# Managerial Attention to Financial Markets

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## Abstract

This paper introduces a novel measure of firm-level managerial attention to financial markets, constructed from earnings call transcripts spanning 98,010 firm-year observations (2007-2023). Firms whose managers devote greater attention to financial markets exhibit greater investment-price sensitivity, supporting the price feedback theory. Managerial attention also shapes financing choices: high-attention firms are likely to avoid equity issuance in favor of debt, consistent with the pecking order theory, but become more willing to issue equity when market conditions are favorable. I document persistent heterogeneity in attention across industries, likely driven by differences in information asymmetry their business activities present to external financial markets.

**Keywords:** Attention to Financial Markets, Earnings Calls, Machine Learning, Real Effects of Financial Markets, Corporate Finance

(JEL: G3, G14, G41)

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## 1. Introduction

Understanding how managers allocate their attention to financial markets is important for two reasons. First, while there exists a substantial literature examining investors' attention to financial markets and its impact on asset pricing and trading behavior (see Baker and Wurgler 2007; Barber and Odean 2013), few papers have directly studied how much attention managers themselves pay to financial markets—despite managers being the other critical party in these markets. This creates an important asymmetry in our understanding: we know extensively how investors process and react to market information, but have limited insight into how managers on the other side of these markets allocate their cognitive resources. Especially, managerial attention should not be narrowly conceptualized as monitoring their firm's stock price but rather as encompassing broader awareness of the equity, debt, and commodity markets, as well as overall market volatility. Without measuring this managerial attention directly, we cannot fully understand the complete information transmission mechanism between financial markets and the real economy.

Second, seminal theories such as price feedback theory (Bond, Edmans, and Goldstein, 2012), market timing theory (Baker and Wurgler, 2002; Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004), and pecking order theory (Myers and Majluf, 1984) all rest on the assumption that managers actively monitor and respond to financial market signals. Yet researchers have been unable to directly test whether firms whose managers devote greater attention to markets make different decisions compared to observationally similar firms whose managers allocate less attention to markets. Without a reliable measure of attention allocation, the causal mechanisms through which financial markets influence corporate behavior remain largely theoretical rather than empirically verified.

To address these gaps, I develop the *Index of Attention to the Financial Market* (IAFM) by analyzing earnings call content. These quarterly events provide an ideal laboratory for measuring managerial attention as they combine structured presentations with spontaneous Q&A sessions, revealing both strategic priorities and top-of-mind concerns. Since managers naturally devote more speaking time to topics that occupy their cognitive resources, greater discussion of financial market conditions plausibly indicates higher

attention allocation to these markets—an assumption I validate through extensive testing. Furthermore, the widespread adoption of earnings calls across public firms enables my methodology to provide a systematic and scalable approach for measuring attention allocation patterns across a large sample of firms and time periods.

Specifically, based on a set of seed words that are unambiguously related to financial markets, I use machine learning keyword discovery techniques (Mikolov et al. 2013; specifically, *word2vec*) to construct a comprehensive dictionary that captures the terminology through which firm managers discuss various aspects of financial market conditions. I then score each earnings call based on this dictionary using the term frequency-inverse document frequency (tf-idf) approach, which accounts for both the frequency of financial market-related terms and their specificity across the corpus of earnings call transcripts. I apply this methodology to 98,010 firm-year observations during the sample period of 2007-2023.

The IAFM quantifies attention to two distinct aspects of financial markets: equity market and debt market. I measure equity market attention because seminal theories in corporate finance—including the feedback effect, market, and pecking order theory—all assume managers actively monitor and respond to equity signals. The debt market dimension is equally critical as debt represents a key financing source (Graham, Leary, and Roberts, 2015) while also containing information that guides investment decisions through mechanisms distinct from equity markets. Recent research by Ma (2019) shows that firms engage in cross-market arbitrage between debt and equity markets.

To validate that the IAFM measures capture meaningful variation in managerial attention, I conduct several tests showing that attention allocation varies systematically in ways consistent with economic intuition. First, I document significant industry heterogeneity, with financial services firms exhibiting the highest attention to both equity and debt markets, while healthcare firms show the lowest attention—patterns that align with industry-specific business models and regulatory environments. Second, I find that IAFM correlates with managerial ownership in an inverted U-shaped pattern, with moderate ownership levels associated with peak financial market attention, consistent with optimal incentive alignment theories. Third, I demonstrate that firms with finance-expert CEOs exhibit systematically

higher attention to financial markets, validating that specialized knowledge translates into greater market monitoring. Fourth, I show that IAFM dimensions respond distinctively to relevant market movements—equity market attention increases following positive firm-specific stock returns, while debt market attention rises with interest rate changes—indicating that the measures capture dynamic, economically meaningful attention allocation rather than static firm characteristics.

I then explore the implications of having a strong attention to financial markets on business outcomes. My empirical strategy is organized around testing the two fundamental roles that financial markets serve in corporate decision-making: (1) providing information about business opportunities to guide investment policy, and (2) conveying information about the cost of capital to guide financing policy. First, for investment policy, firms whose managers allocate greater attention to financial markets exhibit significantly greater investment-price sensitivity. A 10% increase in equity market attention enhances capital expenditure sensitivity to Tobin's Q by 1.85%, while a 10% increase in debt market attention increases this sensitivity by 2.58%. The effect is most pronounced in situations where the manager is particularly likely to learn from market signals: when insider trading is limited, when industry competition is high, and when firms face financial constraints. These results provide the first direct evidence for the feedback theory in which managerial attention serves as a key mediating mechanism through which market signals influence investment decisions.

Second, for financing policy, I find that attention to financial markets serves as a critical organizational capability that enhances firms' ability to access external capital at the extensive margin when financing needs arise. Specifically, firms with higher attention exhibit significantly greater responsiveness to financing deficits across both equity and debt markets: a 10% increase in equity market attention enhances equity financing responsiveness by 3.14%, while a 10% increase in debt market attention improves debt financing responsiveness by 10.7%. Thus, managers who actively monitor financial market conditions appear to develop superior expertise in assessing cost of capital dynamics and identifying optimal financing windows, enabling more strategic and timely access to external capital.

Third, I examine the effect of attention on the choice between financing sources, and show that attention shapes financing source choices in a context-dependent manner. Under normal market conditions, higher attention reinforces pecking order preferences—firms with greater equity market attention are significantly less likely to issue equity when facing financing deficits. However, when market conditions become favorable, these firms strategically deviate from the pecking order hierarchy. Specifically, high-attention firms increase equity issuance when firm valuations are high or when equity market sentiment rises, consistent with market timing behavior. Similarly, when interest rates go up, firms with higher debt market attention strategically substitute toward equity financing, demonstrating sophisticated cost-of-capital management. These nuanced patterns help reconcile seemingly mixed empirical findings in capital structure literature by clarifying when pecking order versus market timing considerations dominate financing decisions (e.g., Hovakimian 2006; Dittmar and Thakor 2007).

Fourth, I explore why some industries systematically exhibit greater attention to financial markets than others. This persistent industry variation potentially reflects the equilibrium outcome of firms allocating their scarce attention based on fundamental characteristics of their business activities. I attribute this variation to the differences in the information environment that different business activities present to external financial markets. The idea is that industries with low information asymmetry exhibit greater attention because market signals provide more reliable information when information asymmetries are low, while industries with severe information asymmetries show lower attention because the value of market monitoring is diminished. I provide preliminary evidence showing strong positive correlations between industry-level asset tangibility and attention, and negative correlations between industry-level R&D intensity and attention. I test this information asymmetry hypothesis more formally by examining how attention predicts firms' responses to market signals for different investment types. Consistent with rational adaptation, high-attention firms strategically differentiate their responses: while attention enhances responsiveness to market signals for traditional capital expenditures, a 10% increase in equity and debt market attention predicts lower R&D-price sensitivity by 1.56% and 3.07%, respectively. Additionally, high-attention firms prefer internal funds over external financing

for R&D investments, with a 10% increase in equity (debt) market attention associated with a 13.89% (45.4%) reduction in equity (debt) issuance responsiveness to R&D spending.

My robustness checks address several alternative explanations for these findings. First, I address the concern that IAFM might merely proxy for financial constraints rather than capturing distinct managerial attention. Using Linn and Weagley's (2024) equity constraint measure and a composite indicator comprising five traditional financial constraint proxies, I find that financial constraints have minimal impact on attention to financial markets.

Second, to address self-selection concerns that my results may capture firms' inherent vulnerability to financial market disruptions which incentivizes managers to monitor market conditions, I develop a supplementary measure (IAFM Vol. & Liq.) that captures firms' discussions of market volatility and liquidity disruptions. The rationale is that firms with higher exposure to changes in market conditions should naturally discuss these downside, volatile events more frequently. After controlling for this vulnerability, the specific effects of targeted equity and debt market attention remain significant and economically meaningful.

Third, the attention-induced investment-price sensitivity could operate through two mechanisms: (1) improved extraction of information about fundamental business opportunities (as predicted by price feedback theory), or/and (2) better assessment of financing conditions that enables more flexible investment responses when capital constraints are relaxed. Since I have shown that attention to financial markets indeed enhances firms' financing capabilities, it becomes crucial to disentangle these mechanisms. To isolate the first channel, I examine firms that do not raise external funds during investment. Among these firms, equity market attention continues to strengthen investment-price sensitivity, consistent with managers learning about investment opportunities from stock prices. In contrast, the effect of debt market attention on investment-price sensitivity disappears without external financing, suggesting it primarily operates through easing financing constraints. Furthermore, the conclusion remains robust when I control for the second channel using a CEO's finance background, consistent with Custódio and Metzger (2014), who show that finance-expert CEOs make better investment decisions owing to their better-managed financing conditions.

Additional robustness tests suggest that my findings are not driven by specific methodological choices in constructing the IAFM measures. Specifically, I start by separately analyzing attention derived from management presentations and Q&A sessions and show that both sources exhibit statistically significant effects on investment and financing decisions. The effects based on Q&A-derived measures are, on average, economically larger. This also helps address the concern of reverse causality: that managers may have already formulated future investment or financing plans independently of current financial market conditions and merely reference those conditions to rationalize their decisions to investors.[2]

Furthermore, I find that results remain robust when using only term frequency without inverse document frequency weighting, addressing concerns that the tf-idf approach might introduce noise by overweighting infrequently used terms. Besides, the key findings remain both statistically and economically significant even when constructing IAFM measures using only 25 seed words per dimension, though the *word2vec* methodology appears to enhance statistical power by capturing more comprehensive financial market terminology. The main findings stay intact if I replace continuous measures of IAFM with binary indicator variables.

I also study CEO turnover events where incoming and outgoing CEOs differ in their attention to financial markets, focusing on plausibly exogenous turnovers involving retiring CEOs. I find that changes in corporate policies around these events reflect differences in CEOs' attention patterns as measured by their prior employment history. This evidence suggests that CEOs' attention to financial markets may have a causal impact on corporate policies, or at the very least are an important factor in CEO hiring decisions by boards seeking changes in their firms' responsiveness to market signals.

Finally, I extend the IAFM methodology beyond equity and debt markets to capture attention to commodity, currency, and derivatives markets (IAFM Other Assets). I show that Energy firms—who exhibit the highest attention to commodity markets—respond significantly to fuel price signals rather than traditional equity market signals when making investment decisions. This contrasts with non-Energy firms, who show no meaningful

[2] If reverse causality were driving the results, we would expect stronger effects in the more carefully scripted presentations, where managers exert greater control over the narrative, rather than in the relatively unscripted Q&A discussions.

responsiveness to fuel price movements. These findings support the broader conclusion that at equilibrium firms allocate their scarce attention to the market signals most informative about their specific business opportunities, with different industries developing expertise in monitoring the financial market segments most relevant to their operational fundamentals.

My paper contributes to the growing literature on the real effects of financial markets. Bond, Edmans, and Goldstein (2012) argue that financial markets affect the actions of decision-makers in the economy, and such effects originate from the informational role of prices.[3] [4] While previous studies have documented correlations between market prices and corporate decisions, the causal mechanisms remain largely theoretical.[5] The existing literature faces a challenge: testing theories that assume managers pay attention to markets requires measuring attention itself—an inherently unobservable construct.[6] By quantifying firm-level attention to financial markets, this paper offers the first direct evidence that attention serves as the pivotal mediating variable that determines when and how strongly firms respond to market information. Furthermore, by decomposing attention across multiple financial market dimensions, I empirically show that firms might extract investment-relevant information not only from equity markets but also from debt markets, commodity markets, and market volatility and liquidity conditions—extending our understanding of the information transmission channels between financial markets and corporate decisions.

This paper advances the debate on market timing theory (Baker and Wurgler, 2002; Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004) and pecking order theory (Myers and Majluf, 1984) by introducing managerial attention as a key mediating variable. My findings show that high-IAFM firms consistently prefer debt over equity financing and

[3] For theoretical papers, see, for example, Goldstein and Guembel (2008), Goldstein, Ozdenoren, and Yuan (2013), Hirshleifer, Subrahmanyam, and Titman (2006), Sockin and Xiong (2015), Goldstein and Yang (2019), and Goldstein and Yang (2022), among many others.

[4] For empirical papers, see, for example, Luo (2005), Chen, Goldstein, and Jiang (2007), Bakke and Whited (2010), Foucault and Fresard (2012), Edmans, Jayaraman, and Schneemeier (2017), and Dessaint, Foucault, Fresard, and Matray (2019), Ye, Zheng, and Zhu (2023) among many others.

[5] For example, Wurgler (2000) finds that countries with stock prices containing more firm-specific information tend to allocate capital more efficiently. Morck, Yeung, and Yu (2000) documents that developed markets exhibit a higher levels of firm-specific return variation than emerging markets.

[6] As an example, large institutional investors might simultaneously influence stock prices through their trading activity and corporate decisions through their direct engagement with management, creating a correlation that mimics information extraction despite managers never consulting market signals.

cash over stock for acquisitions at the firm level—patterns consistent with pecking order theory's adverse selection framework. However, during episodes of market misvaluation, such as periods of high investor sentiment, market timing considerations become relevant, creating context-dependent exceptions. These results reconcile mixed empirical findings by demonstrating that attention to financial markets primarily heightens awareness of adverse selection costs while permitting strategic deviations during sector-wide mispricing episodes.

This paper extends the methodological toolkit for corporate finance research by applying machine learning to construct nuanced measures of managerial attention. While previous studies have used earnings calls to measure corporate culture (Li, Mai, Shen, and Yan 2021), climate change exposure (Sautner, Van Lent, Vilkov, and Zhang 2023), and political risk (Hassan, Hollander, Van Lent, and Tahoun 2019), I capture attention allocation—a cognitive process fundamental to many corporate finance theories. My innovation measures not just whether managers discuss financial markets, but how they allocate attention across different dimensions, revealing that theories like price feedback, market timing, and pecking order operate differently depending on which aspects of markets managers monitor most closely.

Beyond this methodological contribution, my findings challenge a fundamental assumption in financial theory: that managerial attention to financial markets is homogeneous across firms and time. The variance decomposition analysis documents substantial heterogeneity, with industry, firm-specific, and time-varying factors each explaining significant portions of attention allocation. This contradicts the implicit assumptions in canonical models (Bond, Edmans, and Goldstein, 2012; Baker and Wurgler, 2002; Myers and Majluf, 1984) that treat market monitoring as uniform across managers. My evidence demonstrates that attention allocation is both a scarce resource and a strategic choice that can be endogenously determined by firms. This suggests future theoretical models should explicitly incorporate attention as a heterogeneous, constrained input rather than assuming costless, universal market monitoring, potentially explaining the mixed empirical evidence where some firms appear highly responsive to market signals while others seem insulated from market forces.

My paper is organized as follows. Section 2 describes the data. Section 3 introduces the methodology of constructing IAFM. Section 4 validates my IAFM measures. Section 5 present main economic implications of IAFM. Section 6 explore robustness checks. Section 7 concludes.

## 2. Data

I retrieve yearly fundamentals data from Compustat Annual, and stock market data from CRSP. I obtain CEO's scaled wealth-performance sensitivity (WPS) data from http://alexedmans.com/data/ and managerial stock ownership from ExecuComp. I collect M&A from SDC Platinum database, and insider trading data from Thomson Reuters Insider Filing database. Bond yield data is obtained from WRDS Bond Returns.

