appearing in WSJ articles during the three years prior to the previous quarter.[19] In order to ensure the variation we use is plausibly exogenous to the state of industry i in month t, we measure each major institutional investor's WSJ connectedness using only WSJ articles that covered industries *other than* i. Because this measure excludes all content from industry i itself, any state variable relevant to industry i is unlikely to directly drive this variable's impact on anomalies returns.

In our final step, we compute industry i's weighted average investor-WSJ connectedness in a month by averaging its major institutional investors' WSJ connectedness (as of the previous quarter based on past articles excluding industry i's as noted). We value-weight this average by each major institutional investor's dollar holdings of the industry's stocks in the previous quarter.

To test our core asset pricing predictions, we sort FF48 industries into above and below-median groups based on each industry's average investor-WSJ connectedness defined above. The two groups are *Industries with High Investor-WSJ Connectedness* and *Industries with Low Investor-WSJ Connectedness*. Our crowd-sourcing thesis predicts that InstPred is more likely to amplify anomaly returns in industries with

[18] Using our approach, each industry-month has, on average, 26 major institutional investors in a given quarter.

[19] Lagging the measures by one quarter ensures that the investor-WSJ connectedness measure is not directly affected by our policy variable InstPred, which is constructed based the three months prior to the return realization month. Internet Appendix D provides details on counting an institutional investor's occurrence in WSJ articles.

high investor-WSJ connectedness.[20]

Table 9 displays the results and reports our baseline Fama-MacBeth regressions for the high and low connectedness subsamples. We observe that our key cross terms between InstPred and each anomaly are economically large and statistically significant in industries with high investor-WSJ connectedness, but not in industries with low connectedness. These results obtain for both momentum and the value premium. Internet Appendix Table IA.3 shows that the cross-term coefficients in the two subsamples differ significantly at either the 5% or the 1% level.

Variation in industries' exposure to WSJ journalists' turnover The content above focuses on plausibly exogenous variation in institutional investors being connected to the WSJ through unrelated industries. We next explore plausibly exogenous variation relating to WSJ journalist turnover. When a journalist leaves the WSJ, the communication channel for institutions that were previously connected to that journalist may be shut down for a period of time until connections are rebuilt. Hence, we expect InstPred to be less effective in amplifying anomaly returns when major institutional investors are highly exposed to WSJ journalist turnover.

To compute an institutional investor's exposure to WSJ journalist turnover, we need two components: the number of journalists who exit WSJ in the past year, and each institution's historical connectedness to exiting journalists. We measure the time a journalist leaves WSJ as the quarter the journalist exits our database of WSJ articles from January 1984 to December 2020.[21] Similar to our work above, we measure an institutional investor's historical connectedness to a journalist based on the occurrences of the institution's name appearing in the articles authored by the journalist during the three years prior to the previous year. An institutional investor's *exposure to journalist turnover* in a quarter is thus the sum of the institution's

[20]Note that high or low investor-WSJ connectedness is not a permanent feature of an industry as it varies over time. For example, the high investor-WSJ connectedness dummy has a quarterly autocorrelation of 0.70.

[21]Our database does not provide journalist names for WSJ articles before 1984. We only use journalists who exit before June 2019 to ensure the quality of our measure.

connectedness to exiting journalists normalized by its connectedness to all journalists.

We compute industry i's weighted average exposure to journalist turnover in a month by averaging its major institutional investors' exposure to journalist turnover. As above, we value-weight this average using each major institutional investor's dollar holdings of the industry's stocks in the previous quarter. We then split each of our two subsamples (high versus low investor-WSJ connectedness) from Table 9 into two additional groups based on journalist turnover. Specifically, we group industries into above versus below top tercile exposure to journalist turnover within each of the balanced investor-WSJ connectedness subsamples.[22] We thus test InstPred's effects separately among *Industries with Low Exposure to Turnover of Connected Journalists* and *Industries with High Exposure to Turnover of Connected Journalists*.

Table 10 shows the results. Columns (1)-(4) show that InstPred significantly amplifies momentum and value returns among industries whose major institutional investors are less affected by WSJ journalist turnover. In contrast, Columns (5)-(8) show that the amplification effects of InstPred on anomaly returns are statistically and economically insignificant among industries whose major investors are more heavily affected by WSJ journalist turnover. These insignificant results are consistent with our proposed mechanism that turnover of connected WSJ journalists shuts down the communication channel between institutional investors and journalists.

Overall, the two quasi-natural experiments in this section illustrate that WSJ articles containing institutional predictions significantly amplify anomalies when an industry's major institutional investors are ex-ante connected to WSJ journalists. These findings support our model's mechanism that institutional investors use reputable media such as the WSJ to coordinate their trades when they have access to the media, accelerating price adjustments and anomaly returns.

[22] We use the top tercile instead of the median to split the sample because the average journalist turnover rate is only about 3%, and a disproportionately large number of industries are not exposed to any connected journalist turnover in a given period.

4.2 Evidence on Institutional Investor Trading

After showing the price effects (i.e., returns) above, we now explore InstPred's quantity effects by examining institutional investors' holdings. Our model's second empirical prediction is that institutional investors will trade more aggressively on anomalies when InstPred is high, speeding up price correction. We thus test whether institutional investors indeed change their holdings when InstPred is high and anomaly returns are expected to be large.

We obtain institutional common stock holdings from the Thomson-Reuters Institutional Holdings (13F) Database, which are compiled from the quarterly filings of SEC Form 13F. All institutional investment managers that exercise investment discretion on accounts holding Section 13(f) securities, exceeding $100 million in total market value, must file the form. These institutions collectively manage 68 percent of the US stock market, with the remaining 32 percent held by households and non-13F institutions (Koijen and Yogo (2019)). Form 13F reports long positions nut not short positions. A stock's institutional ownership is defined as the ratio between shares held by the institutional investors (from the 13F database) and the stock's total shares outstanding (from the CRSP database).

We next identify high-activity and low-activity institutional investors following the widely-used categorization from Brian Bushee's website.[23] Bushee (2000, 2001) categorizes institutional investors with high portfolio turnover as "transient." We regard these transient investors as being the actively-trading institutional investors seeking to coordinate trades as modeled by our theory.[24] Bushee (2001) next categorizes institutional investors investing in certain portfolio firms with low turnover as "dedicated." We regard these more passive institutional investors as being less likely to be those in our model that actively seek coordination regarding anomaly profits. Finally, as there are no predictions regarding funds that simply track indices, follow-

[23] https://accounting-faculty.wharton.upenn.edu/bushee/

[24] Bushee's website provides time-varying labels and permanent labels of transient for each institutional investors. We choose the permanent labels to mitigate the concern that institutional investors who traded on anomalies in the month are mechanically labeled as active.

ing the convention in the literature, we remove the quasi-indexers from our sample.[25] We note that the highly active institutional investors that are most relevant to our theory are also institutionally important. In particular, they account for 80 percent of the institutional ownership in our sample for the average stock from 1980 to 2020.

For each stock, we compute quarterly changes in its institutional ownership based on all institutions, high-active institutions, and low-active institutions. We expect the results to be stronger for the most active institutional investors.

We merge our monthly database of anomalies and stock return predictors (including InstPred) with the above database of quarterly changes in institutional ownership for stocks and run the following cross-sectional regression:

$$\begin{aligned}\Delta InstOwn_{i,t+1} =& \beta_1 Anomaly_{i,t} \times InstPred_{i,t} \\ &+ \beta_2 Anomaly_{i,t} + \beta_3 InstPred_{i,t} + X_{i,t} + FE_t + \epsilon_{i,t+1},\end{aligned}$$

where $\Delta InstOwn_{i,t+1}$ is the change in institutional ownership from month $t-2$ to $t+1$, $Anomaly_{i,t}$ is the stock's past returns or the natural logarithm of book-to-market ratio, $InstPred_{i,t}$ is the WSJ institutional-investor prediction measure for the stock's FF48 industry, $X_{i,t}$ is our array of control variables, and FE_t is the quarter fixed effects. We standardize all independent variables to have a mean of zero and a standard deviation of one for ease of interpretation where the unit observation is at the firm-quarter level.

Table 11 presents the results. Column (1) shows the overall non-index institutional investor trades on momentum. We observe that when WSJ InstPred is high, institutional investors buy more past winners and sell more past losers. Moreover, confirming our characterization that active institutional investors trade consistent with the arbitrageurs in our model, we observe that the effect mainly derives from the high-activity institutional investors in Column (2), but not from low-activity institutional investors in Column (3). The economic magnitude is moderate in nom-

[25] It is common practice to exclude index funds from studies exploring how funds create alpha as our framework models. See, for example, Kacperczyk, Sialm, and Zheng (2005) and Hoberg, Kumar, and Prabhala (2018).

inal terms but quite meaningful in relative terms. Column (2), for example, shows that a one-standard-deviation increase in InstPred boosts high-activity institutional investors' momentum trading by 2.96 basis points. When compared to high-activity institutional investors' unconditional momentum trading benchmark of 37.28 basis points, a one-standard-deviation increase in InstPred boosts momentum trading by a rather substantial 8% (=2.96/37.28) of the benchmark level.

Similarly, in Column (4), we observe that institutional investors buy more value stocks and sell more growth stocks when WSJ InstPred is high. In Columns (5) and (6), we observe a similar pattern that the effects in Column (4) are entirely driven by high-activity institutional investors rather than low-activity institutional investors. The economic magnitude of InstPred on value trading is larger than on momentum trading. Compared to benchmark value trading by high-activity institutional investors, a one-standard-deviation increase in InstPred boosts value trading by 24% (=1.67/6.97) of the benchmark level.

Our unified findings on both quantity and price changes fully support our proposed mechanism. These results are consistent with active institutional investors coordinating their trades by sharing signals via the news media to accelerate price corrections for momentum and value.

5 What Content Indicates Momentum and Value?

In this section, we further explore the content in our 1 million WSJ articles to shed light on two questions. First, what economic topics do the articles with high InstPred discuss? The answer to this question not only provides a potential validation regarding the plausibility and substance of our InstPred measure, but it also offers a rare opportunity to show descriptively which content themes institutional investors use to form predictions. Second, we ask which content themes relating to InstPred specifically boost the momentum and the value anomaly returns, respectively. In our conceptual framework, when the signals related to a particular anomaly are

communicated by arbitrageurs via the media, anomaly returns are predicted to be higher. Hence, future researchers can use this technique to assess the extent to which specific economic content drives InstPred's ability to boost anomalies and further infer what explains the anomalies.

We select candidate content themes from those provided by Bybee et al. (2020),[26] and prune the 180 themes to a set of more plausibly relevant themes for our application. We include all themes in the following two categories: corporate earnings and economic growth. These two themes include discussions of earnings, financial reports, macroeconomic data, recessions, and the Federal Reserve. In addition, we scanned other themes outside these two categories, which led us to additionally include: mergers, corporate governance, control stakes, takeovers, payouts, IPOs, competition, venture capital, executive pay, and management change. We believe the resulting set of 25 themes provides a relevant and detailed set of economic issues. At the same time, the list is not too large to preclude us from adding all into one regression while avoiding multicollinearity concerns.

To explore the first question (what economic themes are covered by articles with high-InstPred), we regress each article's intensity of mentioning institutional investor prediction (InstPred) on the article's intensities regarding the 25 topic themes:[27]

$$InstPred_{j,t} = \sum_{k=1,..25} \beta_k Theme_{j,k,t} + FE_t + FE_{ind} + \epsilon_{j,t},$$

where $InstPred_{j,t}$ is the InstPred intensity of article j at month t, $Theme_{j,k,t}$ is the intensity of topic theme k for article j at month t, and FE_t and FE_{ind} are year fixed effects and FF48-industry fixed effects, respectively.

Table 12 shows that articles that score high on InstPred tend to be most related to fundamentals such as share payouts and earnings forecasts; corporate finance and innovation issues such as IPOs and venture capital activity; and also to macro vari-

[26]The topics and the keywords for each topic of Bybee et al. (2020) can be downloaded at http://structureofnews.com/#. We thank the authors for making these available.

[27]Following our procedure in Section 2.2.1, we define each article's intensity regarding a topic theme to be the cosine similarity of the article's content with the keywords for the topic theme provided by Bybee et al. (2020).

ables such as recessions. Interpreting this finding through our conceptual framework, the somewhat wide-ranging set of topics suggests that the roots of anomaly mispricing are likely not uni-dimensional, which is consistent with the fact that multiple theories of momentum and value find some support in the literature.

To explore the second question regarding which content themes specifically boost momentum and value anomaly returns, we construct 25 standardized measures corresponding to each of the 25 topic themes for each of the FF48 industries in each month (see Section 2.2.2 for the methodology). We then map the industry values to our firm-month return database. For each topic theme k, we then run the following Fama-MacBeth regression that interacts the topic theme with key variables in our baseline baseline regressions:

$$\begin{aligned} ret_{i,t+1} =& \beta_1 Anomaly_{i,t} \times InstPred_{i,t} \times Theme_{i,k,t} + \beta_2 Anomaly_{i,t} \times InstPred_{i,t} \\ &+ \beta_3 Anomaly_{i,t} \times Theme_{i,k,t} + \beta_4 InstPred_{i,t} \times Theme_{i,k,t} \\ &+ \beta_5 Anomaly_{i,t} + \beta_6 InstPred_{i,t} + \beta_7 Theme_{i,k,t} + X_{i,t} + \epsilon_{i,t+1}. \end{aligned}$$

We run the above regression for the momentum anomaly and also for the value premium anomaly, using each topic theme at a time, and for each regression, we record the t-statistic of the key triple interaction term for the anomaly variable, InstPred, and the given economic theme. Figure 3 plots the ordered-pairs of two t-statistics for each of the 25 topic themes, with x-axis representing the t-statistics from the value regression and the y-axis representing the t-statistics from the momentum regression. This figure provides an intuitive visualization regarding which economic themes are most important for each anomaly, which are important for both, and which are not important at all.

Two observations stand out from Figure 3. First, there are many themes that boost value anomaly returns when InstPred is high, as 14 of the 25 themes interacted with InstPred and book-to-market have t-statistics for β_1 above 3 (Harvey, Liu, and Zhu (2016)). In contrast, the topics that boost momentum are fewer as only 6 of the 25 themes have an analogous t-statistic above 3. Second, the topics for

which a higher InstPred boosts value and momentum returns are visibly different. Those that facilitate the effects of InstPred on the value anomaly but not the momentum anomaly are related to corporate governance and corporate earnings, such as management change, executive pay, various measures of earnings, and corporate control, etc. Topics that uniquely facilitate InstPred effects on momentum are more related to issues of macro growth including the economic growth theme, macro data, optimism, and European sovereign debt.

Interpreting these results through the lens of our model, the momentum-related signals relate most to economically important *changes* in fundamentals. This is consistent with the view that momentum is an underreaction to major shocks (e.g., Hong and Stein (1999), Daniel, Hirshleifer, and Subrahmanyam (1998), Jegadeesh and Titman (2011), and Hoberg and Phillips (2018)). Private signals that indicate major revisions to fundamentals are thus likely valuable for identifying the underreaction in prices and when to trade, especially when large amounts of liquidity are required to move stock prices. Our results also suggest that signals that do not facilitate InstPred to boost momentum are typically related to corporate variables and issues that are more passive in nature.

Value-premium themes are more numerous. The economic themes that facilitate the value anomaly but not momentum are more related to longer-term issues such as managerial incentives and effort, value creation through innovation, and the value each manager brings to the firm. Intuitively, this accords with the conventional wisdom that the value anomaly is slower moving than momentum. While these results are supportive of the conclusion that the value anomaly likely has multiple economic roots, they also are consistent with the value premium having a strong link between corporate finance and asset pricing.

Overall, this section provides suggestive evidence regarding content that facilitates how InstPred boosts anomaly returns. Our results suggest that institutional investors have broad information sets, and they can share many different types of signals to induce crowd-sourcing of investment timing. While a full assessment of

various asset pricing theories is beyond the scope of our study (which focuses on coordination and crowd-sourcing), these results can motivate future research to use our framework to assess the specific predictions of various anomaly theories.

6 Conclusion

We propose that a coordination game among capacity-constrained institutions plays out on a regular basis, as many traders must act in unison to generate anomaly returns when each is too small to move prices. Our central thesis is that these institutions coordinate, at least in part, through highly reputable and visible news sources such as the Wall Street Journal. Our theoretical extension to Abreu and Brunnermeier (2002) predicts that informed institutions will share signals through the media, and price correction occurs only after enough such articles accumulate and enough uninformed investors become informed.

We test the model predictions using a novel measure that captures institutional investors sharing their predictions (InstPred) based on the full text of over one million WSJ articles from 1979 to 2020. We present new evidence of economically large amplifications of two important anomalies in the literature known to have broad-sectoral and systematic components that are likely too large for any individual fund to influence: value and momentum. Consistent with the theory, these anomaly returns are indeed largest when news covering institutional investors' predictions has accumulated over roughly 2 to 12 months. These features fundamentally distinguish our work from most prior studies on media and asset pricing, which focus on short-term (i.e., daily) effects of news and on the tone of articles (rather than interpretable content as we do).

Our evidence of institutional crowd-sourcing is reinforced by two customized experiments targeting our proposed mechanism. (i) Using quasi-exogenous variation in institutional investor connections to the WSJ, we show that our asset pricing results are strongest when major institutional investors are most connected to the WSJ.

(ii) We confirm that active institutional investors indeed trade more aggressively on quantity when WSJ articles about the industry exhibit more institutional investors' predictions.

Further analysis of economic topics in WSJ articles indicates that institutions build signals using information that spans a wide array of economic forces. Value anomaly returns are most likely to become amplified when institutional investors discuss corporate finance themes including corporate earnings, venture capital, and governance. Momentum returns are most likely to become amplified when institutional investors discuss macro themes such as economic growth, product prices, and macro data. We believe that technologies enabling sharp thematic content analysis can be invaluable to future research that explores the roots of asset pricing anomalies.

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Figure 1: **Effect of WSJ InstPred on Anomalies by Measurement Window.** The figure displays the economic strength of the signal from the WSJ "institutional investor prediction" (InstPred) as we change the window for constructing the InstPred measure. See Section 2.2.2 for more details on constructing InstPred and measurement window. The solid black line below reports the coefficient of the t-statistic of the interaction term $PastRet \times InstPred$ in Fama-MacBeth regressions in Section 3.1.1 as we increase its measurement window for $InstPred$ from 1 month to 36 months. The dotted line reports analogous t-statistics for the interaction term $BM \times InstPred$.