I construct firm-level IAFM measures by analyzing transcripts of quarterly earnings calls conducted by U.S. publicly listed companies. All transcripts are sourced from the Capital IQ database, covering the complete set of 327,328 English-language calls from 2007 through 2023.[7] Since most of the accompanying data are annual, I aggregate the quarterly IAFM measures to the firm-year level unless otherwise noted. The earnings call transcript dataset consists of 98,010 firm-year observations across 14,582 distinct firms. Conditioning on the availability of firm fundamentals data, the final sample comprises 60,820 firm-year observations across 7,673 firms with non-missing fundamentals data.

## 3. Quantifying Attention to the Financial Market

### 3.1 Word Embedding and *word2vec*

To quantify firm-level attention to financial markets, I employ the machine learning keyword discovery method developed by Li, Mai, Shen, and Yan (2021). This approach offers significant advantages over conventional methods such as pre-specified word lists, which

[7] Out of 327,328 earnings calls, 316,805 include both the manager presentation and Q&A sections, 10,301 include only the manager presentation, and 222 include only the Q&A section.

traditionally require manual expert categorization of common contextual terminology. For example, financial market discussions employ nuanced terminology that is difficult to classify manually. Unlike general sentiment analysis, financial market attention utilizes specialized phrases and idioms like "watermark clause" (a specialized contract provision in investment management) or "delta hedge cost" (a specialized derivatives risk management term) that are challenging to systematically identify without computational tools. Furthermore, financial market attention is inherently multidimensional. Human experts struggle to consistently categorize terms across multiple dimensions (e.g., my IAFM dimensions: equity market and debt market). Additionally, financial vocabulary evolves rapidly with market innovations. Static dictionaries quickly become outdated as financial practices transform. Terms like "ETF", "credit risk transfer bond", "curve control", and "LIBOR/SOFR" emerged as significant financial concepts after the 2000s—developments that traditional dictionaries could not anticipate.

My measurement of firm-level attention to financial markets begins with carefully selected seed words that unambiguously relate to specific IAFM dimensions. Using these seed words as anchors, I implement a word embedding model that learns semantic meanings based on contextual relationships, thereby identifying additional financial market-related words (phrases) directly from earnings call transcripts.[8]

The word embedding model operationalizes a fundamental linguistic principle: words appearing in similar contexts likely carry similar meanings (Harris, 1954). The model represents semantic content through numeric vectors, enabling relationship quantification through vector arithmetic. Specifically, I utilize cosine similarity between word vectors to determine synonymic relationships. This approach allows for the identification of a comprehensive lexicon describing particular financial market dimensions, which then serves as the basis for firm-level scoring.

To address dimensionality challenges when identifying semantically similar words, I implement *word2vec* (Mikolov et al., 2013), which employs neural networks to efficiently

[8] The method captures the meanings of both individual words and multi-word phrases. For simplicity, the term "word" will be used throughout the discussion to refer to either a single word or a phrase.

generate dense, low-dimensional vectors representing word meanings.[9] As Levy and Goldberg (2014) demonstrate, *word2vec* vectorization effectively performs a singular value decomposition on the neighboring word count matrix. In the implementation, I utilize the *gensim* library in Python, configuring word vectors at 300 dimensions.[10] Two words are considered contextual neighbors when they appear within five words of each other in a sentence, and terms appearing fewer than five times in the corpus are excluded to ensure statistical reliability.

### 3.2 IAFM Dimensions and Seed Words

The starting point to measure how much attention earnings call participants pay to financial markets is to construct a two-dimensional IAFM framework. I choose to measure the attention to two distinct aspects of the financial market: equity market and debt market.

I measure equity-market attention because, as discussed earlier, several theories including feedback effect (Bond et al., 2012), market timing theory (Baker and Wurgler, 2002), and pecking order theory (Myers and Majluf, 1984) rely on managerial attention to equity markets. Then, I measure attention to the debt market as the second IAFM dimension, focusing on bond markets, interest rates, and credit market conditions, because debt represents a key financing source (e.g., Graham, Leary, and Roberts 2015) and contains information relevant for investment decisions (e.g., Davis and Gondhi, 2024)

**[Insert Table 1 about here]**

Table 1 Panel A displays the seed words for each IAFM dimension. Each dimension contains 25 seed words that unambiguously relate to aspects of financial markets. The equity dimension focuses on stock valuation concepts (e.g., "market_valuation," "overvalued"), while the debt dimension encompasses bond market terminology and interest rate concepts

[9] Ideally, identifying semantically similar words requires constructing word-word co-occurrence matrices that track contextual proximity. However, this approach faces severe computational limitations due to the "curse of dimensionality": vocabularies with thousands of terms generate billions of potential word-pair combinations, rendering direct matrix methods impractical.

[10] The *gensim* library is an open-sourced NLP Python package that I use for training the word2vec model. I use version 4.3.3, which is available at https://github.com/RaRe-Technologies/gensim

(e.g., "bond_yield," "credit_spread"). These two dimensions collectively provide a comprehensive framework for understanding the complex ways in which firms attend to financial markets.

### 3.3 Preprocessing and Parsing, and Learning Phrases

Prior to the application of seed words for the identification of financial market-related terminology in earnings call transcripts, I follow Li, Mai, Shen, and Yan (2021) by using the Stanford CoreNLP to prepare the textual corpus for subsequent analysis.[11] This preprocessing stage is important for improving the accuracy and reliability of subsequent word embedding models by standardizing linguistic features and capturing multi-word expressions that carry unified meanings.

First, I segment all earnings call transcripts into their constituent sentences and discrete lexical tokens. Second, to reduce inflectional forms and derivationally related forms of words to a common base form, I apply lemmatization. This process converts various word forms to their lemma, ensuring that semantic relationships are identified regardless of grammatical variations. Third, I implement Named Entity Recognition (NER) algorithms to identify and systematically replace specific named entities such as geographical locations, temporal references, individuals, and corporate entities with predetermined taxonomic classifications. This standardization procedure prevents the model from interpreting different proper nouns as semantically distinct entities when their underlying functional roles are equivalent.

Fourth, I employ two steps to recognize multi-word expressions (i.e., phrases or collocations) that contain critical semantic information during earnings calls that cannot be adequately captured through single-word analytical approaches. In the first step, I employ the dependency parser within the Stanford CoreNLP architecture to identify two distinct categories of multi-word expressions that tend to be part of general English vocabulary: fixed expressions (e.g., “compared to,” “as well as”), and compound items (e.g., “break_down,”

[11] The CoreNLP package is an open-source Natural Language Processing (NLP) toolkit for a variety of tasks (Manning et al. 2014). I use version 4.5.8 which is available at https://stanfordnlp.github.io/CoreNLP.

"spin_off"). In the second step, to identify domain-specific terminology unique to earnings calls, I implement the *phraser* module from the *gensim* library. This approach facilitates the identification of bi-gram and tri-gram expressions that exhibit statistically significant co-occurrence patterns within the transcript corpus. Examples of such corpus-specific phrases include "ipo_discount" and "credit_default_protection". All identified multi-word expressions are normalized through underscore concatenation, preserving their semantic integrity while enabling their computational treatment as unified lexical units in the embedding model.

### 3.4 Constructing the IAFM Dictionary

After preprocessing and parsing earnings call transcripts, I train the *word2vec* model to generate 300-dimensional vector representations for each word in the corpus, including my predefined seed words. These word vectors serve as the foundation for constructing an expanded, context-specific dictionary that measures attention to financial markets. As an example, for the equity-market attention dimension of the IAFM, there are twenty seed words. To illustrate the approach mathematically, let the vector representation for the first seed word "closing_price" be $V^1 = [x_1^1, x_2^1, \dots, x_{300}^1]$, the vector for the second seed word "equity_market" be $V^2 = [x_1^2, x_2^2, \dots, x_{300}^2]$, and so forth, with the vector for the 25th seed word represented as $V^{25} = [x_1^{25}, x_2^{25}, \dots, x_{300}^{25}]$. I computed the centroid vector by averaging all seed word vectors within the dimension $\bar{V}^{equity} = \frac{1}{25}\sum_{i=1}^{25}[x_1^i, x_2^i, \dots, x_{300}^i]$. Next, I calculate the cosine similarity between this centroid vector and each unique word in the earnings call corpus. From these calculations, I selected the top 500 words with the highest positive cosine similarity to $\bar{V}^{equity}$ as candidates for the equity market attention dictionary, while excluding named entities automatically recognized by the CoreNLP package. For words that appeared in dictionaries for multiple IAFM dimensions, I assigned the word only in the dimension where it demonstrated the highest cosine similarity to the average seed word vector.

Table 1 Panel B lists the top 50 most representative words for each IAFM dimension. The high similarity scores across both dimensions—ranging from 0.86 for "share_price" in the Equity dimension to 0.83 for "credit_spread" in the Debt dimension—indicate strong semantic coherence within each IAFM dimension. The minimal semantic overlap between dimensions suggests that the *word2vec* methodology effectively identifies contextually relevant terminology while maintaining distinct theoretical constructs for each aspect of firm attention to financial markets.

### 3.5 Generating Firm-Level IAFM Measures

After constructing the IAFM across the two dimensions (Equity and Debt), I measure attention to financial markets at the firm-year level for each dimension. I treat each earnings call's management presentation section and the Q&A session with analysts as separate documents and score each document independently. To compute the final earnings call-level score, I use an equal-weighted average of scores from both the management's prepared statements and the analyst Q&A segments. This equal-weighting approach ensures balanced representation of both the strategic, prepared communications of management and their spontaneous responses to analyst inquiries, regardless of their relative lengths. If one of these sections is missing from a particular call, I use only the available portion.

To calculate the firm-year level IAFM for each dimension, I employ the term frequency-inverse document frequency (tf-idf) approach, which accounts for both the frequency of dictionary terms and their specificity across the corpus. The calculation proceeds through three steps. First, for each word $w$ in dimension $dim$ appearing in document $d$, I calculate the term frequency $tf(w,d) = count(w,d)$, which represents the number of occurrences of word $w$ in document $d$. I also calculate the inverse document frequency $idf(w) = log\,(N/df(w))$, where $N$ is the total number of documents in the document corpus and $df(w)$ is the number of documents containing word $w$. Second, the document-level IAFM score for dimension $dim$ is calculated as: $IAFM(d,dim) = \sum_{w\in\{dim\cap d\}} tf(w,d) \times idf(w)$. This approach gives higher weight to terms that are both frequently used in a particular document and relatively rare across the entire corpus, thereby

capturing the distinctive attention patterns of each firm to specific financial market dimensions. Finally, for firms with multiple earnings calls within a fiscal year, I average the call-level IAFM scores to produce a firm-year measure.

Table 1 Panel C shows distinctive patterns in the frequency of financial market-related terminology across the two IAFM dimensions. In the Equity dimension, "equity" (20.36%) and "valuation" (10.86%) dominate the discourse, reflecting firms' primary focus on equity valuation concepts. The Debt dimension vocabulary is concentrated around interest rate and bond-related terminology, with "interest_rate" (20.24%) and "bond" (13.17%) commanding the highest contributions, followed by "interest_rate_environment" (4.67%) and "treasury" (4.44%), highlighting firms' attention to borrowing costs and fixed income markets.

**[Insert Table 2 about here]**

Table 2 Panel A demonstrates significant heterogeneity in firm-level attention to financial markets across the sample of 7,673 U.S. public firms from 2007 to 2023. The IAFM Equity measure exhibits significant variation (mean of 3.05 with standard deviation of 4.44), while IAFM Debt shows even greater relative dispersion (mean of 2.29 with standard deviation of 5.04). The presence of zero values at the 25th percentile for Debt markets suggests that a large portion of firms do not discuss this aspect at all during earnings calls. Panel B presents statistics after excluding financial firms and utilities, which is methodologically important as these firms naturally exhibit different baseline attention to financial markets. After this exclusion, the mean IAFM Equity score drops significantly from 3.05 to 1.93 (a 37% decrease), and IAFM Debt declines even more dramatically from 2.29 to 0.81 (a 65% decrease), reflecting the outsized attention that financial firms and utilities pay to both equity and debt markets. This pronounced variation in IAFM measures across the restricted sample provides a rich foundation for investigating how differential attention to financial markets relates to corporate policies and outcomes.

### 3.6 Variance Decomposition of IAFM Measures

Table 3 presents the incremental $R^2$ (%) from adding specific fixed effects to firm-year level regressions of IAFM Equity and IAFM Debt. This variance decomposition reveals the relative importance of different sources of variation in firms' attention to financial markets. For IAFM Equity, industry fixed effects account for the largest portion of variation (38.12%), followed by firm fixed effects (30.4%), and residual firm-year variation (28%). Year fixed effects and industry-by-year interaction effects contribute relatively little (0.28% and 3.2%, respectively). The pattern is similar for IAFM Debt, with industry fixed effects explaining 44.77% of variation, firm fixed effects accounting for 33.9%, and residual firm-year variation representing 17.79%. Again, year fixed effects (0.64%) and industry-by-year interaction effects (2.9%) contribute minimally.

**[Insert Table 3 about here]**

These results indicate that managerial attention to financial markets is primarily determined by persistent industry and firm characteristics rather than time-specific factors. The industry component suggests that firms within the same industry tend to exhibit similar patterns of attention to financial markets, likely reflecting shared business models, competitive environments, and regulatory frameworks. The large firm-fixed component points to stable firm-specific characteristics that influence attention allocation, such as corporate culture, governance structures, or business strategies. The residual firm-year component (28% for Equity and 17.79% for Debt) represents time-varying, firm-specific factors that affect attention allocation, potentially including changes in leadership, strategic initiatives, or idiosyncratic events. This decomposition provides important context for interpreting the economic implications of IAFM examined in subsequent sections.

## 4. Validation of the IAFM Measure

### 4.1 Industry Variation in Attention to Financial Markets

Table 4 presents the industry distribution of IAFM measures, providing the first validation of the index by demonstrating patterns consistent with economic intuition. The results reveal significant heterogeneity across industries in how managers allocate their scarce attention to

financial markets, with variations that align with industry-specific sensitivities and business models.

**[Insert Table 4 about here]**

Panel A shows that managers in Finance (Fama-French Industry 11) exhibit the highest attention to equity markets (mean IAFM Equity = 7.67), more than twice the overall sample average of 3.05 reported in Table 2. This pronounced attention is expected given these firms' core business of facilitating market transactions and equity investments. Utilities (Fama-French Industry 8) also demonstrate high equity market attention (mean = 4.61), reflecting their investor focus as dividend-paying stocks and their regulatory frameworks that often tie returns to equity capital. Management at Energy firms (Oil, Gas, and Coal Extraction and Products) shows the third-highest equity market attention (mean = 3.38), likely due to these firms' sensitivity to market valuation in a capital-intensive industry with volatile commodity exposure. In contrast, Healthcare, Medical Equipment, and Drugs (Industry 10) exhibit the lowest attention to equity markets (mean = 1.22), alongside Business Equipment (Industry 6) at 1.41 and Consumer Nondurables (Industry 1) at 1.66. This pattern suggests these industries may be less sensitive to short-term equity market conditions, potentially due to longer product development cycles or more stable consumer demand patterns.

Panel B reveals that Finance (Industry 11) also leads in debt market attention (mean IAFM Debt = 8.77), nearly four times the sample average of 2.29. This heightened focus reflects financial firms' core business in lending, borrowing, and interest rate management. Utilities rank second (mean = 2.03), consistent with their typically high leverage and sensitivity to interest rate movements given their capital structure. The "Other" category (Industry 12), which includes transportation and construction firms, shows the third-highest debt market attention (mean = 1.46), possibly reflecting their capital-intensive business models and reliance on debt financing.

At the lower end, Healthcare (Industry 10) shows minimal debt market attention (mean = 0.32), with Business Equipment (Industry 6) similarly low at 0.52. This pattern may

reflect these sectors' traditionally lower leverage and greater reliance on equity financing, particularly for growth firms in these industries.