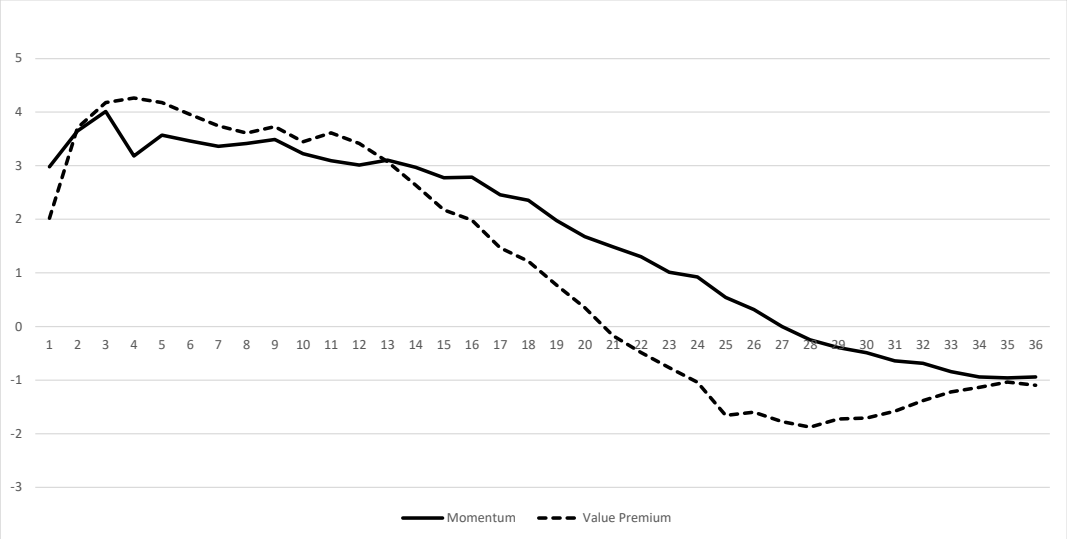
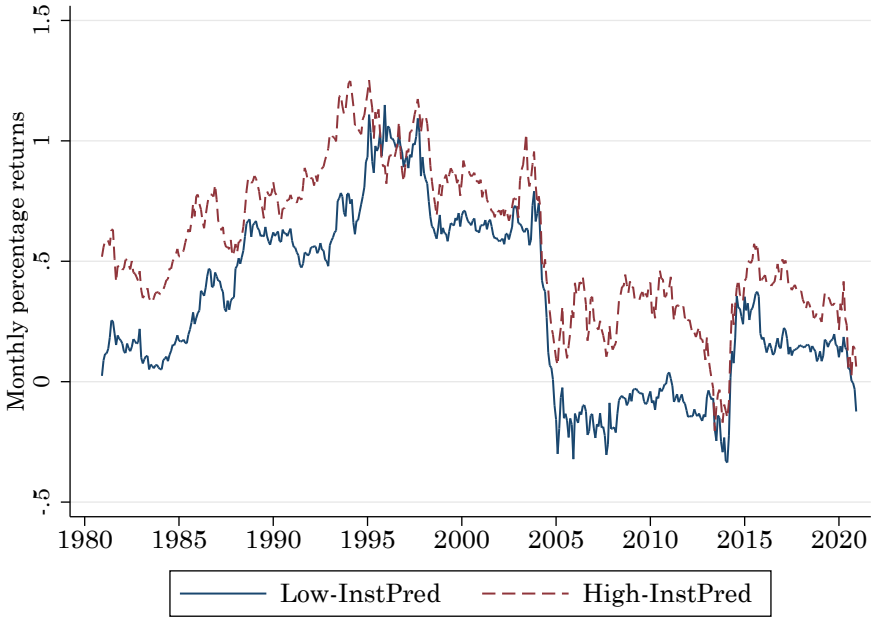


Figure 2: **Anomaly Returns in Low-InstPred and High-InstPred Portfolios.** The figure plots the smoothed monthly percentage returns of the momentum anomaly (in Panel A) and the value anomaly (in Panel B) in the Low-InstPred and High-InstPred portfolios. See Table 8 for details of the portfolio formation. Each point in the line represents the average quantity for a ten-year window centered around date indicated by the x-axis (Linnainmaa and Roberts (2018)). For example, the point on June 1990 represents the average return from July 1985 through June 1995.

Panel A: Momentum



Panel B: Value

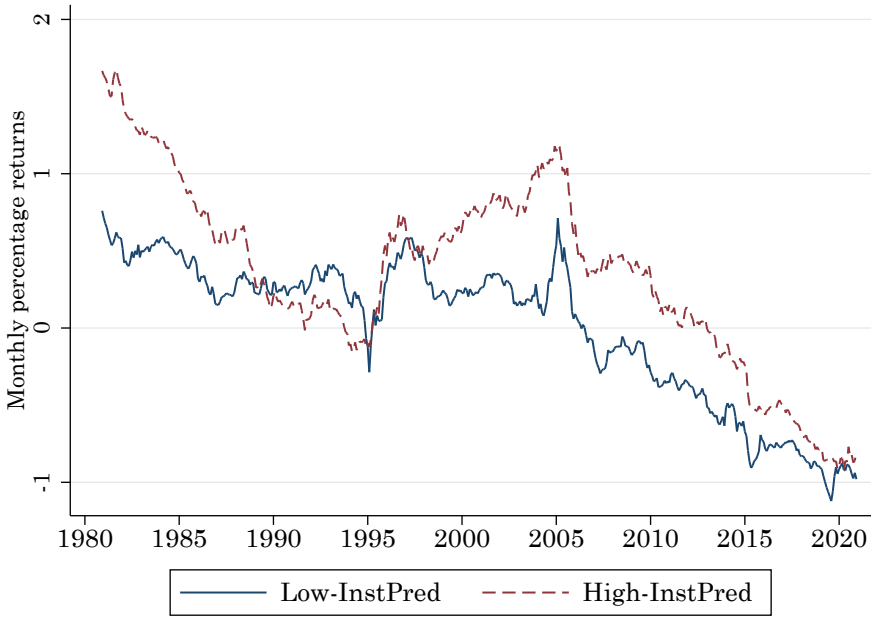


Figure 3: **WSJ Content Themes and the InstPred Effect on Anomalies.** The figure displays pairs of t-statistics of the triple interaction term between anomaly, our main measure of institutional investor prediction (InstPred), and a WSJ content theme in Fama-MacBeth regressions. We construct 25 WSJ content theme measures for each FF-48 industry based on word lists from Bybee et al. (2020). Then, we interact each content theme, one at a time, with variables in our main Fama-MacBeth regression in Table 5. x-axis represents the t-statistics of the triple interaction term between book-to-market ratio, InstPred, and the content theme, while y-axis represents the t-statistics of the triple interaction term between past returns, InstPred, and the content theme.

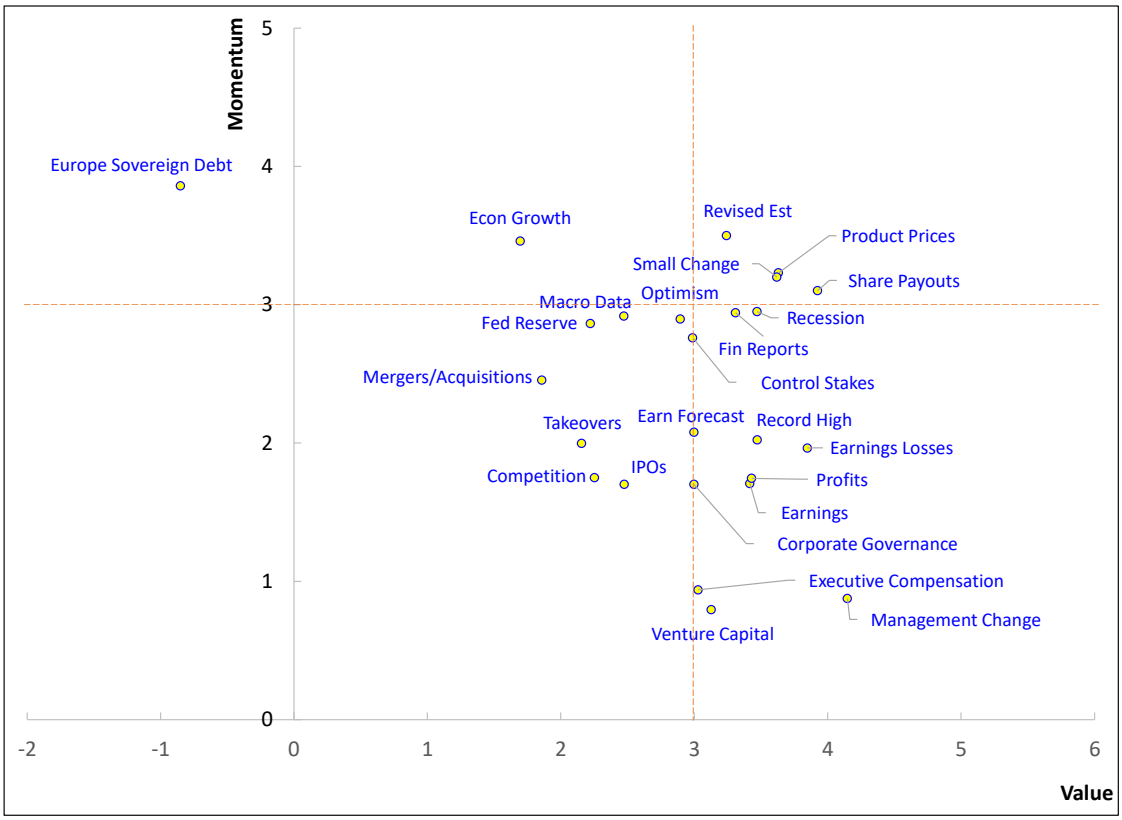


Table 1: **Top 50 Keywords for "Institutional Investor" and "Prediction"**

This table lists the top 50 keywords with the highest similarity to our seed words "institutional investor" and "prediction", respectively, from Google word2vec and also appear in the Wall Street Journal articles. See Section 2.2.1 for more details. Internet Appendix C provides all the 250 keywords that we use to compute a WSJ article's relevance to "institutional investor" and "prediction."