**[Insert Fig 1 about here]**

Figure 1 reveals that IAFM measures respond distinctively to major economic events, with industries reacting based on their exposure to specific market conditions. During the 2008 financial crisis, Finance firms predictably increased equity market attention, but more notably, Manufacturing and Business Equipment firms doubled their debt market attention, reflecting heightened concerns about credit availability. The 2015 oil price collapse triggered targeted responses, with Utilities and Chemicals exhibiting pronounced spikes in equity market attention due to their energy price sensitivity. The 2018 US-China trade war sparked widespread increases in equity market attention, particularly in sectors directly affected by trade tensions—Chemicals (69%), Business Equipment (26%), and Consumer Non-Durables (50%)—as firms monitored market reactions to supply chain disruptions. The COVID-19 pandemic produced a more bifurcated pattern: sectors facing operational challenges (Manufacturing, Chemicals, Healthcare) decreased equity market attention by 20-30% to focus on immediate business concerns, while simultaneously increasing debt market attention by 18-32% due to liquidity concerns. Throughout all periods, Finance firms maintained consistently higher attention to both markets, with Utilities consistently ranking second, validating that the IAFM measures effectively capture industry-specific economic exposures and priorities.

### 4.2 Managerial Ownership

This subsection examines the relationship between managerial incentives and financial market attention as a validation test of the IAFM measure. Agency theory suggests that managers' equity stakes and compensation structures should influence their attentiveness to financial markets, as these align managerial interests with share price performance (e.g., Morck, Shleifer, and Vishny, 1988). If the IAFM truly captures meaningful variation in firm-level attention to financial markets, we would expect systematic relationships between

managerial incentives and IAFM scores that reflect theoretical predictions about incentive alignment and agency conflicts.

To test this hypothesis, I employ two complementary measures of managerial incentives. First, I use the scaled wealth-performance sensitivity (WPS) developed by Edmans, Gabaix, and Landier (2009), which measures the dollar change in CEO wealth for a 100 percentage point change in stock price, scaled by annual pay.[12] This comprehensive measure captures the sensitivity of a manager's total wealth—including direct ownership and stock options—to firm performance. Second, I examine simple managerial ownership percentages to provide a more straightforward measure of skin in the game. I regress log-transformed IAFM measures on these incentive variables and their squared terms, controlling for year-end Tobin's Q (Year-End Q), firm size (Ln(Total Assets)), cash holdings, leverage, past sales growth, dividend yield, and institutional ownership. All independent variables are lagged by one year to mitigate reverse causality concerns. I also account for both firm- and year-fixed effects. In this validation test as well as the rest of regressions in this paper, I remove all financial firms (SIC code 6000-6999) and utilities (4900-4999). It is because financial firms naturally exhibit higher baseline attention to financial markets as an inherent part of their operations rather than as a discretionary choice, as demonstrated in Table 3. Similarly, utilities face extensive regulatory constraints that may suppress the financial market attention. Definitions of variables can be found in Table A1.

**[Insert Table 5 about here]**

Table 5 shows that both incentive measures exhibit inverted U-shaped relationships with management's attention to financial markets. For WPS (Columns (1)-(2)), a one-standard deviation increase in WPS ($\times 10^3$) is associated with a 5.94% increase in equity market attention, with this effect attenuated at higher levels. However, WPS shows no significant relationship with debt market attention, suggesting that equity-linked compensation specifically heightens managers' focus on equity markets. For managerial ownership (Columns (3)-(4)), a one-standard deviation increase is associated with

[12] As the yearly WPS database from http://alexedmans.com/data/ only extends to the fiscal year 2018, the most recent fiscal year with WPS data in our regressions (as I lag WPS by one year) would be 2019.

approximately a 8.32% increase in attention to equity markets and a 5.34% increase in debt market attention, with both effects attenuated at higher ownership levels.

The consistent inverted U-shaped relationship across both measures suggests that as managers acquire initial incentive alignment through either equity-linked compensation or direct ownership, their attention to financial markets increases, consistent with greater alignment between manager and shareholder interests. However, at higher incentive levels, financial market attention begins to decline, potentially reflecting entrenchment effects or reduced reliance on market signals when managers possess significant control rights.

Among control variables, firm size shows a consistently positive relationship with both IAFM dimensions. Larger firms allocate more of their limited attention to financial markets possibly because these markets play a more critical role in their operations—they face more complex financing needs, greater investor scrutiny, and larger absolute impacts from market conditions. Leverage is negatively related to equity market attention but positively related to debt market attention, indicating that highly leveraged firms strategically focus their scarce attention more on debt market conditions and less on equity markets based on their capital structure needs. Cash holdings are positively associated with debt market attention but show no significant relationship with equity market attention.

These findings provide strong support for the validity of the IAFM measures, as they align with agency theory's prediction that managerial incentives serve as a key mechanism for aligning managerial attention with shareholder interests.

### 4.3 Finance-expert CEOs

This subsection examines whether firms led by CEOs with financial expertise exhibit greater attention to financial markets, providing another validation test for the IAFM measures. Custódio and Metzger (2014) demonstrate that finance-expert CEOs are more financially sophisticated, managing financial resources more actively and making better communications about firm prospects with outside investors. If the IAFM measures truly capture meaningful

variation in attention to financial markets, we would expect firms with finance-expert CEOs to exhibit systematically higher IAFM scores.

Following Custódio and Metzger (2014), I define a finance-expert CEO as one who has prior experience in either Financials sectors, in a finance-related executive role such as accountant, chief financial officer (CFO), treasurer, or vice president of finance, or in a large auditing firm. I restrict to firms governed by a single CEO in a year. As shown in Table 2, about 35% of CEOs are finance experts in my sample.[13] I regress log-transformed IAFM measures on the finance-expert CEO indicator, controlling for other CEO characteristics including gender, tenure, age, and age squared, as well as the standard firm-level control variables used in previous analyses.

**[Insert Table 6 about here]**

Table 6 provides strong support for the validity of the IAFM measures. Across all specifications, firms with finance-expert CEOs exhibit significantly higher attention to both equity and debt markets. In the basic specification (Columns (1)-(2)), the finance-expert CEO indicator is associated with a 8.55% increase in equity market attention and a 3.6% increase in debt market attention. These effects remain robust when controlling for additional CEO characteristics (Columns (3)-(4)), with coefficients of 8.5% and 3.71% for equity and debt market attention, respectively. When including firm fixed effects (Columns (5)-(6)), the coefficients become smaller but remain statistically significant. The results suggest that replacing a non-finance-expert CEO with a finance-expert CEO is associated with a 5.35% increase in equity market attention and a 3.28% increase in debt market attention.

Among the CEO control variables. I find that female CEOs, on average, exhibit lower attention to both equity and debt markets in the cross-sectional specifications, though this effect is less significant for equity market attention with firm fixed effects. Firms governed by CEO with longer tenure are associated with higher debt market attention.

[13] The proportion of finance-expert CEOs in my sample is slightly lower than the 41% reported by Custódio and Metzger (2014). This discrepancy partly stems from differences in sample coverage: my sample spans the full BoardEx-COMPUSTAT universe, while theirs is restricted to firms matched with ExecuComp, which focuses on the S&P 1500. Time trends also plays a role: my sample covers the period from 2007 to 2023, whereas theirs spans 1993 to 2007.

These findings provide an external validity check for my IAFM measures, as they align with theoretical expectations that financial expertise should translate into greater attention to financial market conditions. The fact that this relationship holds both cross-sectionally and within firms over time strengthens confidence that the IAFM measures capture genuine variation in managerial attention to financial markets.

### 4.4 Performance of the Equity Market and Debt Market

I further validate the IAFM measures by examining how firms dynamically adjust their attention to financial markets in response to changing market conditions. If the IAFM effectively captures variation in financial market attention, we would expect firms to exhibit systematic shifts in attention allocation across different dimensions in response to various market movements.

**[Insert Table 7 about here]**

I show that firm-specific equity returns significantly predict attention to financial markets. Specifically, I regress the log-transformed IAFM measures (Ln(1 + IAFM)) on firm-level equity returns and return volatility realized over the prior calendar year, using the same set of control variables and sample used in previous tables. Table 7 Panel A shows that a 10-percentage point increase in firm-level annual returns is associated with a 0.29% rise in equity market attention, suggesting that strong stock performance prompts firms to devote more attention to equity valuation discussions. Interestingly, firm-level returns also show a marginal positive relationship with debt market attention (0.13%), suggesting that positive equity performance may lead firms to discuss broader financial market conditions.

Furthermore, firm-level equity volatility exhibits a significant negative relationship with equity market attention. A 10-percentage point increase in firm-specific volatility decreases equity market attention by 1.95%. This pattern suggests that during turbulent periods for a specific firm, managers may be less inclined to discuss equity valuations, possibly because higher volatility makes equity prices less reliable as signals.

Next, I examine the relationship between the IAFM measures and market-wide equity performance. Table 7 Panel B shows a contrasting pattern: a 10-percentage point increase in market-wide annual returns is associated with a 0.54% decrease in equity market attention. This negative relationship stands in stark contrast to the positive relationship observed with firm-level returns. Besides, market-wide equity returns show no significant relationship with debt market attention, while market-wide volatility exhibits a strong positive relationship with debt market attention but a negative relationship with equity market attention. This suggests that attention is scarce even across different sub-markets within financial markets, leading managers to reallocate their limited cognitive resources toward the market dimension that provides more precise signals during turbulent periods.

This contrasting pattern between market-wide and firm-level equity returns provides insights into when and why firms allocate attention to financial markets. The negative relationship between market-wide returns and equity market attention suggests that managers tend to devote more attention to equity markets during market-wide downturns. This is consistent with a defensive posture where management increases monitoring of financial markets when external conditions deteriorate, potentially to address investor concerns about broader market risks. Conversely, the positive relationship between firm-level returns and equity market attention suggests that managers are more likely to discuss equity valuations when their firm outperforms. This could reflect strategic communication where managers emphasize positive performance drivers to highlight their managerial capabilities and justify equity valuations. When firms outperform their peers, managers may seize the opportunity to elaborate on how market conditions validate their strategic decisions.

Table 7 Panel C examines how interest rate movements affect attention to financial markets. I choose the 7-year U.S. Treasury yield to be the representative interest rate because it aligns with the maturity pattern of publicly traded corporate bonds: the median firm-level time to maturity in the sample is 6.5 years, and the mean is 7.8 years.[14] I find that, after controlling for firm fixed effects, changes in interest rates significantly predict firms'

[14] Firm-level time to maturity is measured as the latest weighted-average (weighted by outstanding amount) time to maturity across all bonds for a firm in a given calendar year.

attention to debt markets but not equity markets. Specifically, one standard deviation increase in interest rates (0.668) is associated with a 3.2% increase in debt market attention in the following year.[15] This relationship aligns with economic intuition, as rising rates directly impact firms' borrowing costs, prompting increased discussion of debt financing terms and strategies. The absence of a significant relationship with equity market attention suggests that interest rate changes primarily affect how firms discuss debt market conditions rather than equity valuations. I also find that attention paid to debt and equity markets decreases when the prior year's interest rate movements were volatile. In Table IA1, I document the relationship between attention to financial markets and Treasury yields with four alternative maturities (6-month, 1-year, 5-year, and 10-year), and the conclusion holds.

Finally, I examine whether cross-sectional differences in firms' cost of debt predict their attention to equity and debt markets. I proxy firm-level cost of debt using each firm's latest average monthly closing yield from the prior calendar year, expressed in real terms and weighted by outstanding bond amounts across all publicly traded bonds. Table 7 Panel D presents regressions of firms' financial market attention against prior-year firm-level bond yields and yield volatility, controlling for industry-by-year fixed effects. The results show that firms with higher bond yields devote greater attention to debt markets and less attention to equity markets compared to firms with lower yields. This pattern suggests that the IAFM measures capture economically rational attention allocation, where firms focus their scarce cognitive resources on the financial market dimensions most relevant to their current financing challenges.

Taken together, this subsection provides validation for the IAFM framework by demonstrating dimension-specific responses to relevant market conditions. Firm-specific equity returns primarily drive attention to equity markets, while interest rate changes significantly impact debt market attention. These findings support that the IAFM measures effectively capture meaningful variation in how firms allocate attention across different financial market dimensions in response to changing market conditions.

[15] Note that the average annual rate of change in the 6-month U.S. Treasury bill yield between 2007 and 2023 is 0.15 (=15%).

More importantly, while the IAFM measures do covary with relevant market conditions as expected, they capture a fundamentally different construct—managerial attention—that has previously been an unobservable firm-level characteristic in the literature. Rather than simply reflecting market conditions themselves, the IAFM measures quantify the extent to which managers actively process, discuss, and incorporate market information into their strategic communications. This direct measurement of attention provides a novel lens through which to examine how firms filter and respond to financial market signals.

## 5. Role of Financial Markets for Investment Policies

Having established the validity of the IAFM measures, I now investigate their economic implications for corporate decision-making. In this section, I examine how firm-level attention to financial markets influences investment-price sensitivity.

### 5.1 Unconditional Effect of IAFM on Investment-Price Sensitivity

A fundamental question in corporate finance is whether managers learn from stock prices when making investment decisions. The "feedback effect" theory suggests that stock prices aggregate diverse information from market participants, providing signals that managers can use when allocating capital (Bond, Edmans, and Goldstein, 2012). If this effect exists, investment-price sensitivity should be stronger when managers pay more attention to financial markets. I test this hypothesis using the following equation:

$$I_{i,t} = \alpha_t + \eta_i + \beta_1 Q_{i,t-1} + \beta_2 Ln\left(1 + IAFM_{i,t-1}\right) + \beta_3 Ln\left(1 + IAFM_{i,t-1}\right) \times Q_{i,t-1} + \gamma CONTROL_{i,t-1} + \epsilon_{i,t} \quad (1)$$

where $I_{i,t}$ is one of two investment measures: capital expenditures (CAPX and total investment (INVT) for firm $i$ in year $t$, where the first measure equals 100 X the capital expenditure (Compustat CAPX) divided by lagged total assets (Compustat AT), and the second measure equals 100 X the changes in gross property, plant, and equipment (Compustat PPEGT) plus changes in inventory (Compustat INVT), divided by lagged total

assets (Compustat AT). Compared to the first measure, the second measure additionally captures the sales of fixed assets, and changes in inventory. $\alpha_t$ and $\eta_i$ represent industry-by-year and firm fixed effects. $Q_{i,t-1}$ is the (normalized) price and is measured by firm $i$ in year $t-1$. $Ln(1+IAFM_{i,t-1})$ indicates the log-transformed IAFM measure for either IAFM Equity or IAFM Debt, for firm $i$ in year $t-1$. I also control for firm size (Ln(Total Assets)), cash holdings, leverage, past sales growth, dividend yield, and institutional ownership. The presence of the price feedback effect requires both $\beta_1 > 0$ and $\beta_3 > 0$ to hold. Put differently, a firm's investment should be positively correlated with $Q_{i,t-1}$, and such correlation should be greater when managers allocate more attention to financial markets.

**[Insert Table 8 about here]**

Table 8 Panel A shows that attention to financial markets significantly enhances the sensitivity of capital expenditures to Tobin's Q. In the specifications with both industry-by-year and firm fixed effects (Columns (3)-(4)), which represent my primary focus, the interaction coefficient between IAFM Equity and Tobin's Q is positive and statistically significant (0.0633). This effect is economically significant: firms whose managers devote 10% more attention to equity markets exhibit investment decisions that are 1.85% more responsive to Tobin's Q, relative to the baseline sensitivity of 0.343. Similarly, Column (4), which focuses on debt market attention, shows an even stronger positive interaction coefficient (0.0938), which translates to a 2.58% increase over the baseline sensitivity of 0.363 for a 10% increase in IAFM Debt. These findings support that firms paying greater attention to financial markets are significantly more responsive to price signals when making investments, consistent with the feedback theory of market prices.

The cross-sectional results with only industry-by-year fixed effects (Columns (1)-(2)) show a slightly different pattern. While the interaction between IAFM Debt and Tobin's Q remains positive and significant (0.131), representing a 4.15% increase over the baseline sensitivity of 0.316 for a 10% increase in IAFM Debt, the interaction between IAFM Equity and Tobin's Q is positive yet statistically insignificant. Thus, the relationship between equity market attention and investment-price sensitivity may be driven more by within-firm variation compared to cross-sectional differences.