Rank	Keywords for "institutional investor"	Keywords for "prediction"
1	institutional_investor	prediction
2	fixed_income	predictions
3	morningstar	predicting
4	morgan_stanley	forecast
5	lipper	forecasts
6	portfolio_manager	forecasting
7	fortune_magazine	projections
8	brokerage_firms	projection
9	merrill_lynch	predicted
10	private_equity	estimation
11	hedge_fund	estimate
12	investment_banking	guesses
13	emerging_markets	assertion
14	credit_suisse	predict
15	hedge_funds	estimates
16	jpmorgan	assumption
17	zacks	expectation
18	institutional_investors	prophecy
19	investor	hunch
20	gabelli	predicts
21	brokerage	prognosis
22	brokerages	assertions
23	goldman_sachs	calculations
24	equities	forecasted
25	clsa	assessment
26	blackrock	probability
27	asset_allocation	belief
28	factset	outlook
29	barclays_capital	forecaster
30	capital_markets	estimating
31	piper_jaffray	pronouncement
32	banc	expectations
33	mutual_fund	conventional_wisdom
34	analyst	theory
35	smith_barney	hypothesis
36	banker	forecasters
37	mutual_funds	observations
38	oppenheimer	scenario
39	quantitative	suggestion
40	dealogic	conjecture
41	nomura	conclusions
42	high_yield	overly_optimistic
43	global	assumptions
44	magazine	pessimistic
45	bear_stearns	recommendation
46	deutsche_bank	observation
47	legg_mason	notion
48	forbes_magazine	analogy
49	csfb	calculation
50	citigroup	projecting

Table 2: **Sample WSJ Articles for Institutional Investor Prediction**

This table shows a sample of WSJ articles that have high "Institutional Investor & Prediction" (InstPred) scores. See details in Section 2.2.1. We highlight words related to institutional investors, prediction, and industry sectors.

Example 1: The Momentum Game Has Returned to the Stock Market, 2018-01-16

"Forget fundamentals: Momentum is back in the stock market. ... The bullish explanation is that it takes time for investors to price in a new environment. ... **Goldman Sachs's** chief U.S. equity strategist, David Kostin, said profit **forecasts** for the entire S&P 500 produced by strategists such as himself are, unusually, higher than the sum of individual company **forecasts** partly because analysts haven't yet included tax cuts. ... the current momentum portfolio perfectly captures today's consensus: heavily overweight **banks** (for interest-rate rises and deregulation) and **technology companies** (for low-inflationary growth); heavily underweight **real estate** (hurt by higher rates) and **consumer staples** (who needs downside protection?) ..."

Example 2: Einhorn Hits Fracking Stocks, 2015-05-05

"David Einhorn, an outspoken **hedge-fund manager**, took aim at the hard-hit **hydraulic-fracturing industry** Monday, when he unveiled bearish **views** on companies such as Pioneer Natural Resources Co. and Concho Resources Inc., which are under pressure from falling oil prices and environmental concerns ... Investment in shale fracking companies will "contaminate" investment returns, said Mr. Einhorn, founder of $12 billion **Greenlight Capital Inc.** ... "

Example 3: Bearishness Paid Off for Mr. Odey. Now He's Bullish, 2009-04-16

"Crispin Odey, the London **hedge-fund manager** who gained fame and large returns last year by shorting U.K. banks, says the recent market rally could be the first signs of a new bull market. ... His bullish **assessment** makes him the latest in a string of high-profile investors to suggest the markets are on the way up... 'Stock markets have shot up, led by the **financials** and the **base material sectors**,' he said. ... Anthony Bolton, **Fidelity International's** legendary stock investor, said six months ago that he was starting to buy, reiterating his stance last month. Sandy Nairn, a respected stock investor at **Edinburgh Partners**, also said last month that investors should begin reinvesting in shares. ..."

Example 4: REITs Seek to Diversify Business to Sustain Their Growth, 1997-12-31

"Continuing to grow may no longer make as much sense, some analysts **warn**. 'As acquisition prices get higher, when are we going to see companies buy back their stock or take their dividends up to 100% of their cash flow?' asks Gregory Whyte, an analyst with **Morgan Stanley Dean Witter**. 'That's what they should do if **properties** cost shareholders more than they add to cash flow.' ... "

Table 3: **Summary Statistics of WSJ Articles**

Panel A reports the summary statistics of variables in 1,018,718 Wall Street Journal articles from June 1979 to December 2020. Panel B reports the Pearson correlation coefficients of the variables. Each variable is constructed based on the cosine similarity between the full content of a WSJ article and the keywords for the variable. For *Institutional Investor* and *Prediction*, we use the top 250 synonyms "institutional_investor" and the top 250 synonyms of "prediction" from Google word2vec model, respectively. For *Positive Tone, Negative Tone*, and *Uncertainty*, we use the keywords provided by Loughran and McDonald (2011). *Institutional Investor & Prediction (InstPred)* is the product of *Institutional Investor* and *Predict* multiplied by 100 for the ease of reading. See Section 2.2.1 for more details.

Panel A: Summary Statistics

Variable	Mean	Std.Dev.	Minimum	Median	Maximum	Obs.
Institutional Investor & Prediction (InstPred)	0.010	0.020	0.000	0.000	0.487	1,018,718
Institutional Investor (Inst)	0.010	0.012	0.000	0.006	0.127	1,018,718
Prediction (Pred)	0.008	0.008	0.000	0.006	0.076	1,018,718
Positive Tone	0.008	0.008	0.000	0.007	0.076	1,018,718
Negative Tone	0.009	0.008	0.000	0.007	0.070	1,018,718
Uncertainty	0.006	0.007	0.000	0.005	0.059	1,018,718

Panel B: Pearson Correlation Coefficients

	Institutional Investor & Prediction	Institutional Investor	Prediction	Positive Tone	Negative Tone
Institutional Investor	0.675				
Prediction	0.687	0.287			
Positive Tone	0.333	0.234	0.379		
Negative Tone	0.202	0.102	0.335	0.259	
Uncertainty	0.339	0.210	0.467	0.369	0.423

Table 4: **Summary Statistics of Firms**

This table reports the summary statistics of our key variables at the stock-month level from January 1981 to December 2020. *Monthly Return* is current month t's stock return. Our main variable of interest *InstPred* is based on the text of newspaper articles from the Wall Street Journal. Wall Street Journal theme variables are first computed at the article-level, and are based on cosine similarities between each article's text and a word list corresponding to each theme. Thematic word lists are obtained from the Google word2vec embeddings database, and tone word lists are from Loughran and McDonald (2011). *InstPred* is the intensity of WSJ articles mentioning institutional investors and predict from month t-4 to t-1 for the stock's FF-48 industry, standardized relative to months t-24 to t-13 (see Section 2 for more details). *Article* is the number of WSJ articles about the stocks' industry over the past 3 months, also standardized relative to the industry's article counts from months t-24 to t-13. *BM* is the natural logarithm of book-to-market ratio. *PastRet* is the return from $t-12$ to $t-1$. *Size* is the natural logarithm of market capitalization as of June. *Investment* is the growth rate of total assets. *Profitability* is the operating profitability defined following Fama and French (2015). *SUE* is earnings surprise multiplied by 100 for the ease of reading.

Panel A: Summary Statistics

Variable	Mean	Std.Dev.	Minimum	Median	Maximum	Obs.
Monthly return	0.011	0.162	-0.981	0.001	19.884	1,936,537
InstPred	0.161	0.811	-3.092	0.132	3.276	1,936,537
Articles	0.073	1.124	-2.874	-0.045	3.284	1,936,537
BM	-0.598	0.936	-11.308	-0.506	5.685	1,936,537
PastRet	0.161	0.729	-0.996	0.064	98.571	1,936,537
Size	12.236	2.151	4.676	12.093	21.170	1,936,537
Investment	0.148	0.383	-0.587	0.059	5.307	1,936,537
Profitability	0.143	0.428	-5.370	0.199	2.705	1,936,537
SUE	-0.123	1.634	-48.858	0.000	20.568	1,936,537

Panel B: Pearson Correlation Coefficients

	Return	InstPred	Articles	BM	PastRet	Size	Investment	Profitability
InstPred	-0.007							
Articles	-0.007	0.126						
BM	0.027	-0.025	-0.047					
PastRet	0.004	-0.060	0.002	0.024				
Size	-0.006	-0.038	-0.088	-0.271	-0.002			
Investment	-0.021	0.046	0.029	-0.158	-0.051	0.067		
Profitability	0.015	0.024	-0.002	0.092	-0.021	0.236	0.065	
SUE	0.010	-0.028	-0.001	0.026	0.113	-0.019	-0.053	-0.060

Table 5: **Fama-MacBeth Regressions of Anomalies and WSJ InstPred**

This table reports Fama-MacBeth regression of next-period monthly stock returns on the interaction between anomaly predictors (*PastRet* and *BM*) and WSJ institutional investor prediction measure (*InstPred*). Monthly stock returns are annualized by multiplying 1,200 for ease of interpretation. See Table 4 for variable definitions. All non-interactive independent variables are standardized to have mean 0 and standard deviation of 1. *t*-statistics are adjusted using Newey-West with two lags and reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020.

	(1)	(2)	(3)	(4)	(5)
PastRet×InstPred	1.94***	1.57***			
	(3.42)	(3.06)			
BM×InstPred			1.38***	1.40***	
			(3.61)	(4.01)	
InstPred	0.16	0.42	-0.18	0.03	
	(0.31)	(0.95)	(-0.32)	(0.07)	
PastRet	3.81***	2.51*		2.40*	2.55*
	(2.64)	(1.89)		(1.83)	(1.93)
BM		2.79***	4.08***	3.10***	2.78***
		(4.17)	(5.22)	(4.45)	(4.11)
Size		-0.64		-0.63	-0.68
		(-0.75)		(-0.73)	(-0.79)
Investment		-2.55***		-2.56***	-2.59***
		(-7.76)		(-7.76)	(-7.78)
Profitability		3.56***		3.60***	3.58***
		(5.08)		(5.12)	(5.06)
SUE		3.26***		3.27***	3.27***
		(14.17)		(14.11)	(14.02)
Articles		-0.72		-0.72	-0.62
		(-1.35)		(-1.35)	(-1.12)
Observations	1,936,537	1,936,537	1,936,537	1,936,537	1,936,537

Table 6: **Fama-MacBeth Regressions Using Permutations of WSJ InstPred**

This table reports Fama-MacBeth regression of next-period monthly stock returns on the interaction between anomaly predictors (*PastRet* and *BM*) and permutations of the WSJ institutional investor prediction measures. Monthly stock returns are annualized by multiplying 1200 for ease of interpretation. The table reports results when we develop WSJ themes aimed at isolating separate effects from the institutional investor theme and the prediction theme. The first two columns are based on Inst&HiPred, which is the institutional investor theme loading for the given article multiplied by a dummy regarding if the article has an above median value for the predict theme relative to other artcles from the same month. The third and fourth columns are analogously defined as the institutional investor theme multiplied by the below median predict theme dummy. The fifth and sixth columns are analogously defined as the predict theme multiplied by the above median institutional investor theme dummy. The final two columns are analogously defined as the predict theme multiplied by the below median institutional investor theme dummy. All regressions control for stock characteristics including size, investment, profitability, SUE, and articles. See Table 4 for variable definitions. t-statistics are adjusted using Newey-West with two lags and reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020. There are 1,936,537 observations in each column.

WSJ:	Inst&HiPred		Inst&LoPred		Pred&HiInst		Pred&LoInst	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PastRet× *WSJ*	1.48***		0.08		1.43***		-0.29	
	(2.89)		(0.16)		(3.18)		(-0.65)	
BM× *WSJ*		1.47***		-0.37		1.23***		-0.57**
		(4.58)		(-1.24)		(3.81)		(-2.00)
WSJ	0.60	0.17	0.28	0.17	0.72*	0.33	0.11	0.27
	(1.33)	(0.36)	(0.68)	(0.39)	(1.65)	(0.70)	(0.18)	(0.43)
BM	2.78***	3.01***	2.79***	3.04***	2.77***	2.81***	2.82***	2.89***
	(4.15)	(4.31)	(4.18)	(4.53)	(4.14)	(4.18)	(4.29)	(4.41)
PastRet	2.78**	2.40*	2.64**	2.50*	2.75**	2.42*	2.87**	2.44*
	(2.08)	(1.83)	(1.98)	(1.90)	(2.09)	(1.84)	(2.11)	(1.85)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 7: **Fama-MacBeth Regressions Controlling for Other News Themes**

This table reports Fama-MacBeth regression of next-period monthly stock returns on the interaction between anomaly predictors (*PastRet* and *BM*) and WSJ institutional investor prediction measure (*InstPred*) controlling for other news themes. Monthly stock returns are annualized by multiplying 1,200 for ease of interpretation. Articles is the number of WSJ articles for the stocks' industry during months t-3 to t-1 (standardized relative to months t-24 to t-13). *Positive Tone*, *Negative Tone*, and *Uncertainty* are all based on the Loughran and McDonald (2011) dictionaries, and are based on months t-3 to t-1, and are also standardized relative to months t-24 to t-13. All regressions control for stock characteristics including size, investment, profitability, SUE, and articles. See Table 4 for variable definitions. *t*-statistics are adjusted using Newey-West with two lags and reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020. There are 1,936,537 observations in each column.

OtherTheme:	Articles		Positive Tone		Negative Tone		Uncertainty	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PastRet×InstPred	1.41***		1.44***		1.39***		1.48***	
	(2.73)		(2.66)		(2.72)		(2.68)	
PastRet×*OtherTheme*	0.33		0.40		0.88		-0.03	
	(0.57)		(0.56)		(1.40)		(-0.05)	
BM×InstPred		1.49***		1.34***		1.21***		1.37***
		(4.17)		(3.67)		(3.51)		(3.67)
BM×*OtherTheme*		-0.33		0.09		0.27		0.32
		(-0.86)		(0.20)		(0.69)		(0.76)
InstPred	0.45	-0.00	0.02	-0.36	0.46	0.06	0.09	-0.23
	(1.04)	(-0.01)	(0.03)	(-0.71)	(1.04)	(0.14)	(0.19)	(-0.44)
OtherTheme	-0.96*	-0.60	1.19*	1.05	-0.05	0.01	0.90	0.89
	(-1.79)	(-1.09)	(1.81)	(1.50)	(-0.08)	(0.02)	(1.36)	(1.30)
PastRet	2.63*	2.39*	2.44*	2.36*	2.79**	2.37*	2.35*	2.33*
	(1.80)	(1.82)	(1.80)	(1.81)	(2.34)	(1.82)	(1.75)	(1.77)
BM	2.77***	3.33***	2.86***	3.18***	2.85***	3.13***	2.84***	3.18***
	(4.14)	(4.68)	(4.35)	(4.48)	(4.43)	(4.49)	(4.33)	(4.65)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 8: **Portfolio Sorts on Anomalies and WSJ InstPred**

This table reports excess returns of portfolios sorted on anomaly predictors and our main variable WSJ InstPred. Panel A reports the results of using past returns as the predictor of the momentum anomaly, and Panel B reports the results using book-to-market as the predictor of the value anomaly. Each month, we sort stocks into two size groups based on NYSE median market capitalization. Independently, we sort stocks into three groups by NYSE anomaly predictors (past returns from $t-12$ to $t-1$ in Panel A and book-to-market in Panel B). Also independently, we sort firms into three WSJ InstPred groups based on their NYSE breakpoints. We next compute value-weighted excess returns within each of the 18 portfolios and then take simple averages of the returns between large- and small-cap portfolios within each of the 3×3 anomaly-InstPred portfolios. Monthly excess returns are annualized by multiplying 1,200. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020.

	Panel A: Momentum Anomaly			
	Low PastRet	Med PastRet	High PastRet	H−L
Low InstPred	6.59*	8.27***	10.29***	3.70
	(1.88)	(3.27)	(3.57)	(1.50)
Med InstPred	7.16**	9.39***	12.22***	5.06**
	(2.02)	(3.73)	(4.22)	(2.16)
High InstPred	3.52	8.48***	10.35***	6.84***
	(0.97)	(3.38)	(3.65)	(2.70)
	Panel B: Value Anomaly			
	Low BM	Med BM	High BM	H−L
Low InstPred	7.76**	9.38***	7.91***	0.16
	(2.58)	(3.60)	(2.79)	(0.08)
Med InstPred	8.72***	10.01***	10.71***	1.99
	(2.90)	(3.70)	(3.67)	(1.15)
High InstPred	5.58*	9.14***	9.89***	4.31**
	(1.83)	(3.44)	(3.48)	(2.21)

Table 9: **The Role of Institutional Investors' WSJ Connectedness**

This table reports our baseline Fama-MacBeth regression (in Table 5) for two subsamples based on industries' major institutional investors' average connectedness with the WSJ, i.e., *Investor-WSJ Connectedness*. See Section 4.1 for details regarding this variable's definition. Crucially, connectedness for each industry's major investors is computed using past interactions with the WSJ occurring in unrelated industries, ensuring that this variable is plausibly exogenous relative to the focal industry's state in the given month. In each month, we divide the sample into two groups based on the median of the industries' major investor WSJ-connectedness, resulting in *Industries with Low Investor-WSJ Connectedness* and *Industries with High Investor-WSJ Connectedness*. All non-interactive independent variables are standardized to have mean 0 and standard deviation of 1. t-statistics are adjusted using Newey-West with two lags and are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from July 1981 to June 2019.

	Industries with Low Investor-WSJ Connectedness				Industries with High Investor-WSJ Connectedness			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PastRet×InstPred	0.03	-0.12			2.87***	2.18**		
	(0.04)	(-0.20)			(2.76)	(2.35)		
BM×InstPred			0.64	0.70*			2.44***	2.42***
			(1.53)	(1.80)			(4.32)	(4.69)
InstPred	0.01	0.06	0.46	0.32	0.49	0.83	-0.43	-0.11
	(0.02)	(0.12)	(0.81)	(0.65)	(0.45)	(0.93)	(-0.41)	(-0.12)
PastRet	4.04***	2.81**		2.43*	3.76**	2.08		2.61*
	(2.64)	(2.00)		(1.74)	(2.29)	(1.35)		(1.82)
BM		2.78***	4.30***	3.35***		3.02***	3.93***	3.31***
		(4.35)	(5.74)	(4.96)		(4.21)	(4.37)	(4.28)
Size		-0.66		-0.65		0.03		0.05
		(-0.73)		(-0.72)		(0.04)		(0.06)
Investment		-2.82***		-2.83***		-2.60***		-2.61***
		(-7.37)		(-7.41)		(-6.43)		(-6.38)
Profitability		4.33***		4.41***		3.00***		3.03***
		(5.60)		(5.69)		(4.30)		(4.30)
SUE		3.28***		3.31***		3.30***		3.30***
		(11.81)		(11.88)		(13.69)		(13.71)
Articles		-0.58		-0.58		-1.13		-1.09
		(-1.03)		(-1.04)		(-1.19)		(-1.15)
Observations	989,722	989,722	989,722	989,722	868,266	868,266	868,266	868,266

Table 10: **The Role of Connected-Journalist Turnover**

This table reports our baseline Fama-MacBeth regression (in Table 5) for two subsamples based on industries' exposure to turnovers of connected WSJ journalists. Turnover is defined as a journalist leaving the WSJ in the past year. We measure each institutional investor's exposure to the journalist turnover based on the number of occurrences the institution was reported by the journalist in the prior three years. Finally, for each FF48 industry, we aggregate its major investors' exposure to journalist turnover weighted by the dollar value of their holdings in the industry. In each month and within each high and low investor-WSJ connected industries, we divide the sample into two groups based on the top tercile of the industries' exposure to connected WSJ journalists, resulting in *Industries with Low Exposure to Turnover of Connected Journalists* and *Industries with High Exposure to Turnover of Connected Journalists*. All non-interactive independent variables are standardized to have mean 0 and standard deviation of 1. t-statistics are adjusted using Newey-West with two lags and are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1987 to June 2019.