Panel B extends this analysis to broader measures of investment (INVT). For total investment, in the specifications with both industry-by-year and firm fixed effects (Columns (3)-(4)), the interaction between IAFM Equity and Tobin's Q (0.247) represents a 2.91% increase over the baseline sensitivity for a 10% increase in equity market attention. Similarly, the interaction between IAFM Debt and Tobin's Q (0.270) represents a 2.95% increase over the baseline sensitivity of for a 10% increase in debt market attention. These effects are even more pronounced than those observed for capital expenditures, suggesting that broader investment decisions are particularly responsive to market signals when managers are attentive to financial markets. Besides, in the cross-sectional specifications (Columns (1)-(2)), both IAFM Equity and IAFM Debt show positive and significant interactions with Tobin's Q, although the magnitude is smaller than in the fixed effects models. Specifically, the interaction coefficients represent increases of 2.06% and 3.04% over the baseline sensitivity for a 10% increase in IAFM Equity and IAFM Debt, respectively.

Overall, these results provide direct evidence for the feedback effect theory, with firms exhibiting significantly higher investment-price sensitivity when they have higher attention to financial markets. This effect applies to both equity and debt market attention, suggesting that managers who monitor both segments of financial markets develop more sophisticated frameworks for interpreting and responding to price signals.

### 5.2 Heterogeneity Across Firm Groups

I expect the strength of the relation between IAFM and investment-price sensitivity to vary depending on firm characteristics. I examine three key dimensions of heterogeneity: insider trading intensity, competitive pressure, and financial constraints.

First, Bond, Edmans, and Goldstein (2012) argue that the usefulness of secondary markets hinges on the extent to which prices convey information beyond what decision makers already know. Building on this, Edmans, Jayaraman, and Schneemeier (2017) demonstrate theoretically that stricter insider-trading enforcement—by discouraging insiders from trading—lowers competitive trading pressure, thereby incentivizing outside investors to gather additional information and enriching price signals with knowledge unavailable to

managers. Therefore, I hypothesize that the influence of IAFM on the investment-price sensitivity will be most pronounced in firms characterized by low insider-trading intensity.

To test this hypothesis, I measure insider-trading intensity as the ratio of shares traded by insiders to total shares traded within a calendar year, focusing exclusively on open market transactions initiated by key executives (CEO, CFO, COO, President, and Chairman of the Board). I then partition the sample into three distinct categories: firms with zero insider trading, firms with below-median insider trading intensity, and firms with above-median insider trading intensity, subsequently estimating regressions separately for each subsample.

Table A2 supports this prediction. For firms with no insider trading, the interaction between IAFM and Tobin's Q is positive and significant for both capital expenditures and total investment. This effect becomes insignificant for firms with higher insider trading intensity. For example, a 10% increase in equity market attention enhances CAPX-price sensitivity by 2.05% in firms without insider trading but shows no significant effect in firms with insider trading. This pattern supports the theory that market signals provide less unique information when managers already trade extensively on their private knowledge.

Second, firms that operate in more competitive environments have stronger incentives to make the best use of their resources, as they operate with little slack (e.g., Hart, 1983). I hypothesize that the influence of IAFM on the investment-price sensitivity will be most pronounced in firms operating in highly competitive markets. Table A3 shows that the effect of IAFM on investment-price sensitivity is significant only in highly competitive industries. For capital expenditures, firms in high-competition industries (based on SIC 3-digit HHI) show a positive interaction between IAFM Equity and Tobin's Q (0.0688), while firms in low-competition industries show no significant effect. This pattern is consistent across both IAFM measures and both investment types. Table IA2 suggests these findings using an alternative product market competition measure from Hoberg and Phillips (2016). The results suggest that competitive pressure enhances firms' incentives to incorporate market signals into investment decisions, as failing to do so could result in competitive disadvantage.

Third, economic theory suggests that the incentives of firms to use stock price information depend on their financial situation and the environment they are in. Financially

constrained firms have strong incentives to allocate resources efficiently to relax their financial constraints, but these constraints may prevent them from implementing changes that require funding. Consequently, whether financially constrained firms make more use of stock price discovery is an empirical matter.

I employ Linn and Weagley's (2024) (LW) machine-learning-based measure of equity constraint to proxy a firm's financial constraint severity.[16] Firms with an LW constraint measure above the median are classified as financially constrained, while those below the median are considered unconstrained. Table A4 shows that the effect of IAFM on investment-price sensitivity is strongest among financially constrained firms. For these firms, a 10% increase in equity market attention enhances CAPX-price sensitivity by 2.16%, compared to no significant effect for unconstrained firms. For debt market attention, the effect is even more pronounced (3.22% increase). The conclusion remains robust when I use a composite indicator of financial constraint, which is constructed based on five traditional proxies of financial constraints: dividend, credit ratings, the Kaplan and Zingales (1997) index, the Hadlock and Pierce (2010) index, and Whited and Wu (2006) index. The regression results that utilize this composite indicator of financial constraint are reported in Table IA3.

These results suggest that constrained firms derive greater benefits from attending to financial markets, as market signals help them identify and prioritize the most valuable opportunities when resources are limited. The heightened sensitivity of constrained firms to market information reflects the higher opportunity cost of misallocating scarce capital.

Collectively, these heterogeneity analyses show that the relationship between attention to financial markets and investment-price sensitivity is most pronounced when: (1) insider trading is limited, providing more unique information in prices; (2) competitive

[16] This measure captures firms' differential access to equity financing without relying on traditional proxies that have been criticized in literature (Bodnaruk, Loughran and McDonald 2015; Farre-Mensa and Ljungqvist, 2016). I focus on firms that are constrained in equity financing, as prior research suggests that financial constraints tend to have a more pronounced impact on these firms compared to those that rely primarily on debt financing (e.g., Linn and Weagley, 2024; Hoberg and Maksimovic, 2015).

pressure is high, creating stronger incentives for efficient resource use; and (3) financial constraints are binding, increasing the value of market signals for optimal resource allocation.

### 5.3 Complementary Role of Debt Market Attention for Investment-Price Sensitivity

Previous subsections demonstrate that attention to financial markets plays a crucial mediating role in corporate decision-making where both equity and debt market attention enhance investment-stock price sensitivity. I focused on the sensitivity of investment to stock prices in previous subsections for two key reasons. First, compared to bond prices, stock prices are more capable of capturing the upside potential of the firm, thereby being more able to incorporate information related to investments. Second, in the literature on the real effects of financial markets on investments (e.g., Chen, Goldstein, and Jiang (2007)), the majority of empirical papers use stock prices as a proxy for the signal source from which managers extract information from financial markets regarding future business opportunities.

In this subsection, I examine whether debt market attention provides complementary information value for investment decisions beyond equity market attention. There are two potential channels through which debt market attention might influence investment decisions. First, debt market attention might be highly correlated with equity market attention, essentially capturing the same underlying construct. Second, debt market attention might convey information that is complementary to interpreting equity prices, helping to filter out noise and isolate information valuable for investments. This information does not necessarily have to be associated with business opportunities, which may arise more from firms' own traded bond prices (Davis and Gondhi 2024). It can also reflect information about the firm's own cost of debt capital or broader market conditions—such as interest rate trends or macroeconomic policy shifts—that affect firms' ability to finance investment in response to opportunities.

I start by analyzing how attention to both equity and debt markets simultaneously affects investment-price sensitivity, and whether this relationship varies with firms' leverage levels. The extent to which the coefficient of debt market attention on investment-price sensitivity is reduced after controlling for equity market attention reflects the percentage of

results documented in Section 5.1 that can be explained by the first channel—correlation between debt and equity market attention. The remaining effect likely represents the second channel's contribution.

Table A5 Panel A presents these results. In Column (1), which includes the full sample, both interaction terms between IAFM measures and Tobin's Q are positive and statistically significant for capital expenditures (Panel A.1) and total investment (Panel A.2). Comparing these coefficients with those in Table 8, we can quantify the channels' relative importance. For IAFM Debt, the coefficient decreases from 0.0938 in Table 8 Column (4) to 0.0831 in Table A5 Panel A.1 Column (1), indicating that approximately 11.4% of the original debt market attention effect can be attributed to its correlation with equity market attention. The remaining 88.6% supports the complementary information hypothesis.

Panel B provides additional robustness by controlling for how financial constraints affect investment-price sensitivity, using the LW (2024) financial constraint measure, and the results remain unchanged. The findings are consistent, as presented in Table IA4, when I measure constraints using a composite indicator comprising five traditional financial constraint proxies. These results control for the competing explanation that my IAFM measures merely proxy for the level of financial constraints rather than capturing a distinct aspect of managerial attention.

Furthermore, if debt market attention primarily helps firms interpret equity market signals more effectively, this complementary information should be particularly valuable for firms with greater exposure to debt markets. Leverage provides a natural proxy for a firm's stake in debt market conditions, as highly leveraged firms face greater exposure to interest rate fluctuations, refinancing risks, and debt market pricing efficiency. These firms likely develop more specialized expertise in interpreting debt market signals and have stronger incentives to monitor debt market conditions. Consequently, debt market attention should enhance investment-price sensitivity more significantly for highly leveraged firms.

I find that for firms with low leverage (Panel A Column (2)), only equity market attention significantly enhances investment-price sensitivity (0.0842 for CAPX and 0.192 for INVT), while debt market attention shows no significant effect. In contrast, for highly

leveraged firms (Column (3)), debt market attention significantly enhances investment-price sensitivity (0.0701 for CAPX and 0.230 for INVT), while equity attention remains statistically significant only for total investment. This pattern strongly supports mechanism (2), suggesting that debt market information becomes increasingly valuable as firms' exposure to financing conditions increases.

Panel C excludes firms with traded bonds to control for the possibility that the observed effects might stem directly from bond price signals rather than general attention to debt markets. The results remain qualitatively similar, supporting that the complementary value of debt market attention is not driven solely by information contained in a firm's own traded bonds but rather by broader awareness of debt market conditions.

Additionally, I examine in Table IA5 whether debt market attention influences firms' responsiveness to their own bond yields when making investment decisions. Using a sample of firms with publicly traded bonds, I investigate if higher debt market attention alters investment sensitivity to bond yields. If debt market attention helps firms interpret information from their debt pricing (either about business opportunities or cost of capital), we should observe a positive relationship between IAFM Debt and the investment-bond yield sensitivity.

The results show that for total investment (Column (2)), the interaction between IAFM Debt and bond yield is negative and significant (-21.27), indicating that firms with 10% higher debt market attention increase their investment sensitivity to bond yields by 5.73%. This suggests that debt market attention also provides unique information that influences how firms respond to their debt financing costs, supporting mechanism (3). For capital expenditures (Column (1)), although the coefficient on the interaction between IAFM Debt and bond yield (-2.922) is not statistically significant, its negative sign is consistent with the pattern observed for total investment. The lower statistical significance for capital expenditures likely reflect that CAPX captures only fixed asset expenditures (which typically follow longer-term plans), while INVT also includes fixed asset sales and inventory changes that can be adjusted more readily in response to financing conditions. Table IA6 further decomposes bond yields into (1) firm-level credit spread, (2) firm-level term spread, and (3)

treasury yield, demonstrating that the results in Table IA5 are primarily driven by information contained in firm-level credit spreads, supporting the idea that debt market attention can help firms extract firm-specific information from their bond pricing.

Overall, this subsection demonstrates that debt market attention provides complementary information value for investment decisions beyond what is captured by equity market attention. This complementary effect is particularly pronounced for highly leveraged firms, where debt market signals likely provide more valuable information for investment decisions. Furthermore, debt market attention uniquely influences how firms respond to their own bond yields. These findings support the view that debt markets contain investment-relevant information through mechanisms distinct from equity markets, extending our understanding of how firms process and integrate signals across multiple financial market dimensions. In Section 8.3, I further examine whether the effects of attention to equity and debt markets stem more from improved interpretation of information about business opportunities (cash flows) or cost of capital.

## 6. Role of Financial Markets for Financing Policies

### 6.1 Role of Financial Markets on Whether Tapping External Financing

While Section 5 demonstrates that financial markets provide valuable information about investment opportunities, this section examines the second fundamental role of financial markets: facilitating access to capital. Theoretical and empirical research suggests that managers who better understand market conditions should be more effective at accessing external financing when capital needs arise. Baker and Wurgler (2002) show that firms issue more equity when market valuations are temporarily high, while Ma (2019) demonstrates that firms substitute between debt and equity in response to relative valuation changes across these markets. Begenau and Salomao (2019) document cyclical patterns in debt and equity issuance that reflect differences in funding needs and exposures to financial frictions.

If managers who pay greater attention to financial markets develop superior understanding of market conditions and timing, they should be better positioned to access

external financing when capital needs arise. To test this hypothesis, I examine whether firms with higher IAFM measures are more likely to tap external financing at the extensive margin when facing financing deficits. I estimate the following specification:

$$\begin{aligned} Net\ Issue\ Indicator_{i,t} \\ &= \alpha_t + \eta_i + \omega_1 NFD_{i,t} + \omega_2 Ln(1 + IAFM_{i,t-1}) \\ &+ \omega_3 Ln(1 + IAFM_{i,t-1}) \times NFD_{i,t} + \gamma CONTROL_{i,t-1} + \epsilon_{i,t} \end{aligned} \quad (2)$$

where $Net\ Issue\ Indicator_{i,t}$ denotes either the net equity issue indicator or the net debt issue indicator for firm $i$ in year $t$, where. $\alpha_t$ and $\eta_i$ represent industry-by-year and firm fixed effects. The net equity issue indicator equals one if there is a positive difference between sales of common stock and stock buybacks, scaled by lagged total assets, and zero otherwise. The net debt issue indicator equals one if long-term debt issues minus long-term debt reduction, scaled by lagged total assets, and zero otherwise. $NFD_{i,t}$ represent the net financing deficit (NFD), which equals the sum of cash dividends, net investment, change in working capital, and minus cash flow after interest and tax, scaled by lagged total assets. I control for year-end Tobin's Q, firm size (Ln(Total Assets)), cash holdings, leverage, past sales growth, dividend yield, and institutional ownership. $\omega_3$ captures the extent to which attention to financial markets enhances firms' ability to access external financing when capital needs arise. If attention to financial markets helps firms better manage their cost of capital and timing of market access, we should observe $\omega_3 > 0$ for both equity and debt financing, indicating that high-attention firms are more responsive to financing needs and better able to tap external markets.

**[Insert Table 9 about here]**

Table 9 demonstrates that attention to financial markets enhances firms' responsiveness to financing needs by facilitating access to capital. The results consistently show positive and significant interaction coefficients between IAFM measures and net financing deficit, indicating that high-attention firms are more responsive in translating capital requirements into external financing activities. Specifically, focusing on the firm fixed effects specifications (Columns 4-6), which capture within-firm variation over time, Panel A shows

that attention to financial markets significantly enhances firms' responsiveness to financing deficits by enabling them to more readily tap equity markets. In Column (4), the interaction coefficient between IAFM Equity and NFD (0.0641) represents a 3.14% increase in equity financing responsiveness relative to the baseline NFD effect (0.204) for a firm that devotes 10% more of its equity market attention. Similarly, in Column (5), the interaction between IAFM Debt and NFD (0.116) indicates a 5.18% increase in responsiveness relative to the baseline effect (0.224) when debt market attention increases by 10%.

Panel B demonstrates consistent effects of attention to financial markets for debt financing access. In Column (5), firms that increases their debt market attention by 10% exhibit a 10.7% increase in debt financing responsiveness relative to the baseline NFD effect. This potentially reflects the specialized nature of debt markets, where understanding credit conditions, interest rate environments, and lender preferences is crucial for accessing these markets. In the combined specification (Column 6), debt market attention (0.468) dominates equity market attention (0.0541) for debt financing decisions.

The cross-sectional results with only industry-by-year fixed effects (Columns 1-3) show qualitatively similar patterns but with larger magnitudes, suggesting that cross-sectional differences in attention allocation also matter for financing capabilities.