	Industries with Low Exposure to Turnover of Connected Journalists				Industries with High Exposure to Turnover of Connected Journalists			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PastRet×InstPred	2.05***	1.81***			0.68	0.56		
	(2.75)	(2.71)			(0.56)	(0.50)		
BM×InstPred			1.31***	1.33***			0.07	0.14
			(2.85)	(3.38)			(0.09)	(0.20)
InstPred	-0.73	-0.11	-0.86	-0.31	0.44	0.55	0.61	0.52
	(-1.01)	(-0.18)	(-1.20)	(-0.50)	(0.41)	(0.57)	(0.57)	(0.57)
PastRet	2.72	1.62		1.48	3.50**	2.74*		3.20**
	(1.48)	(0.95)		(0.89)	(2.08)	(1.72)		(2.09)
BM		2.04***	3.13***	2.39***		2.50***	3.16***	2.43***
		(2.67)	(3.53)	(2.97)		(3.44)	(3.19)	(2.73)
Size		-0.36		-0.35		-0.89		-0.89
		(-0.38)		(-0.37)		(-0.93)		(-0.93)
Investment		-2.68***		-2.67***		-2.25***		-2.24***
		(-6.64)		(-6.64)		(-5.24)		(-5.22)
Profitability		2.73***		2.81***		4.03***		4.03***
		(3.24)		(3.33)		(4.86)		(4.79)
SUE		3.22***		3.24***		3.52***		3.52***
		(12.32)		(12.32)		(10.37)		(10.16)
Articles		-1.32*		-1.39*		-0.15		-0.20
		(-1.84)		(-1.91)		(-0.15)		(-0.19)
Observations	1,125,975	1,125,975	1,125,975	1,125,975	484,740	484,740	484,740	484,740

Table 11: **Changes in Institutional Holdings**

This table reports panel regression results of quarterly changes in institutional holdings from month $t-2$ to $t+1$ on the interaction between current anomaly predictors (*PastRet* and *BM*) and current WSJ institutional investor predict measure (*InstPred*). Institutional ownership of a stock is the ratio between shares held by institutional investors from the Thomson-Reuters Institutional Holdings (13F) database and the total shares outstanding from the CRSP database in basis points. *All* represents changes in ownership from all non-index institutional investors. *HiActive* and *LoActive* represent changes in ownership only from high-activity institutional investors and only from low-activity institutional investors, respectively. See Section 4 for more details. All non-interactive independent variables are standardized to have mean zero and standard deviation of one for each regression. All regressions control for quarter fixed effects. t-statistics clustered at stock level are presented in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from March 1981 to December 2018.

	All	HiActive	LoActive	All	HiActive	LoActive
	(1)	(2)	(3)	(4)	(5)	(6)
PastRet×InstPred	2.67**	2.93***	-0.26			
	(2.32)	(2.62)	(-1.12)			
BM × InstPred				1.18**	1.66***	-0.47
				(2.02)	(3.20)	(-1.63)
PastRet	35.61***	36.97***	-1.35***	35.22***	36.54***	-1.32***
	(21.56)	(21.19)	(-4.51)	(20.30)	(20.00)	(-4.43)
BM	5.96***	6.85***	-0.88***	5.95***	6.85***	-0.89***
	(9.19)	(12.95)	(-2.85)	(9.15)	(12.92)	(-2.87)
InstPred	-1.34**	-1.46***	0.11	-1.36**	-1.47***	0.11
	(-2.29)	(-2.68)	(0.43)	(-2.33)	(-2.72)	(0.44)
Size	-7.07***	-6.14***	-0.93***	-7.06***	-6.13***	-0.93***
	(-17.73)	(-17.81)	(-4.93)	(-17.72)	(-17.79)	(-4.93)
Investment	-6.08***	-6.73***	0.65**	-6.07***	-6.72***	0.65**
	(-9.07)	(-11.25)	(2.55)	(-9.05)	(-11.22)	(2.53)
Profitability	-1.69***	-1.53***	-0.16	-1.63***	-1.47***	-0.16
	(-3.11)	(-3.39)	(-0.53)	(-3.00)	(-3.26)	(-0.53)
SUE	9.79***	11.44***	-1.65***	9.85***	11.51***	-1.66***
	(16.89)	(20.92)	(-6.80)	(16.91)	(20.92)	(-6.84)
Articles	-1.31**	-1.20**	-0.10	-1.41**	-1.33**	-0.08
	(-2.13)	(-2.21)	(-0.35)	(-2.30)	(-2.45)	(-0.27)
Observations	592,072	592,072	592,072	592,072	592,072	592,072

Table 12: **WSJ Content Themes and InstPred**

This table reports regressions of our WSJ InstPred variable and its two components institutional investor variable (*Inst*) and prediction variable (*Pred*) on an array of text-based content themes at the article level. See Table 1 for definitions of our WSJ variables. The content themes are derived using the word lists from Bybee et al. (2020). For each content theme, we compute the cosine similarity of the article's text and the word lists associated with the theme. We include year and FF48 industry fixed effects. t-statistics are clustered at the industry level and reported in parentheses. Our sample spans January 1981 to December 2020.

Theme	InstPred	Inst	Pred
Share payouts	0.435 (38.9)	0.256 (31.0)	0.064 (16.0)
IPOs	0.187 (23.4)	0.402 (11.9)	-0.015 (-4.10)
Earnings forecast	0.710 (17.8)	0.198 (24.3)	0.320 (71.5)
Record high	0.134 (15.1)	0.093 (13.3)	0.014 (3.53)
Recession	0.257 (14.1)	0.120 (14.9)	0.066 (27.3)
Optimism	0.294 (11.6)	0.029 (4.20)	0.171 (44.1)
Corporate governance	0.039 (9.38)	0.035 (8.13)	-0.001 (-0.40)
Venture capital	0.067 (6.20)	0.087 (6.61)	-0.001 (-0.26)
Revised estimate	0.068 (4.23)	-0.024 (-4.01)	0.134 (36.8)
Financial reports	0.019 (3.82)	-0.001 (-1.00)	0.029 (11.5)
Federal Reserve	0.132 (3.55)	0.032 (1.11)	0.038 (4.72)
Macroeconomic data	0.051 (2.72)	-0.027 (-2.84)	0.080 (14.1)
Competition	0.051 (2.26)	0.037 (2.60)	0.061 (7.83)
Takeovers	0.009 (2.10)	-0.047 (-4.53)	0.037 (19.8)
Mergers & Acquisitions	0.018 (2.05)	0.029 (2.85)	-0.012 (-4.35)
Management changes	0.014 (1.64)	0.020 (2.75)	0.003 (1.47)
European sovereign debt	0.012 (0.91)	0.081 (4.10)	0.023 (3.84)
Control stakes	0.001 (0.03)	0.050 (2.46)	-0.021 (-7.90)
Earnings losses	-0.000 (-0.02)	0.009 (3.15)	-0.016 (-4.83)
Small changes	-0.003 (-0.42)	0.037 (3.74)	-0.021 (-4.55)
Executive compensation	-0.013 (-1.08)	-0.005 (-1.08)	-0.003 (-0.95)
Economic growth	-0.101 (-7.45)	-0.049 (-4.39)	-0.012 (-2.25)
Product prices	-0.062 (-7.29)	-0.045 (-4.93)	0.006 (1.75)
Earnings	-0.121 (-9.19)	-0.057 (-8.47)	-0.032 (-10.1)
Profits	-0.264 (-16.7)	-0.093 (-16.2)	-0.124 (-23.8)
R^2	0.464	0.441	0.526
Observations	1,018,672	1,018,672	1,018,672

Internet Appendix

Wisdom of the Institutional Crowd: Implications for Anomaly Returns

AJ Chen, Gerard Hoberg, and Miao Ben Zhang

A Details on Constructing the InstPred Measure

A.1 Technical Details on Measuring Institutional Investor and Prediction Content

To measure each article's relatedness to institutional investors, we introduce a measurement method implemented using Google open-source word-embedding model trained on 100 billion words using Google News corpus. The Google model contains 300-dimensional vectors for 3 million words and phrases with the goal of representing the meanings of words using numeric vectors. As a breakthrough in computational linguistics, the word-embedding method (Mikolov et al., 2013ab) uses a neural network to learn the contextual use of each word based on the distribution and ordering of the words in the news corpus. The use of Google news as input to the model ensures that the mapping of news-media concept and related vocabularies is consistent with the contextual style of WSJ newspaper language. The embedding method has been applied in recent financial studies of systemic exposures and transmission (Hanley and Hoberg, 2019) and of corporate culture (Li et al., 2021). Our goal is to use the Google word2vec model to generate a list of vocabularies that are likely to co-appear in news articles relevant to the institutional investors. Using the Google-news-based model allows us to generate words that are trained based on a larger scale of news articles and therefore improve the quality and relevance of the word list.

Specifically, we follow the methodology in the previous literature (Hanley and Hoberg, 2019; Li et al., 2021) and use "institutional investor" as the seed word that is fed into the pre-trained Google model. Next, we select the top 250 words with the highest similarity scores (i.e., the highest cosine similarity between their word vectors) from the Google word2vec model. In this process, we also map vocabularies from the Google word2vec to the WSJ corpus to ensure the top 250 words we select are in the WSJ corpus.

To quantify the extent of a WSJ news article's discussion of institutional crowd,

we need to compare the WSJ news text with the related-word vector from Google word2vec. We do this by computing the cosine similarity between the vocabulary list associated with institutional investor, and the raw text of each WSJ news article. This procedure has been widely used in finance, accounting and economics studies (Bhattacharya, 1946; Salton and McGill, 1983; Hoberg and Phillips, 2016). Specifically, two binary vectors of 0's and 1's are separately created with the length of the WSJ dictionary: (1) Vector 1 is for the words present in each news article and (2) Vector 2 is the 250 related words from Google word2vec. Cosine Similarity is then calculated based on the two vectors. In general, the resultant cosine similarity score is a thematic score for every article that is bounded in [0,1] and each one indicates the intensity of media attention to the theme of "institutional crowd" that is specific to the given WSJ article.