These findings demonstrate that attention to financial markets serves as a critical organizational capability that enhances firms' responsiveness to financing needs. The complementary effects observed when firms monitor multiple market dimensions suggest that comprehensive market awareness provides benefits for managing corporate financing requirements compared to narrow focus on individual market segments.

### 6.2 Role of Financial Markets on the Choice of External Financing Source

Having established that attention to financial markets enhances firms' ability to access external financing, the previous subsection showed that firms strategically increase their attention prior to external financing episodes. This section delves deeper by investigating the market conditions to which firms become more responsive when they increase their

attention—in other words, examining why firms increase attention prior to issuance and how this attention shapes their financing decisions. This analysis also provides direct tests of two prominent theories in corporate finance: the pecking order theory (Myers and Majluf, 1984) and market timing theory (Baker and Wurgler, 2002).

The pecking order theory proposes that information asymmetries between insiders and outside investors create a financing hierarchy: internal funds first, followed by debt, and equity as a last resort. Under this theory, managers who are more aware of their firm's true value and the adverse selection costs associated with equity issuance should exhibit stronger preferences for debt over equity financing. Market timing theory, by contrast, suggests that managers opportunistically issue equity when they perceive their shares are overvalued and issue debt when equity appears undervalued, leading to context-dependent financing choices that deviate from any fixed hierarchy.

Despite extensive empirical investigation, tests of these theories have produced mixed results (e.g., Frank and Goyal, 2003; Shyam-Sunder and Myers, 1999; Hovakimian, 2006; Dittmar and Thakor, 2007). My IAFM measures offer a novel approach to reconciling these conflicting findings by examining how variation in managers' attention to financial markets—a previously unobservable characteristic—mediates financing choices under different market conditions.

To isolate financing source choices from underlying capital needs, I now examine the intensive margin by restricting the sample to firm-year observations where companies raised external financing from a single source—issuing either net equity or net debt. Specifically, I estimate the following specification:

$$
\begin{aligned}
Equity\ vs\ Debt_{i,t} &= \alpha_t + \eta_i + \omega_1 NFD_{i,t} + \omega_2 Ln\left(1 + IAFM_{i,t-1}\right) \\
&+ \omega_3 Ln\left(1 + IAFM_{i,t-1}\right) \times NFD_{i,t} \\
&+ \omega_4 Ln\left(1 + IAFM_{i,t-1}\right) \times NFD_{i,t} \times Market\ Condition_{i,t} \\
&+ \omega_5 Ln\left(1 + IAFM_{i,t-1}\right) \times Market\ Condition_{i,t} \\
&+ \omega_6 NFD_{i,t} \times Market\ Condition_{i,t} + \gamma CONTROL_{i,t-1} + \epsilon_{i,t}
\end{aligned} \tag{3}
$$

where the dependent variable, $Equity\ vs\ Debt_{i,t}$, equals one for equity financing and zero for debt financing. This restriction ensures that all firms in the sample demonstrated comparable external financing needs, allowing me to examine pure source choice decisions while addressing the concern that higher IAFM scores might simply reflect greater anticipated capital needs, which could create a mechanical positive relationship between attention measures and subsequent issuance activity. Compared to Equation (2), I additionally introduce $Market\ Condition_{i,t}$, which captures either firm-specific valuation (Tobin's Q), equity market sentiment, or interest rate changes, and its interaction with $Ln(1 + IAFM_{i,t-1})$ and $NFD_{i,t}$. The coefficient $\omega_3$ captures the baseline effect of attention on financing choices, while $\omega_4$ reveals how market conditions moderate this relationship. Under the pure pecking order theory, we expect $\omega_3 < 0$, indicating a preference for debt over equity financing during normal periods when adverse selection costs dominate managerial decision-making. Market timing theory predicts $\omega_4 > 0$ for favorable market conditions where the benefits of opportunistic equity issuance can outweigh the adverse selection costs.

**[Insert Table 10 about here]**

Panel A of Table 10 examines how equity market attention interacts with two key equity market conditions: firm-specific valuation (measured by Tobin's Q) and market-wide equity sentiment, proxied using Baker and Wurgler (2006) index (orthogonalized to six macroeconomic conditions).[17] These two market conditions are chosen to directly test whether firms with higher equity market attention exhibit market timing behavior by increasing their propensity to issue equity when conditions are favorable for equity financing. Baker and Wurgler (2002), for example, find that firms are more likely to issue equity when their market values, relative to book values, are high. Lowry (2003) and Lamont and Stein (2006) show that firms react to waves of high sentiment by issuing more equity. I employ two different specifications for market sentiment. Column (1) uses the annual percentage change in equity market sentiment to capture dynamic shifts in investor optimism, while Column (2) employs the level of equity market sentiment to reflect absolute market conditions.

[17] I thank Jeffrey Wurgler for sharing the data via https://pages.stern.nyu.edu/~jwurgler/.

The baseline interaction coefficients between IAFM measures and net financing deficit (NFD) are significantly negative across both specifications, supporting the pecking order theory. The coefficient on Ln(1+IAFM Equity) X NFD is -0.0873 in Column (1), indicating that firms with higher equity market attention are significantly less likely to issue equity when facing financing deficits under normal conditions. This pattern potentially reflects managers' increased awareness of the adverse selection costs associated with equity issuance.

However, I find significant deviations during periods of favorable equity market conditions. The three-way interaction between IAFM Equity, NFD, and Tobin's Q shows positive coefficients across both specifications (0.0171 in Column (1) and 0.0180 in Column (2)), indicating that high-attention firms become more willing to issue equity when their firm-specific valuations are high.

For market sentiment, the three-way interaction between IAFM Equity, NFD, and changes in equity market sentiment yields a positive coefficient (0.0154) in Column (1), while the interaction with sentiment levels shows an even stronger positive coefficient (0.0990) in Column (2). These findings suggest that firms with greater equity market attention respond to both dynamic increases in market sentiment and high absolute levels of market optimism by increasing their propensity to issue equity over debt.

Panel B examines how debt market attention influences financing choices in response to interest rate conditions, employing two specifications: Column (1) uses annual changes in interest rates, while Column (2) uses interest rate levels. As discussed in Section 4.4, I use 7-year Treasury yield to proxy interest rate, though the results remain qualitatively the same if I use alternative maturities, including 6 months, 1 year, 5 years, or 10 years.

The results provide evidence of rational adaptation to debt market conditions, but only for dynamic changes in interest rates. In Column (1), the three-way interaction between IAFM Debt, NFD, and changes in interest rates shows a positive and statistically significant coefficient (0.111), indicating that firms with higher debt market attention increase their equity issuance when interest rates rise. This reflects sophisticated cost-of-capital management, where managers substitute toward equity financing when debt becomes more

expensive. In contrast, Column (2) shows that the interaction with interest rate levels is not statistically significant, indicating that attentive managers respond to changes in the interest rate environment rather than absolute borrowing cost levels. This distinction emphasizes that debt market attention enhances sensitivity to shifting market dynamics that alter the relative attractiveness of financing sources, rather than static cost conditions.

Overall, I directly test the pecking order theory and market timing theory of capital structure by positioning managers' attention to financial markets as the critical link between financing decisions and market conditions. The results reveal that firms' financing behavior follows a sophisticated, context-dependent pattern: under normal market conditions, higher attention to financial markets reinforces adherence to the pecking order hierarchy, with firms avoiding equity issuance in favor of debt as managers become more aware of adverse selection costs. However, during periods of favorable conditions—whether firm-specific overvaluation, positive market sentiment, or rising interest rates that make debt relatively more expensive—market timing considerations become increasingly relevant for high-attention firms. This nuanced relationship helps reconcile mixed empirical findings in the capital structure literature (e.g., Hovakimian, 2006; Dittmar and Thakor, 2007). As an additional exercise, Table IA7 explores whether firms' financing choices respond to changes in firm-specific bond yields. While the sign of coefficient estimates suggest that firms with greater attention to the debt market tend to favor equity issuance over debt in response to rising bond yields, these coefficients are not statistically significant.

## 7. Why Does Attention on Financial Markets vary Across Industries? Role of Information Asymmetry

The previous sections demonstrate that financial markets serve two primary roles for corporate decision-making: providing information about business opportunities and facilitating access to capital. Having established these mechanisms, this section addresses a fundamental question about the equilibrium distribution of attention across industries: why do some industries exhibit systematically higher attention to financial markets than others? As documented in Table 4, substantial heterogeneity exists across industries, with Finance firms

exhibiting the highest attention to both equity (mean = 7.67) and debt markets (mean = 8.77), while Healthcare firms demonstrate the lowest attention to both dimensions (means = 1.22 and 0.32, respectively).

I argue that this persistent industry variation reflects the equilibrium outcome of firms optimally allocating their scarce attention based on the fundamental information environment of their business activities. Specifically, industries differ in the degree of information asymmetry between managers and external investors, which affects both the value firms can extract from financial market signals and their reliance on external financing. The analyses in this section focus on explaining these equilibrium patterns rather than establishing causal relationships, as the observed attention allocation represents the joint outcome of multiple factors including industry characteristics, firm strategies, and market conditions.

**[Insert Figure 2 about here]**

Figure 2 provides initial evidence for the information asymmetry hypothesis by plotting the relationship between industry-average IAFM measures and asset tangibility across 11 of the 12 Fama-French industries (excluding Finance). The figure shows a positive relationship between asset tangibility and attention to financial markets. Industries with higher tangible asset ratios—such as Utilities, Energy (Oil, Gas, Coal), and Manufacturing—exhibit greater attention to both equity and debt markets, while industries with lower tangibility—particularly Healthcare and Business Equipment—show substantially lower attention levels.

This pattern aligns with theoretical predictions about information asymmetry and external financing. For example, Myers and Majluf (1984) demonstrate that information asymmetries create adverse selection costs in external financing, with these costs being particularly severe for firms whose value derives primarily from intangible assets that are difficult for outsiders to observe and value. When information asymmetries are high, both market signals and external financing become less valuable: market prices contain less reliable information about fundamental value, and the costs of accessing external capital markets increase significantly.

Figure A1 provides complementary evidence by documenting a negative relationship between industry-average IAFM measures and R&D intensity. This relationship supports the information asymmetry interpretation, as R&D-intensive industries typically face greater challenges in communicating their value to external investors due to the inherently uncertain and proprietary nature of innovation activities (e.g., Aboody and Lev, 2000).

### 7.1 R&D Investment Sensitivity to Market Signals

To further explore the information asymmetry hypothesis, I examine how attention to financial markets affects the sensitivity of R&D investments to stock price signals. R&D represents a unique class of corporate expenditures characterized by high uncertainty, long gestation periods, and limited immediate visibility to outside investors. These attributes may make R&D, compared to capital expenditure, respond differently to market signals, particularly when firms pay significant attention to financial markets.

**[Insert Table 11 about here]**

Table 11 investigates how attention to financial markets affects the sensitivity of R&D investments to a firm's stock price. The dependent variable is R&D expenditure, and the key independent variables are the interaction terms between log-transformed IAFM measures and year-end Tobin's Q, employing the same control variables as in previous tables.

In the specifications with both industry-by-year and firm fixed effects (Columns (3)-(4)), the interaction between IAFM measures and Tobin's Q is significantly negative for both equity market attention (-0.0737) and debt market attention (-0.140). This indicates that managers who pay higher attention to financial markets are significantly less responsive to price signals when making R&D investment decisions. For example, a 10% increase in equity market attention reduces the sensitivity of R&D to Tobin's Q by 0.737 basis points, translating about 1.55% of the baseline sensitivity of 0.474. The effect is more pronounced for debt market attention, with a 10% increase reducing R&D-price sensitivity by 1.40 basis points, or approximately 3.06% of the baseline sensitivity of 0.457. The cross-sectional results with only industry-by-year fixed effects (Columns (1)-(2)) show similar patterns.

These findings suggest an important qualification to my investment-price sensitivity results: while attention to financial markets enhances responsiveness to market signals for traditional capital investments (as shown in Section 5.1), it appears to have the opposite effect for R&D investments. This contrasting pattern suggests that managers process and respond to market signals differently for R&D versus traditional capital investments.

Two mechanisms, however, could explain this reduced R&D-price sensitivity among high-IAFM firms. First, in my information asymmetry hypothesis, this represents a rational response to the fundamentally different nature of R&D investments. Firms with greater financial market sophistication may recognize that R&D requires stable, long-term commitments rather than adjustments based on potentially transient market signals. These firms might deliberately insulate their R&D decisions from market fluctuations to maintain strategic consistency in innovation efforts. On the other hand, it may also indicate managerial myopia as theorized by Stein (1989), where managers highly attentive to financial markets deliberately decouple R&D decisions from market signals due to concerns about short-term market reactions to long-term, uncertain investments. Under this interpretation, excessive focus on financial markets could lead managers to underreact to positive price signals that would otherwise encourage greater R&D investment.

To disentangle these two mechanisms, I examine how the effect of IAFM on R&D varies across different industry contexts. I focus on competitive industries (defined by below-median sales-based Herfindahl index for each SIC 3-digit industry-year). Then I split the sample into the high-R&D and low-R&D industries based on median industry R&D intensity. This approach leverages the insight that the two mechanisms would predict different patterns across these industry groups.

If managerial myopia primarily drives the results, we would expect the negative relationship between IAFM and R&D-price sensitivity to be more pronounced in competitive low-R&D industries, where short-term performance pressures are high but R&D is less essential to competitive advantage. In such contexts, managers might be especially prone to deprioritizing R&D investments despite positive market signals. Meanwhile, firms subject to severe managerial myopia, on average, would be less likely to survive in competitive high-

R&D industries, where sustained innovation is critical for survival and market success, leading to a relatively weaker impact of managerial myopia in those industries. Conversely, if rational insulation from market signals drives the results, we would expect the effect to be stronger in competitive high-R&D industries, where sophisticated firms understand that R&D requires stable, long-term commitments that shouldn't be disrupted by temporary market fluctuations.

Table A6 shows that the negative effect of IAFM on R&D-price sensitivity is significant only in competitive high-R&D industries but statistically insignificant in competitive low-R&D industries. In Panel A using SIC 3-digit industry classifications, for IAFM Equity, the interaction coefficient (-0.0843) is significant in high-R&D industries (Column (2)) but statistically insignificant (-0.00230) in low-R&D industries (Column (1)). The conclusion holds for IAFM Debt. Panel B uses Hoberg and Phillips' (2016) product market definitions, and finds a similar pattern. The negative interaction between IAFM Equity and Tobin's Q is more negative in magnitude in high-R&D product markets (-0.223) and statistically significant at the 5% level, compared to low-R&D markets (0.0375) where the coefficient is positive but insignificant. These findings support the rational insulation mechanism rather than the managerial myopia explanation, as firms in competitive high-R&D industries—where innovation is critical for survival—strategically shield their R&D investments from market fluctuations when they pay greater attention to financial markets.

Overall, results in this subsection suggest an important nuance in how firms strategically process market information. Attention to financial markets does not simply increase responsiveness to all market signals uniformly, but rather enables firms to discriminate between different types of investments. For traditional capital expenditures, market signals provide valuable information that guides investment timing and scale. For R&D, however, sophisticated firms recognize the limitations of market signals in guiding long-term innovative activities and deliberately maintain more stable investment patterns. This finding contributes to the ongoing debate about the potential costs of market-oriented corporate governance for long-term innovation and growth (e.g., Kim and Lu, 2011; Fang, Tian, and Tice 2014).

### 7.2 External Financing Decisions for R&D Investments

Having established that high-attention firms strategically insulate R&D decisions from market signals, I next examine, *conditional on making R&D investments*, whether high-attention firms prefer internal funds over external financing. Two complementary mechanisms predict a negative equilibrium relationship between financial market attention and the use of external financing for R&D investments. First, the severe information asymmetries inherent in R&D activities may create substantial adverse selection costs when seeking external financing, as outside investors view R&D financing decisions unfavorably (Chan, Lakonishok, and Sougiannis, 2001) and these investments carry higher risk profiles than conventional capital expenditures (Berk, Green, and Naik, 2004; Li, 2011). Second, building on the Section 7.1 finding that sophisticated managers deliberately insulate R&D decisions from market signals, R&D-intensive firms face lower informativeness of financial market signals for their core business activities, potentially reducing the informational value of enhanced market attention for these firms. Thus, in equilibrium, we should observe that firms with higher attention to financial markets are less likely to fund their R&D investments using external financing.

**[Insert Table 12 about here]**

Table 12 examines this hypothesis. I employ the same specification as Equation (2), with the addition of firms' contemporaneous R&D expenditure and its interaction with log-transformed IAFM measures. The interaction coefficient captures how attention to financial markets moderates the relationship between R&D investment and external financing decisions.

Panel A focuses on equity financing decisions. The interaction between IAFM measures and R&D expenditure is consistently negative and statistically significant across all specifications. In the firm fixed effects specifications (Columns (3)-(4)), a 10% increase in equity market attention is associated with a 14.3% (0.000134/0.000937) reduction in the responsiveness of equity issuance to R&D investment, while a 10% increase in debt market attention predicts a 47.4% reduction in this responsiveness. These results suggest that high-

attention firms are significantly more reluctant to issue equity at the extensive margin when funding R&D projects.

Panel B shows similar patterns for debt financing decisions. The interaction coefficients between IAFM measures and R&D expenditure are negative and significant, suggesting that firms with greater attention to financial markets are also less likely to issue debt at the extensive margin when undertaking R&D investments. In the firm fixed effects specifications, a 10% increase in equity market attention reduces responsiveness to funding R&D via issuing debt by 3.1%, while a 10% increase in debt market attention reduces this responsiveness by 11.1%.

These results complement the R&D investment sensitivity findings by demonstrating that firms with greater attention to financial markets not only insulate their R&D investment decisions from market signals but also strategically prefer internal funds over external financing at the extensive margin when undertaking R&D investments.

Finally, I examine whether high-attention firms exhibit different preferences between equity and debt financing when they do decide to tap external markets for R&D projects. Capital structure theories suggest that R&D-intensive firms should prefer equity financing over debt financing because these firms have relatively unique products (Titman, 1984; Titman and Wessels, 1988) and invest more in growth options (Hovakimian, Opler, and Titman, 2001; Barclay, Smith, and Morellec, 2006). Consistent with this view, Hovakimian, Hovakimian, and Tehranian (2004) find that R&D investment is positively related to the choice of equity over debt financing.

Table IA8 tests this hypothesis by adopting the same specification as Equation (3), additionally including firms' contemporaneous R&D expenditure and its interaction with log-transformed IAFM measures. The interaction coefficient captures how attention to financial markets moderates the relationship between R&D intensity and financing source choice. The interaction is positive and significant for both equity market attention (0.001) and debt market attention (0.00194). These findings suggest that high-attention firms may be aware of the growth option nature of R&D investments and recognize that equity financing is more appropriate for these uncertain, long-term projects, consistent with the past literature,

Overall, the evidence presented in this section shows that industry-level differences in attention to financial markets, documented in Table 4, reflect rational, equilibrium adaptation to each industry's fundamental information environment and business model characteristics. Industries with high asset tangibility and low R&D intensity—where information asymmetries are relatively low—exhibit greater attention to financial markets because market signals provide more reliable information and external financing is more accessible. Conversely, industries with low asset tangibility and high R&D intensity—where information asymmetries are severe—show lower attention to financial markets because the value of market monitoring and external financing is diminished. These findings advance our understanding of how information asymmetries shape the interaction between financial markets and real economic activity, with important implications for both corporate strategy and the efficiency of capital allocation across sectors.

## 8. Robustness Checks

### 8.1 Do IAFM Measures Simply Capture Financial Constraints?

A potential concern is that IAFM merely proxies for financial constraints rather than capturing a distinct aspect of managerial attention. If financially constrained firms naturally pay more attention to financial markets due to their precarious position, my findings would simply reflect financing limitations rather than discretionary attention allocation.

However, several results in my data suggest that IAFM measures capture genuine managerial attention rather than simply proxying for financial constraints. First, if IAFM merely reflected financial constraints, it could not explain the persistent heterogeneity in attention across industries documented in Table 4. The substantial and stable differences between industries—with Finance firms exhibiting IAFM Equity scores of 7.67 compared to Healthcare firms' 1.22—would require arguing that some industries are persistently more financially constrained than others, which contradicts empirical evidence on industry-level financing patterns.

Second, a pure financial constraints explanation cannot account for the systematic relationships between IAFM and managerial characteristics documented in Tables 5 and 6. The inverted U-shaped relationship between managerial ownership and attention to financial markets, and the positive association with finance-expert CEOs, reflect deliberate attention allocation decisions rather than constraints-driven necessity. If financial constraints were the primary driver, we would expect a monotonic relationship where more constrained managers always exhibit higher attention, and should expect a negative association with finance-expert CEOs because those CEOs are shown to be able to raise more external funds even when credit conditions are tight (Custódio and Metzger 2014).

Third, the pattern of attention responses to market conditions contradicts a financial constraints explanation. Table 7 shows that attention to financial markets increases when firm-specific stock returns rise and decreases when stock volatility increases. A financial constraints story would predict the opposite: constrained firms should pay more attention during poor performance periods and volatile times when financing becomes more difficult and costly.

Fourth, the strategic financing source choices documented in Section 6.2 contradict a financial constraints explanation. Table 10 shows that high-attention firms strategically choose equity issuance over debt when equity market conditions become more favorable—during high equity market sentiment and rising interest rates. If constraints were the primary driver, we would expect attention to become higher when their corresponding financing source market conditions become less favorable.

Table A7 directly addresses this concern by examining the relationship between financial constraints and firm-level attention to financial markets. I employ the LW's (2024) continuous equity constraint measure to proxy financial constraints. The results show that financial constraints have minimal impact on attention allocation. In specifications with both industry-by-year and firm fixed effects, the coefficient for IAFM Equity is statistically insignificant. For IAFM Debt, while statistically significant, the economic magnitude is modest—a one standard deviation increase in constraints (0.58) corresponds to only a 1.1% increase in debt market attention. In cross-sectional specifications, neither IAFM dimension

shows significant correlation with constraints. The conclusion remains robust when, in Table IA9, I employ a composite financial constraint measure constructed from five traditional proxies. The correlation between the composite financial constraint measure and my IAFM measures are even negative when I only include industry-by-year fixed effects.

### 8.2 Is Attention-Induced Investment-Price Sensitivity Driven More by Information on Business Opportunities or Costs of Capital?

In Section 5, I presented evidence that higher managerial attention to financial markets facilitates firms' sensitivity of investments to stock prices, particularly among firms with high attention to market signals. However, this enhanced sensitivity could operate through two distinct information channels: (1) improved extraction of information about fundamental business opportunities (the core prediction of price feedback theory), or/and (2) better assessment of financing conditions that enables more flexible investment responses when capital constraints are relaxed. Since Section 6 establishes that attention to financial markets does enhance firms' financing capabilities, it becomes crucial to disentangle these mechanisms to understand the precise role of managerial attention in mediating market information.

To isolate the business opportunities channel, I employ a sample-splitting approach that controls for the financing mechanism. Specifically, I restrict the analysis to firms that do not tap external financing (defined as having non-positive net external financing) in the year of investment decision. The underlying logic is straightforward: if the investment-price sensitivity effects were driven purely by improved financing capabilities, they should disappear when firms are not actively accessing external capital markets. Conversely, significant effects that persist among non-financing firms would indicate genuine information extraction about business fundamentals. This approach provides a conservative test of the business opportunities channel, as it excludes firms most actively integrating financial market information across both investment and financing decisions.

Table A8 shows differences between equity and debt market attention in terms of the mechanisms driving investment-price sensitivity. Panel A shows that for equity market

attention, the interaction coefficients remain positive and statistically significant even among firms with non-positive net external financing: 0.0662 for capital expenditures (significant at the 5% level) and 0.166 for total investment (significant at the 10% level). This supports the price feedback mechanism, indicating that equity market attention indeed facilitates managers' ability to extract information about fundamental business opportunities.

In contrast, debt market attention shows a different pattern. As shown in Panel B, among firms with non-positive net external financing, the interaction coefficients become statistically insignificant, and they are only significant for firms with positive net external financing (0.189 for CAPX and 0.447 for INVT). This indicates that debt market attention operates primarily through the cost of capital channel—enhancing managers' ability to respond to investment opportunities by improving their access to financing.

Panel C provides additional corroborating evidence by examining investment sensitivity to firms' own bond yields. Consistent with the cost of capital interpretation, the attention-induced sensitivity of investment to bond yields becomes statistically insignificant when restricted to firms without external financing, and remains significant only for firms that tap external financial markets in the year of making investments.

These findings help reconcile the complementary roles documented in Section 5.3, where debt market attention proved particularly valuable for leveraged firms and uniquely influenced responses to bond yields. Thus, the evidence suggests that comprehensive financial market attention combines both information extraction and financing capabilities, with different dimensions playing specialized roles in corporate decision-making.

Moreover, Custódio and Metzger (2014) show that CEOs with a background in finance tend to manage financial policies more actively, leading to improved investment decisions that are less sensitive to internal cash flows—an outcome attributed to better-managed financing conditions. If the observed increase in investment-price sensitivity due to managerial attention is primarily driven by better-managed financial policies, then controlling for a CEO's finance background should attenuate this effect. In Table IA10, Panel A, I test this hypothesis. Equity market attention continues to significantly affect investment-price sensitivity even after including an indicator for finance-expert CEOs and its interaction with

Tobin's Q. However, the effect of debt market attention becomes statistically insignificant once these controls are added. This supports my previous interpretation that the influence of debt market attention on investment operates more through improved financial management rather than greater responsiveness to information about business opportunities.

Additionally, Table IA10 Panels B, C, and D examine whether the impact of financial market attention on financing policies can be fully accounted for by CEO finance expertise. After controlling for the finance-expert CEO indicator and its interactions with net financing deficits and financial market conditions, the effects of managerial attention remain significant in predicting firms' decisions to seek external financing at the extensive margin. When predicting the choice between equity and debt in response to market conditions, high-attention managers tend to be more responsive.

### 8.3 Management Presentation versus Q&A

Understanding the distinct roles of management presentations and Q&A sessions in earnings calls provides insights into different forms of managerial attention to financial markets. The management presentation represents the *supply side* of information, reflecting managers' deliberate, strategic communication choices about which financial market dimensions to emphasize. When managers discuss financial markets in prepared remarks, it signals their proactive assessment of which market signals are most relevant for their business strategy.

In contrast, the Q&A session reflects the demand side of information, where analysts steer the discussion toward topics they deem most relevant. Unlike managerial speeches—which Cao, Jiang, Yang, and Zhang (2023) show are more strategically scripted when firms expect higher machine readership—managers' references to financial markets during Q&A arise more organically and spontaneously. These relatively unscripted responses offer a clearer window into how managers process market information in real time and respond to investor concerns about prevailing market conditions.

Tables IA11 and IA12 present the economic implications of IAFM measures constructed separately from management presentations and Q&A sessions, respectively. The

results demonstrate that both sources of attention yield statistically significant effects across most specifications, supporting the robustness of the main findings.

For investment-price sensitivity (Panel A), both presentation-based and Q&A-based measures show positive and statistically significant interactions with Tobin's Q. Q&A-based measures consistently demonstrate larger economic magnitudes—for example, Q&A-based equity attention shows a coefficient of 0.0435 for capital expenditures compared to 0.0315 for presentation-based attention, both statistically significant.

The financing decisions (Panel B) demonstrate that both forms of attention significantly influence firms' propensity to tap external financing. For equity financing, Q&A-based equity attention shows a coefficient of 0.0538 compared to 0.0418 for presentation-based attention, both statistically significant at the 1% level. The pattern is similar for debt financing, where Q&A-based debt attention yields a coefficient of 0.137 (significant at the 1% level) compared to 0.0348 for presentation-based attention (significant at the 10% level).

The market timing and interest rate sensitivity results (Panels C and D) show consistent patterns across both approaches. For market timing behavior, Q&A-based equity market sentiment interactions demonstrate larger and more statistically significant effects: coefficients of 0.0223 for sentiment changes (significant at the 1% level) and 0.108 for sentiment levels (significant at the 1% level), compared to presentation-based coefficients of 0.00584 (statistically insignificant) and 0.0784 (significant at the 5% level), respectively. For interest rate sensitivity, the Q&A-based measure yields a coefficient of 0.0838 (though statistically insignificant), while the presentation-based measure shows 0.0826 (significant at the 10% level). Furthermore, for market timing behavior based on firm-level valuation (Tobin's Q), both forms of attention significantly predict firms' likelihood of issuing equity over debt, with coefficients of similar economic magnitude and statistical significance.

This subsection provides evidence that both management presentations and Q&A sessions significantly predict firms’ investment and financing decisions. The finding that attention measured using Q&A sessions tends to be, on average, both statistically and economically more significant may reflect two factors. First, the interactive, unscripted nature

of analyst questioning reduces managers' ability to strategically script their responses. Second, managers may pay closer attention to topics raised by analysts because these topics signal what shareholders and analysts consider important.

Furthermore, the larger effect of Q&As-based measures mitigates the concern that my results are driven by reverse causality—that managers might strategically reference current financial market conditions to rationalize investment or financing decisions they have already planned for the following year. If reverse causality were driving the results, we would expect greater effects for attention revealed in managerial speeches, where managers have greater opportunity to justify their future decisions. However, we do not find such a pattern.

### 8.4 Using the Term Frequency (TF) Approach

A potential concern with the TF-IDF methodology is that the inverse document frequency (IDF) component may introduce noise by overweighting terms that appear infrequently across the corpus, potentially due to measurement error or idiosyncratic usage patterns. More specifically, when applying IDF, the weighting is based on the frequency of terms that appear in the entire corpus of earnings calls, which covers the entire sample period and all firms across different industries. This weighting may induce issues such as temporal bias, where terms that were rare in early sample years but became common later (or vice versa) receive inappropriate weights, and industry bias, where terms that are common within specific industries but rare across the full sample receive artificially high weights even when used by firms in those industries where such terminology represents routine discussion rather than exceptional attention. [18]

[18] For example, terms like "enterprise_value" (which falls into IAFM Equity) might be relatively rare before 2010 but increasingly common in recent years as this valuation metric became more standardized in corporate discourse, leading to inflated IDF weights even in periods when such discussions represent standard valuation commentary rather than exceptional attention. Similarly, mortgage-related terms such as "agency_mbs," "cmbs_market," or "mortgage_spread" (which fall into IFAM Debt) might be routine vocabulary for financial services firms but rare across the full sample, resulting in artificially high weights that overstate the significance of such discussions for banks and REITs where these terms represent normal business operations rather than heightened financial market focus. That said, the latter concern is likely mitigated by the exclusion of financial sector firms from our main analysis.

To address this concern, I test the robustness of my findings using only the term frequency (TF) component, which measures the raw frequency of financial market-related terms within each firm's earnings calls without adjusting for their rarity across the entire sample. This approach eliminates potential cross-sectional and temporal contamination in the weighting scheme while providing a more transparent measure of attention intensity. Figure IA1 shows the time-series variation in industry-level TF-only measures, which display a similar pattern to those constructed using the TF-IDF method. Table IA13 presents the regression results using TF-only measures. The findings support the robustness of the main results.

### 8.5 Using Seed Words Only

The *word2vec* expansion methodology, while providing comprehensive coverage of financial market terminology, raises the question of whether the machine learning-based dictionary expansion is necessary for the main results. To address this concern, I test the robustness of findings using only the original 25 seed words per dimension, without any algorithmic expansion.

This robustness check is important for several reasons. First, it ensures that the results are not dependent on the specific word2vec algorithm or the particular corpus used for training, which could introduce systematic biases in word selection. Second, it tests whether the core economic relationships can be detected using only the most unambiguous, manually selected financial market terms. Third, it provides a more transparent and replicable approach that relies entirely on ex-ante term selection rather than machine learning-derived associations.