To illustrate the informativeness of our measure, we examine the extent to which our institutional investor measure correlates with mentions of institutional investors' names in the WSJ articles. We collect and clean up the names of all large institutional investors from the Thomson-Reuters Institutional Holdings (13F) database, names of hedge funds from the Thomson Lipper Hedge Fund database, names of mutual funds from the CRSP mutual fund database, and names of top 100 investment banks from Corporate Finance Institute. We then count the occurrence of all names from each list in each WSJ article.[28] Internet Appendix Table IA.4 shows the results of regressing our "institutional investor" measure on each of the four name-based scores while controlling for year and FF48 industry fixed effects. We observe statistically significant correlations between an article's "institutional investor" measure and its mentioning of the names of the various lists of institutional investors.

We use the Google News word2vec keywords for institutional investors (instead of searching for institutional investor names as above) to identify an article's institutional investor focus for three reasons. First, some institutional investor names are common words that can create widespread measurement errors in article searches.[29]

[28]Internet Appendix D provides more details on processing the names of institutional investors.
[29]Examples include Boston Co Inc, Trust Co, and Society Corp.

Second, some articles might draw content from individuals who work with institutional investors but they might not reference the company's name. Third, articles refer to institutional investors in many different ways and the word2vec keyword approach is specifically designed to measure this content in a comprehensive way (see Mikolov et al., 2013ab). For example, this same technology is used in search engines. As an example, consider the following paragraph from a WSJ article in 2003: "*Also, the passage of time has eroded the stigma attached to the Internet sector, prompting some institutional investors to return for a fresh look. In recent weeks, Mr. Rashtchy has gotten phone calls from fund managers he hasn't heard from in a couple of years, asking about Web stocks. Covering of positions by short-sellers has also contributed to the rise.*"[30] This paragraph and many others in the article discuss the views of institutional investors, including Mr. Rashtchy (an Internet analyst at U.S. Bancorp Piper Jaffray, an investment bank), but the investment bank's name appeared only once in the whole article.

A.2 Technical Details on Classifying WSJ Articles by Industry

For the WSJ news articles, Dow Jones has collected structured metadata that includes timestamps to the millisecond, categories, and tickers pertaining to the news articles. For articles that have firm ticker tags, we are able to match each article with tagged firm's industry SIC classification from CRSP. We then match SIC to Fama-French 48 industry classifications.[31] For WSJ articles that do not have company tags, we apply a machine learning algorithm that classifies articles into industries based on the narrative structure of the articles itself and its topical attributes, in order to systematically score industry relevance for all articles in the WSJ data. To achieve this goal, we adopt a feed-forward neural network, which is used extensively in pattern recognition, combined with text-based topical modeling.

Specifically, we use topical modeling to reduce the dimensions of all the WSJ

[30]The article can be found at https://www.wsj.com/articles/SB104948462248570600.
[31]https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

texts. We run latent dirichlet allocation (LDA) for our sample to identify the 1,000 topics of the WSJ corpus, which is a dimensionality reduction algorithm used extensively in computational linguistics (see Blei, Ng, and Jordan 2003). Similar to principal components analysis for numerical data, LDA identifies verbal themes that best explain the variation in text across our sample. This step allows us to score each WSJ article with 1000 topic loadings, which represent the latent thematic structure of the document. To map un-tagged news articles to industry classification, we then train a simple multiple layer perception (MLP) feed-forward neural network that is widely used for pattern recognition. We use the 1000 LDA topic loadings and the industry classification of the articles that are tagged by Dow Jones as training and test sets. Our trained model outputs the industry classification with a prediction probability for the un-tagged articles. We only use articles with a higher than 50% probability of the industry assignment. Our final article count amounts to 1,018,718.

B Definitions of Financial Variables

The variable used in this study are defined as follows:

- **Past Return** is defined as a stock's past cumulative return from month $t-12$ to $t-1$. We avoid the returns in month t to mitigate the impact of microstructure effects such as short-term reversal effect.

- **Book-to-Market Ratio** is the natural logarithm of a firm's ratio of book equity and market value, defined following Davis, Fama, and French (2000). We exclude firms with negative book equity.

- **Investment** is defined as the growth rate of a firm's total assets (Fama and French (2015), and Hou, Xue, and Zhang (2015)).

- **Profitability** is defined as revenue minus cost of goods sold, SG&A, and interest expenses all normalized by the book value of equity (Fama and French (2015)). We exclude firms with negative book equity.

- **Size** is firms' market capitalization as of December of the fiscal year.
- **SUE** is the standardized unexpected earnings defined following Latane and Jones (1979).

C Keywords from Google News Word2Vec

We prepare this documentation to show the dictionary of the wordlist using the Google semantics model trained using Google News.

1. The list of 250 Expert-related words based on Google semantics model trained using Google News (ordered by similarity score)

{institutional_investor, fixed_income, morningstar, morgan_stanley, lipper, portfolio_manager, fortune_magazine, brokerage_firms, merrill_lynch, private_equity, hedge_fund, investment_banking, emerging_markets, credit_suisse, hedge_funds, jpmorgan, zacks, institutional_investors, investor, gabelli, brokerage, brokerages, goldman_sachs, equities, clsa, blackrock, asset_allocation, factset, barclays_capital, capital_markets, piper_jaffray, banc, mutual_fund, analyst, smith_barney, banker, mutual_funds, oppenheimer, quantitative, dealogic, nomura, high_yield, global, magazine, bear_stearns, deutsche_bank, legg_mason, forbes_magazine, csfb, securities, citigroup, wachovia_securities, cnbc, internet_retailer, broker_dealers, best, ranked, emerging, fortune, decade, academic, neuberger_berman, thomson_reuters, lazard, pimco, citi, schroders, broker, institutional, global_markets, derivatives, hottest, investment, reits, daiwa_securities, corporate_counsel, portfolio, consumer_goods, advisors, issuers, nomura_securities, recognized, putnam_investments, eaton_vance, morgan_keegan, methodology, weightings, outperform, analysts, consumer_staples, rankings, investment_management, cibc_world, stocks, instinet, underwriter, lehman_brothers, renaissance_capital, equity, publicly_traded, technical_analysis, alternative_investment, esquire, etfs, deutsche, msci, fool, factset_research, invesco, corporate_governance, newsweek, janus_capital, strategist, pub-

lic_opinion, advisor, scholar, dresdner_kleinwort, prudential_financial, outstanding, nasd, semiconductor, structured_finance, comscore, responsive_politics, asia_pacific, finra, forbes, mergers, forrester_research, investor_relations, firms, financings, stifel_nicolaus, barron, thomson_financial, benchmark, senior_analyst, asset, mckinsey, medical_device, janus, provider, vendor, gartner, casualty_insurers, innovator, ishares, outperformance, industrials, sectors, distinguished, portfolios, supplier, total_return, broker_dealer, prudential, dimon, ipos, morningstar_analyst, investing, thomson_first, supply_chain, investors, merrill, natixis, warburg_pincus, maxim, indices, private_banking, jefferies, tiaa_cref, contrarian, insight, credit_ratings, hewitt_associates, consumer_reports, babson, advance, icap, cbre, wasserstein, goldman, midcap, calpers, adrs, billboard, reit, service_provider, entrepreneur, strategic, product, fair_value, downgrades, redemptions, firm, fastest_growing, unicredit, brokers, vogue, economic_forum, jpmorgan_chase, client, calyon, issuer, commodities, indexes, publications, underperformed, funds, insider_trading, societe_generale, deloitte, preseason, julius_baer, customer_satisfaction, cdos, foolish, prestigious, caps, citic, outsourcing, fidelity_investments, value, daiwa, mellon_financial, altria, precious_metals, cnet, greatest, diversified_portfolio, intermediaries, stock_picks, franchise, pharma, miller_tabak, annualized_return, weighting, standard_chartered, convertible_bonds, innovative, rising_star, performer, stock_market, real_estate, markets, medco, managed, associate, needham, underperform, marketwatch}

2. The list of 250 Prediction-related words based on Google semantics model trained using Google News (ordered by similarity score)

{prediction, predictions, predicting, forecast, forecasts, forecasting, projections, projection, predicted, estimation, estimate, guesses, assertion, predict, estimates, assumption, expectation, prophecy, hunch, predicts, prognosis, assertions, calculations, forecasted, assessment, probability, belief, outlook, forecaster, estimating, pronouncement, expectations, conventional_wisdom, theory, hypothesis, forecasters, ob-

servations, scenario, suggestion, conjecture, conclusions, overly_optimistic, assumptions, pessimistic, recommendation, observation, notion, analogy, calculation, pessimists, projecting, reasoning, analysis, optimists, consensus_estimate, pronouncements, likelihood, prescient, statistic, caveat, promise, predictive, probabilities, findings, statistical_analysis, statistician, hypothetical, projected, guess, foresaw, wishful_thinking, theories, mathematical, diagnosis, conclusion, statistical, maxim, bets, optimistic, pledge, odds, guidance, quote, statistics, recollection, consensus, recommendations, doomsday, wager, warnings, skeptics, interpretation, certainty, analysts, predictor, guarantee, logic, opinion, outlooks, simulations, suggestions, mantra, meteorologists, remark, pundits, quip, guessed, economists, downward_revision, assuming, omen, figure, scenarios, skeptic, theoretical, probably, promises, comparisons, announcement, declaration, figures, warning, optimist, statisticians, suggest, analyst, view, explanation, expecting, reckon, declarations, revised_upward, decision, unscientific, revised_downward, naysayers, implying, assessments, harbinger, landfall, optimism, suggesting, thesis, plausible, methodology, hyperbole, stance, probable, adage, median_forecast, retort, reports, alarmist, proposition, speculation, implausible, meteorological, stats, inference, credo, proclamation, foresee, doubters, expect, reckoning, intuition, foregone_conclusion, upward_revision, almanac, presume, report, rumor, betting, speculating, worth_remembering, meteorologist, blueprint, eerily, simulation, premise, reckons, argument, saying, remarks, soundly, overestimated, advice, picks, however, target, believe, magnitude, gloomy, diagnoses, likely, optimistically, contrarian, pledges, description, tally, comparison, guessing, implication, explanations, bullish, oracle, timetable, judgment, rosy, pegged, sobering, calculates, hope, measurements, aberration, results, possibility, portends, portend, speculate, believing, prospects, watcher, foreseen, flatly, notions, worse, fluke, statement, cautiously_optimistic, comments, valuation, pollsters, thought, happen, bullishness, thoughts, almost, sanguine, pessimism, admonition, correlation, claim, assurances, outlier, camping, barometer, approach, miscalculation, mathematician, prospect}