Table IA14 presents regression results using only the original seed words. The findings continue to support the main conclusions, though with somewhat attenuated magnitudes. Therefore, the *word2vec* expansion appears to enhance statistical power by providing more comprehensive coverage of financial market terminology, but the fundamental economic relationships are detectable even with a more conservative, manually curated approach. Additionally, Figure IA2 illustrates the time-series variation in industry-

level IAFM measures constructed using seed words. These measures follow a pattern similar to those based on an expanded dictionary, though they show a smaller disparity between the financial sector and other sectors. Also, since 2021, energy firms have increasingly focused on the equity market.

### 8.6 Constructing IAFM Using Binary Indicators

Throughout this paper, I have employed log-transformed, continuous measures of IAFM to facilitate interpretation of percentage changes in attention allocation. To ensure robustness, I examine whether results persist using binary indicators that equal one if the corresponding IAFM measure falls within the top two quintiles of the sample distribution in a given year, and zero otherwise.[19] This approach addresses concerns about functional form assumptions and extreme values while providing more intuitive interpretation.

Table A9 shows that my key findings remain robust under this alternative specification. Panel A shows that high-attention firms continue to exhibit significantly greater investment-price sensitivity, with interaction coefficients of 0.0615 for CAPX and 0.232 for total investment when examining equity market attention. Panel B confirms that high-attention firms remain more responsive to financing deficits, with coefficients of 0.0649 for equity financing and 0.380 for debt financing decisions. Panels C and D show that market timing results persist, with high equity market attention continuing to interact positively with favorable market conditions.

### 8.7 Controlling for Firm-Level Vulnerability to Changes in Market Conditions

A potential concern with the results in Sections 5 and 6 is that they may conflate two distinct effects: (1) the causal impact of specific attention to equity and debt markets on corporate decisions, and (2) firms' inherent vulnerability to changes in financial market conditions. Firms with greater exposure to market disruptions—whether due to their business model, capital structure, or industry characteristics—naturally have stronger incentives to monitor

[19] The main conclusions hold if I use other split points, including sample median, terciles, or quartiles.

financial markets closely. Without controlling for this baseline vulnerability, or self-selection concern, I might overestimate the incremental effects of targeted equity and debt market attention.

To address this identification concern, I take the extreme case by developing a supplementary measure—IAFM Vol. & Liq.—that captures firm-level attention to financial market volatility and liquidity conditions. This measure encompasses discussions of market microstructure events, including trading volume disruptions, liquidity constraints, volatility spikes, and broader market turmoil. The key insight is that firms with greater underlying vulnerability to market conditions should be more likely to discuss these disruptive market events, regardless of their specific strategic focus on equity or debt markets. By controlling for this baseline vulnerability, I can isolate the incremental effects of targeted attention from firms' general propensity to monitor financial markets due to their underlying exposure.

Table A10 Panel A presents the seed words for this dimension, including terms like "market_volatility," "trading_volume," "liquidity_risk," and "market_turmoil." Panel C shows meaningful industry variation, with Financial firms exhibiting the highest vulnerability (mean of 2.98), followed by Utilities (1.31) and Chemicals (1.10). This pattern aligns with these industries' greater exposure to financial market conditions. Panel D further finds that my measure of managerial attention to volatility and liquidity events increases following a more volatile market in the previous year, but is not significantly correlated with the equity market's return level over the same period.

Figure A2 validates this interpretation by showing that firms' discussions of market volatility respond predictably to major economic disruptions. During the 2008 financial crisis, Utilities increased volatility discussions from 1.64 to 2.36, while Manufacturing firms doubled their attention from 0.34 to 0.81. The COVID-19 pandemic triggered increases across Energy (1.22 to 1.74), Financial (2.27 to 3.73), and Technology sectors (0.58 to 0.83). These patterns suggest that IAFM Vol. & Liq. captures firms' systematic vulnerability to market disruptions rather than random variation in attention.

Table A11 examines how controlling for this underlying vulnerability affects the main results. I include both a High IAFM Vol. & Liq. Indicator (equal to one for firms within the

top two sample quintiles in a given year and zero otherwise) and the specific IAFM Equity/Debt measures, allowing me to separate the effects of general market vulnerability from targeted attention to specific market segments.[20]

Panel A shows that both baseline vulnerability and specific attention independently affect investment-price sensitivity. The interaction between the vulnerability indicator and Tobin's Q is positive and significant for both capital expenditures (0.0615) and total investment (0.228), supporting that firms with greater underlying exposure to market conditions are more responsive to price signals. Besides, the interactions between IAFM Equity/Debt and Tobin's Q remain positive and significant (0.0595 and 0.0868 for CAPX, and 0.233 and 0.243 for INVT, respectively) after controlling for baseline vulnerability. This indicates that specific attention to equity and debt markets has incremental effects beyond what can be explained by general market exposure.

Panel B demonstrates similar patterns for financing decisions. Firms with higher vulnerability (IAFM Vol. & Liq.) are more likely to tap external financial markets by issuing equity (0.0903) and debt (0.288), respectively, when facing financing deficits, consistent with greater sensitivity to market conditions. More importantly, the effects of IAFM Equity and Debt attention remain significant after controlling for this baseline vulnerability, supporting the incremental value of targeted attention allocation.

Panels C and D extend this robustness check to the market timing results from Section 6.2. Even after controlling for firms' underlying vulnerability to market volatility, the key interactions between specific market attention and market conditions maintain their significance. Specifically, the three-way interaction between IAFM Equity, NFD, and equity market sentiment remains positive and significant (0.0166), while the interaction between IAFM Debt, NFD, and interest rate changes continues to be economically meaningful (0.103). Among firms with a high Tobin’s Q, those exhibiting greater attention to financial markets are still more likely to issue equity over debt.

[20] The main conclusions hold if I use other split points, including sample median, terciles, or quartiles.

Overall, these results provide evidence that the main findings reflect genuine effects of specific attention allocation rather than simply capturing firms' general vulnerability to market conditions. While underlying market exposure does influence corporate decisions, targeted attention to equity and debt markets has incremental effects that cannot be explained by this baseline vulnerability. The results remain robust when attention to equity and debt markets is alternatively measured using binary indicators equal to one if the corresponding measure falls within the top two quintiles of the distribution and zero otherwise. These results are reported in Table IA15.

### 8.8 CEO Effects and "Exogenous" Turnovers: Evidence from Retiring CEOs

A critical question in interpreting my findings is the extent to which attention to financial markets reflects individual managerial styles that differ across executives. I start by investigating whether individual CEOs exhibit consistent attention patterns across their tenures. Table IA16 presents a variance decomposition analysis that includes manager fixed effects in addition to the firm and industry-by-year fixed effects examined in Table 3. The results suggest that manager-specific factors contribute an incremental 5.7% and 3.2% of the variation in attention to equity and debt markets, respectively, beyond what is explained by firm and industry characteristics. The presence of significant CEO fixed effects suggests that individual executives do bring distinctive styles to monitoring financial markets.

To better understand how CEO attention patterns develop, I examine whether executives' prior employment experiences shape their subsequent attention allocation. I construct a measure of Pre-Tenure IAFM as the equally weighted average of IAFM scores during a CEO's prior C-suite roles (across both current and prior firms) before assuming their current position.[21] This variable is constructed at the manager-tenure level, allowing it to vary across different CEO appointments rather than being fixed across an executive's entire career. Because IAFM data are only available since 2007, the analysis is implicitly restricted to

[21] The main results remain robust when I further restrict the sample to CEOs whose prior C-suite roles were at firms different from their current one. However, this restriction substantially reduces the sample size, making it infeasible to conduct the second part of the analysis on firms led by CEOs who succeeded a retiring predecessor.

CEOs who held C-suite positions at firms with non-missing IAFM data after 2007 and subsequently transitioned to new roles. This constraint limits the sample to relatively recent CEO transitions and may not capture longer-term patterns of executive development.

Table IA17 shows a significant imprinting effect: CEOs with higher attention to financial markets in their previous roles exhibit higher attention in their current positions. For every 10% increase in equity and debt–market attention in a CEO's past roles, s/he allocates an additional 4.44% and 0.95%, respectively, to those markets in their current position. These effects remain significant even when controlling for firm fixed effects (Columns 5-6). This result suggests that attention patterns are partly learned behaviors that executives develop through experience and carry across positions.

Next, I examine whether CEO turnover with varying attention backgrounds affects corporate policies. I classify CEOs as having high (low) prior attention if their Pre-Tenure IAFM score falls within the top (bottom) two quintiles of the distribution, excluding middle-quintile observations to ensure clear distinction between high and low attention executives. Table IA18 examines the economic implications of hiring CEOs with different attention backgrounds. Panel A shows that firms appointing high-attention CEOs exhibit greater investment-price sensitivity, with interaction coefficients of 0.174 for CAPX and 0.211 for total investment when examining equity market attention. Panel B shows that high-attention CEOs enhance firms' responsiveness to financing needs. Panels C and D test whether high-attention CEOs implement more market timing strategies. The results suggest that firms appointing equity-focused CEOs become significantly more responsive to levels of equity market sentiment and firm-specific valuations, although the effect on sensitivity to changes in sentiment and interest rates is not statistically significant. One caveat of this analysis is that requiring both outgoing and incoming CEOs to have prior C-suite experience with measurable IAFM data (measured only since 2007) may introduce selection bias toward executives with multiple high-level appointments.

Finally, while the preceding results show correlations between CEO attention backgrounds and subsequent firm policies, they do not establish causality. Boards may strategically select CEOs whose attention patterns align with desired policy changes, creating

a matching explanation for the observed relationships. To address this concern, I focus on CEO turnovers that are more likely to be exogenous to firm strategy: cases where the incumbent CEO retires (with age older than 65 years). Following Custódio and Metzger (2014) and Jenter and Lewellen (2015), I argue that such turnovers are less likely to be driven by strategic considerations about attention patterns, as the timing is largely determined by the outgoing CEO's age rather than optimal succession planning.

Table IA19 presents results for this "exogenous" turnover sample. The sample restrictions for this analysis are particularly severe. The requirement that both the retiring CEO and incoming successor have prior C-suite experience with measurable IAFM data reduces the sample to approximately 900 observations. For the financing choice specifications in Panels C and D, the sample shrinks further to around 200-300 observations. These sample size limitations substantially reduce statistical power and limit the ability to detect high-order interaction effects, even if they exist. Despite the limited sample size, several key results remain significant. High-attention successors continue to enhance investment-price sensitivity, with a particularly large effect for CAPX. The debt financing effects also remain statistically significant. However, the market timing results become insignificant in this restricted sample.

Overall, these results show that CEO attention patterns represent a measurable and persistent dimension of managerial heterogeneity that influences corporate policies. While the severe sample restrictions limit causal identification, the combination of imprinting effects and the persistence of results even in the restricted retirement sample provide plausible evidence that CEOs' attention to financial markets has a causal effect on the investment and financing policies of the firms they lead. Nevertheless, this interpretation warrants important caveats that while the timing of a retiring CEO's departure may be plausibly exogenous, the board's choice of successor is not. While it is unfeasible to design a natural experiment that definitively rules out this explanation, at the very least the evidence indicates that managerial attention to financial markets plays a role at the hiring stage.

### 8.9 IAFM Other Assets and Investment Decisions in the Energy Sector

Different industries naturally rely on varying information sources when making investment decisions, depending on which signals most directly reflect their business fundamentals. For energy firms, commodity prices—particularly oil and gas prices—may provide more immediate and relevant information about investment opportunities than traditional equity market signals, given these firms' direct exposure to commodity price fluctuations in their operations and profitability (Gilje and Taillard, 2017; Shi and Zhang, 2024).

To examine this industry-specific information usage, I develop the IAFM Other Assets measure using the same methodology as previous IAFM dimensions. This measure captures firms' attention to commodity, currency, and derivatives markets through 25 seed words (as shown in Table IA20 Panel A) including "commodity_price," "oil_price," and "future_market.[22] Panel B shows that the most representative words demonstrate strong semantic coherence, with "commodity_market" (0.75) and "future_market" (0.74) exhibiting high similarity scores. The most frequent terms include "hedge" (18.44%), "commodity" (8.63%), and "oil_price" (8.35%), in line with the measure's focus on commodity markets.

Table IA20 Panel C presents significant industry variation in attention to commodity markets, providing initial validation of the IAFM Other Assets measure. Energy firms (Fama-French Industry 4) exhibit by far the highest attention to these markets (mean = 12.77), followed by Utilities (mean = 8.15) and Chemicals (mean = 5.02). Panel D further validates the measure by showing that, on average across all sectors, a 10% increase in fuel prices predicts a 0.42% increase in attention to commodity markets in the subsequent year, supporting the measure's responsiveness to relevant market movements. Figure A2 provides temporal validation of the index: during the 2008 crisis, Energy firms' attention rose from 12.41 to 14.61, and amid the 2015 oil-price collapse it climbed from 11.04 to 17.49. The COVID-19 shock in 2020 also lifted Energy firms' attention from 10.42 to 14.47, while other

[22] A critical design choice involves constructing this measure to encompass broader discussions of commodity, currency, and derivatives markets rather than focusing exclusively on oil price attention. This approach is pivotal for two reasons. First, constructing an index purely focused on oil price discussions would result in most non-Energy firms scoring zero, creating a mechanical relationship where only Energy firms have meaningful variation in the measure. Second, the broader measure captures the important insight that even non-Energy firms discuss commodity markets to varying degrees—through input cost concerns, hedging activities, or macroeconomic exposure—but this attention should interact meaningfully with commodity price movements only for firms where these prices predominately reflect future business opportunities.

industries' responses were more muted or mixed. Over 2007–2023, Energy firms maintain attention levels three to four times higher than most peers, reflecting their reliance on commodity signals.

Table IA21 tests whether Energy and non-Energy firms respond differently to various price signals when making investment decisions. For non-Energy firms, traditional equity and debt market attention significantly enhance investment-price sensitivity, consistent with the main results. However, Energy firms show no significant relationship between equity/debt market attention and investment-price sensitivity, suggesting these traditional financial market signals may be less relevant for their investment decisions.

Instead, Energy firms demonstrate significant responsiveness to commodity price signals when they pay attention to commodity markets. The interaction between IAFM Other Assets and fuel price changes is positive and significant for Energy firms (1.50 for CAPX and 2.54 for INVT) but statistically insignificant for non-Energy firms. This pattern indicates that Energy firms strategically focus their attention on the information sources most relevant to their business fundamentals.

These findings support Goldstein and Yang's (2022) theoretical prediction that commodity financialization creates information channels through which commodity prices influence producers' investment decisions. More broadly, the results suggest that firms rationally allocate their scarce attention to the market signals most informative about their specific business opportunities, with different industries developing expertise in monitoring different segments of financial markets based on their operational exposures and information needs.

## 9. Conclusion

This paper introduces a novel approach to quantifying firm-level attention to financial markets by developing the *Index of Attention to the Financial Market* (IAFM). By analyzing the content of 98,010 earnings call transcripts across 7,673 firms from 2007-2023, I provide the first comprehensive measurement of how managers allocate attention to equity and debt

markets. This methodological innovation addresses a fundamental gap in corporate finance research: while many theories, including the price feedback theory, the market timing theory, and the pecking order theory, assume managers monitor and respond to market signals, the field has lacked direct measures of this attentional process.

I show that attention to financial markets serves as a critical mediating mechanism in the relationship between market signals and corporate decisions. Firms whose managers pay higher attention to financial markets exhibit greater investment-price sensitivity, the first direct evidence for the feedback theory of market prices (Bond, Edmans, and Goldstein, 2012). My findings also suggest a context-dependent relationship between attention to financial markets and financing policies. During normal market conditions, the pecking order theory provides the dominant framework, with firms whose managers are more attentive to financial markets consistently avoiding equity issuance in favor of debt. However, when firm-level valuations and equity market sentiment are high, or during periods of rising interest rates, market timing considerations become increasingly relevant for firms with high equity market attention, creating exceptions to the pecking order. This nuanced relationship helps reconcile previously conflicting empirical findings in the capital structure literature by identifying specific conditions under which each theory better explains financing behavior.