D Technical Details on Counting Institutional Investor Names in WSJ Articles

We search WSJ text across all articles for each institution's name. We first collect the complete list of fund names and identifiers from the Thomson-Reuters Institutional Holdings (13F) database. We then clean and pre-process fund names using the following steps. First, we drop "S & CO., INC" because they are uniquely identified. Next, we replace symbols with space. We then drop common fund suffixes at the end of the fund names. We review the intermediate outcomes and run this step multiple times to replace all occurrences of these suffixes. In addition, to better align the fund names with media references, we replace "MGMT" with "MANAGEMENT", "MGT" with "MANAGEMENT", "INVT" with "INVESTMENT", "INVMT" with "INVESTMENT", "ADVS" with "ADVISORS", and "TR" with "TRUST". We also replace instances of a trailing "L" with space. We then delete any extraneous space. We count how many times each individual cleaned fund name appears in each individual WSJ article.[32] We apply the same procedures to obtain word counts of mutual fund names (from CRSP mutual fund database), hedge fund names (from Thomson Lipper Hedge Fund database), and investment bank names (from Corporate Finance Institute) in WSJ articles.

E Additional Tables

[32] In order to check the quality of our name purge, we also go over the top hits with highest word count in the WSJ corpus and manually remove outliers that can generate false positives.

Table IA.1: **Robustness: Baseline Fama-MacBeth Regressions Excluding Industries of Institutional Investors**

This table reports the robustness checks for Table 5 by excluding SIC 4-digit industries that include institutional investors. We obtain institutional investors' CIK identifiers during 1999-2018 SEC filings from Kim, Wang, and Wang (2022), and then we link CIK to GVKEY to obtain institutional investors' SIC 4-digit industry codes. We exclude SIC 4-digit codes that starts with 6 and have been the industry code for an institutional investor during 1999 and 2018. These industry codes include 6020, 6035, 6141, 6172, 6199, 6200, 6211, 6282, 6311, 6321, 6324, 6331, 6361, 6411, 6552, 6722, 6726, 6797, 6798, and 6799. We run Fama-MacBeth regression of next-period monthly stock returns on the interaction between anomaly predictors (*PastRet* and *BM*) and WSJ institutional investor prediction measure (*InstPred*). Monthly stock returns are annualized by multiplying 1,200 for ease of interpretation. See Table 4 for variable definitions. All non-interactive independent variables are standardized to have mean 0 and standard deviation of 1. t-statistics are adjusted using Newey-West with two lags and reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020.

	(1)	(2)	(3)	(4)	(5)
PastRet×InstPred	1.60***	1.29**			
	(2.70)	(2.34)			
BM×InstPred			1.28***	1.28***	
			(3.48)	(3.68)	
InstPred	-0.42	-0.25	-0.55	-0.53	
	(-0.81)	(-0.56)	(-0.99)	(-1.11)	
PastRet	3.87**	2.54*		2.44*	2.57*
	(2.56)	(1.86)		(1.82)	(1.90)
BM		3.07***	4.39***	3.33***	3.05***
		(4.58)	(5.55)	(4.76)	(4.49)
Size		-0.84		-0.84	-0.91
		(-0.92)		(-0.91)	(-0.98)
Investment		-2.72***		-2.73***	-2.76***
		(-7.75)		(-7.75)	(-7.77)
Profitability		3.74***		3.79***	3.76***
		(5.23)		(5.29)	(5.23)
SUE		3.21***		3.21***	3.23***
		(12.86)		(12.82)	(12.81)
Articles		-0.40		-0.40	-0.31
		(-0.74)		(-0.75)	(-0.57)
Observations	1,640,735	1,640,735	1,640,735	1,640,735	1,640,735

Table IA.2: **Portfolio Sorts on Anomalies Only**

This table reports our replication of momentum and value anomalies without conditional on InstPred. Each month, we sort stocks into two size groups based on NYSE median market capitalization. Independently, we sort stocks into three groups by NYSE anomaly predictors (past returns from $t-12$ to $t-1$ in Panel A and book-to-market in Panel B). We next compute value-weighted excess returns within each of the 6 portfolios and then take simple averages of the returns between large- and small-cap portfolios within each of the 3 anomaly-InstPred portfolios. Monthly excess returns are annualized by multiplying 1,200. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020. Our long-short value anomaly is 98% correlated with the HML factor from Kenneth French's website, which has an average annualized return of 2.47% (t-statistics = 1.51) in our sample period.

	Panel A: Momentum Anomaly			
	Low PastRet	Med PastRet	High PastRet	H−L
Annualized Returns	5.58	8.76***	11.17***	5.59**
	(1.62)	(3.59)	(3.98)	(2.39)
	Panel B: Value Anomaly			
	Low BM	Med BM	High BM	H−L
Annualized Returns	7.59**	9.29***	9.74***	2.15
	(2.55)	(3.64)	(3.67)	(1.29)

Table IA.3: **Instit. Investor WSJ Connectedness (Triple Interactions)**

This table reports the following triple interaction regression between Anomaly, InstPred, and HighConnect, which is a dummy variable indicating if the FF48 industry has above median plausibly exogenous variation in investor-WSJ connectedness as defined in Table 9. See Section 4 and Table 9 for details. t-statistics are adjusted using Newey-West with two lags and are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Sample period is from January 1981 to December 2020.

$$\begin{aligned} ret_{i,t+1} = {} & \beta_1 Anomaly_{i,t} \times InstPred_{i,t} \times HighConnect_{i,t-3} \\ & + \beta_2 Anomaly_{i,t} \times InstPred_{i,t} + \beta_3 Anomaly_{i,t} \times HighConnect_{i,t-3} + \beta_4 InstPred_{i,t} \times HighConnect_{i,t-3} \\ & + \beta_5 Anomaly_{i,t} + \beta_6 InstPred_{i,t} + \beta_7 HighConnect_{i,t-3} \\ & + \beta_8 X_{i,t} \times HighConnect_{i,t-3} + \beta_9 X_{i,t} + \epsilon_{i,t+1}, \end{aligned}$$

	(1)	(2)	(3)	(4)
PastRet×InstPred×HighConnect	2.74**	2.23**		
	(2.33)	(2.06)		
BM×InstPred×HighConnect			1.73**	1.65***
			(2.55)	(2.60)
PastRet×InstPred	0.03	-0.13		
	(0.04)	(-0.20)		
BM×InstPred			0.66	0.72*
			(1.53)	(1.80)
InstPred×HighConnect	0.47	0.74	-1.03	-0.58
	(0.41)	(0.75)	(-0.95)	(-0.62)
PastRet×HighConnect	-0.17	-0.67		0.26
	(-0.19)	(-0.78)		(0.36)
BM×HighConnect		0.36	-0.21	0.09
		(0.79)	(-0.35)	(0.17)
HighConnect	0.26	-0.83	-0.55	-0.87
	(0.29)	(-0.78)	(-0.60)	(-0.84)
InstPred	0.01	0.06	0.51	0.36
	(0.02)	(0.12)	(0.87)	(0.71)
PastRet	3.97***	2.77**		2.39*
	(2.64)	(2.00)		(1.74)
Size×HighConnect		0.70		0.71
		(1.36)		(1.39)
Investment×HighConnect		0.14		0.14
		(0.33)		(0.34)
Profitability×HighConnect		-0.99*		-1.03*
		(-1.67)		(-1.75)
SUE×HighConnect		0.08		0.06
		(0.27)		(0.18)
Articles×HighConnect		-0.45		-0.42
		(-0.45)		(-0.42)
BM		2.75***	4.24***	3.30***
		(4.35)	(5.73)	(4.95)
Size		-0.67		-0.66
		(-0.73)		(-0.72)
Investment		-2.77***		-2.78***
		(-7.37)		(-7.41)
Profitability		4.26***		4.33***
		(5.60)		(5.69)
SUE		3.25***		3.28***
		(11.81)		(11.88)
Articles		-0.61		-0.61
		(-1.03)		(-1.04)
Observations	1,857,988	1,857,988	1,857,988	1,857,988

Table IA.4: **WSJ Institutional Investor Measure and Name Mentions**

This table reports regressions of our WSJ institutional investor variable (*Inst*) on an array of measures of an article's mentioning of institutional investors' names. See the definition of Inst in Section 2.2.1. The name measures are constructed using the Thomson-Reuters Institutional (13F) Holdings database (for large institutional investors), the CRSP Mutual Fund database (for mutual funds), the Thomson/Refinitiv Lipper Hedge Fund database (for hedge funds), and Corporate Finance Institute (for investment banks). For each name list, we count the occurrence of the names from the list in an article. All name measures are standardized to mean 0 and standard deviation of 1. We include year and FF-48 industry fixed effects. t-statistics are clustered at the industry level and reported in parentheses. Our sample spans January 1981 to December 2020.

	"Institutional investor" theme				
	(1)	(2)	(3)	(4)	(5)
13F Institutional names	0.437***				
	(15.53)				
Mutual fund names		0.423***			0.256***
		(10.51)			(7.94)
Hedge fund names			0.375***		0.156***
			(7.02)		(2.69)
Investment bank names				0.384***	0.139***
				(11.21)	(2.82)
R^2	0.353	0.340	0.308	0.318	0.380
Observations	1,018,718	1,018,718	1,018,718	1,018,718	1,018,718