By establishing attention as a key variable in understanding the real effects of financial markets, this research reveals that managerial attention represents a heterogeneous, scarce resource rather than the homogeneous input typically assumed in finance theory. In particular, I document persistent heterogeneity in attention to financial markets across industries. This challenges assumptions where managers are presumed to monitor market signals with uniform intensity. Future theoretical developments should explicitly model attention as a constrained resource that firms must allocate optimally, potentially reconciling mixed empirical evidence by recognizing that market mechanisms operate with varying strength depending on firms' attention allocation strategies and fundamental industry characteristics.

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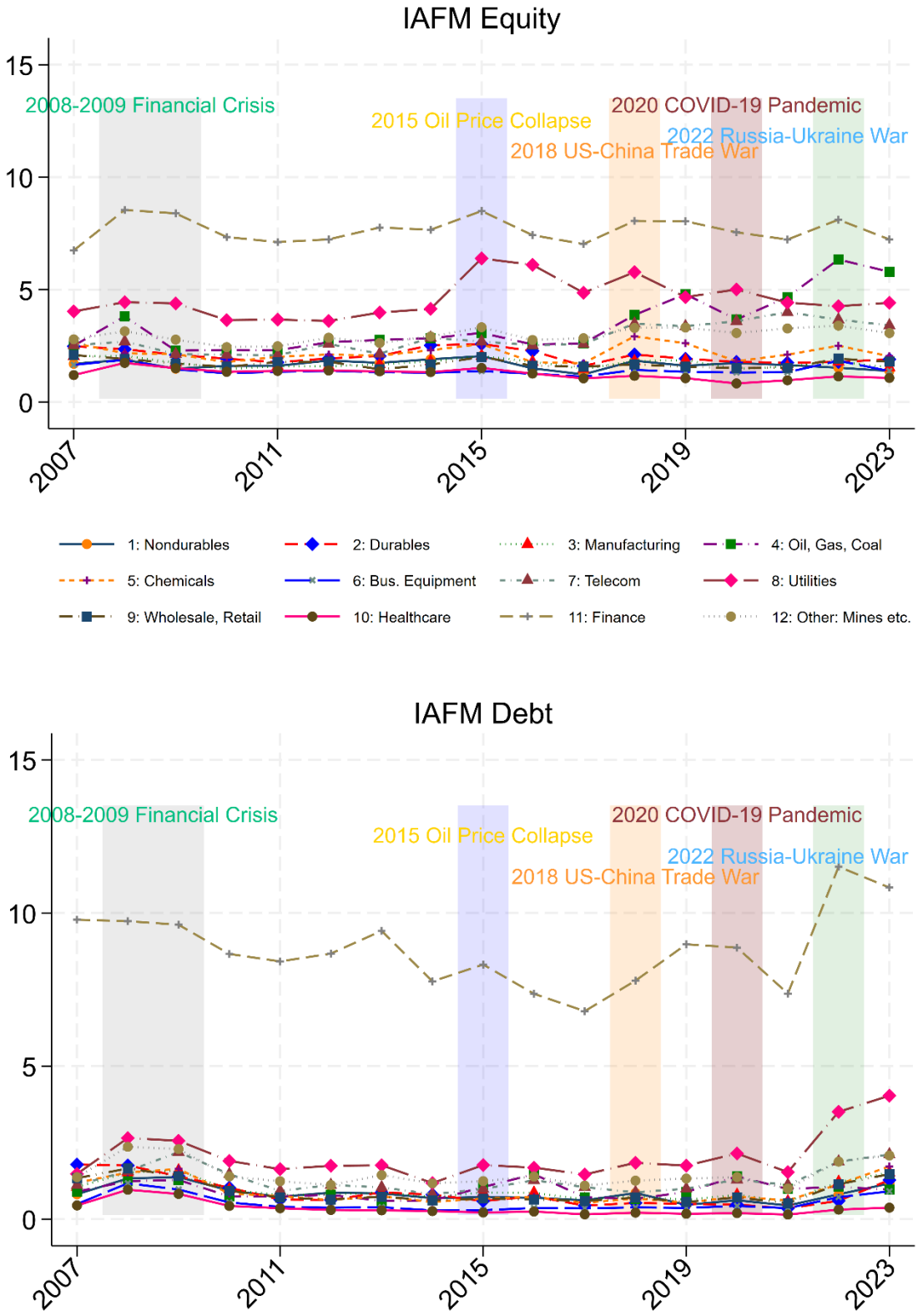


**Fig 1: IAFM Measures Across 12 Fama-French Industries Over Time.** This figure shows the two tf-idf IAFM measures (IAFM Equity and IAFM Debt) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from 2007 to 2023.

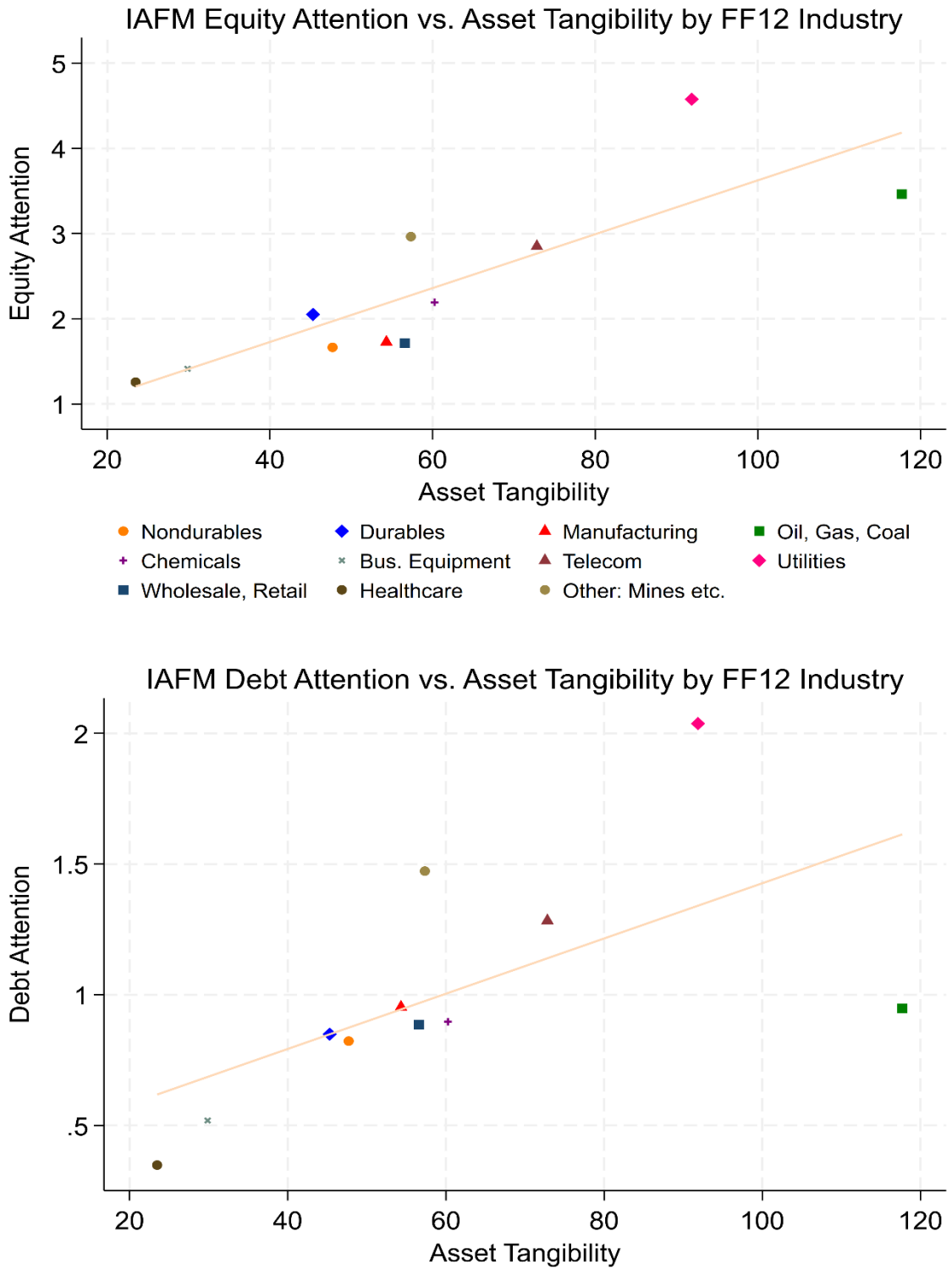


**Fig 2: IAFM Measures Versus Asset Tangibility.** This figure plots the relationship between industry-average IAFM measures (IAFM Equity and IAFM Debt) and asset tangibility across 11 of the 12 Fama-French industries, 2007-2023 (Finance industry excluded). The y-axis shows average IAFM measures by industry, while the x-axis shows average asset tangibility by industry. Industry-level asset tangibility is calculated as the equally-weighted average of firm-level asset tangibility, measured using gross property, plant, and equipment (Compustat PPEGT) as a percentage of total assets (Compustat AT).

**Table 1. Seed Words and Expanded Dictionary**

Panel A presents the seed words used to construct the expanded dictionaries for each dimension of the IAFM framework. Each dimension contains 25 seed words. IAFM Equity focuses on equity market-related phrases in earnings calls. IAFM Debt focuses on debt market-related phrases in earnings calls. Panel B lists the 50 most representative words for each IAFM dimension, ranked by descending similarity to the corresponding seed words. Panel C reports top 50 most frequent words per dimension ranked by tf-idf, with percentages showing each word's contribution to dimension's total tf-idf score across all transcripts.

Panel A: Seed words

| Equity | Debt |
|---|---|
| closing_price | bond_market |
| equity_market | bond_price |
| equity_performance | bond_yield |
| equity_price | borrowing_cost |
| equity_return | corporate_bond |
| equity_valuation | credit_market |
| equity_value | credit_spread |
| market_cap | credit_yield |
| market_reaction | debt_market |
| market_valuation | gilt_market |
| market_value | gilt_yield |
| mispriced | government_bond |
| overvalued | interest_rate |
| price_-_to_-_book_ratio | interest_rate_risk |
| price_target | investment_-_grade_bond |
| share_valuation | loan_market |
| share_price | municipal_bond |
| shareholder_return | sovereign_bond |
| shareholder_value | t_-_bill |
| stock_market | treasury_bill |
| stock_performance | treasury_bond |
| stock_price | treasury_rate |
| stock_return | treasury_yield |
| stock_valuation | yield_curve |
| undervalued | yield_spread |

Panel B: Fifty most representative words for each IAFM dimension in the IAFM dictionary

| Equity | | | | Debt | | | |
|---|---|---|---|---|---|---|---|
| Word | Sim | Word | Sim | Word | Sim | Word | Sim |
| share_price | 0.86 | stock_price_performance | 0.67 | credit_spread | 0.83 | investment_-_grade_spread | 0.69 |
| stock_price | 0.84 | unit_price_trading | 0.67 | bond_yield | 0.81 | income_portfolio_valuation | 0.69 |
| equity_valuation | 0.75 | equity_market | 0.66 | government_bond | 0.79 | market_interest_rate | 0.69 |
| equity_price | 0.75 | dividend_yield | 0.66 | treasury_yield | 0.77 | bond_rate | 0.69 |
| market_valuation | 0.75 | unit_price_trade | 0.66 | bond_market | 0.77 | treasury_bond | 0.69 |
| stock_market | 0.72 | stock_trade | 0.66 | yield_curve | 0.74 | spread_widening | 0.69 |
| valuation | 0.72 | undervalue | 0.66 | interest_rate | 0.74 | year_maturity_treasury_bond | 0.69 |
| price_-_to_-_book_ratio | 0.71 | trading_price | 0.66 | swap_rate | 0.74 | government_yield | 0.69 |
| stock_valuation | 0.70 | price_-_to_-_book_multiple | 0.66 | bond_portfolio | 0.74 | loan_credit_spread | 0.69 |
| market_capitalization | 0.70 | stock_price_trade | 0.66 | year_treasury | 0.73 | agency_mbs_price | 0.69 |
| valuation_level | 0.69 | calculated_intrinsic | 0.66 | term_interest_rate | 0.72 | swap_interest_rate | 0.69 |
| market_timberland_value | 0.69 | stock_value | 0.66 | swap_yield | 0.72 | interest_rate_type | 0.69 |
| market_cap | 0.69 | unit_trading_price | 0.65 | treasury_rate | 0.72 | term_rate | 0.69 |
| stock_price_trading | 0.69 | nav_valuation | 0.65 | spread_widen | 0.71 | agency_mortgage_valuation | 0.69 |
| share_value | 0.69 | nav_standpoint | 0.65 | t_-_bill | 0.71 | agency_mortgage_security | 0.69 |
| equity_value | 0.69 | monster_stock | 0.65 | treasury_bill | 0.70 | aa_bond | 0.68 |
| dryships_share | 0.68 | languish_down | 0.65 | bond_price | 0.70 | credit_spread_environment | 0.68 |
| share_price_trade | 0.68 | price_-_to_-_earnings_multiple | 0.65 | agency_rmbs_price | 0.70 | repo | 0.68 |
| book_value_multiple | 0.68 | company_share_price | 0.65 | mortgage_spread | 0.70 | agency_mbs | 0.68 |
| intrinsic_value | 0.68 | business_and_growth_trajectory | 0.65 | income_instrument | 0.70 | government_bond_side | 0.68 |
| share_price_performance | 0.68 | stock_performance | 0.64 | government_security | 0.70 | interest_rate_environment | 0.68 |
| price_-_to_-_book_value_ratio | 0.67 | stock_price_valuation | 0.64 | sovereign_bond | 0.70 | bond_spread | 0.68 |
| share_price_level | 0.67 | point_trading | 0.64 | risk_bond | 0.69 | income_market | 0.68 |
| price_-_to_-_book_basis | 0.67 | asset_value | 0.64 | flatten_yield_curve | 0.69 | duration_u.s._treasury | 0.68 |
| market_equity_value | 0.67 | market_stock_price | 0.64 | widening_credit_spread | 0.69 | steep_yield_curve | 0.68 |

Panel C: Fifty most frequently occurring words by tf-idf contribution for each IAFM dimension in the IAFM dictionary

| Equity | | | | Debt | | | |
|---|---|---|---|---|---|---|---|
| Word | % | Word | % | Word | % | Word | % |
| equity | 20.36% | market_reaction | 0.33% | interest_rate | 20.24% | loan_market | 0.70% |
| valuation | 10.86% | trading_price | 0.32% | bond | 13.17% | income_market | 0.65% |
| shareholder_value | 6.88% | share_price_performance | 0.31% | interest_rate_environment | 4.67% | year_treasury | 0.61% |
| book_value | 7.36% | stock_undervalue | 0.29% | treasury | 4.44% | agency_mbs | 0.66% |
| share_price | 5.54% | stock_performance | 0.29% | rate_environment | 4.17% | bond_yield | 0.59% |
| nav | 5.65% | stock_trading | 0.28% | funding_cost | 3.38% | yield_market | 0.56% |
| stock_price | 4.70% | valuation_multiple | 0.27% | credit_market | 2.64% | risk_asset | 0.56% |
| shareholder_return | 3.79% | stock_trade | 0.25% | repo | 2.20% | year_bond | 0.54% |
| asset_value | 3.72% | trading_level | 0.25% | yield_curve | 2.07% | interest_rate_level | 0.46% |
| market_value | 3.40% | equity_valuation | 0.25% | debt_market | 1.81% | yield_bond | 0.46% |
| equity_market | 3.16% | valuation_perspective | 0.24% | credit_spread | 1.70% | interest_rate_volatility | 0.45% |
| market_cap | 2.11% | equity_price | 0.23% | term_rate | 1.61% | interest_rate_movement | 0.44% |
| stock_market | 1.73% | undervalued | 0.22% | bond_market | 1.62% | income_security | 0.44% |
| dividend_yield | 1.51% | valuation_level | 0.22% | borrowing_cost | 1.51% | covered_bond | 0.46% |
| undervalue | 1.43% | market_multiple | 0.19% | cmbs | 1.41% | benchmark_rate | 0.44% |
| enterprise_value | 1.44% | valuation_gap | 0.18% | bond_portfolio | 1.33% | municipal_bond | 0.43% |
| intrinsic_value | 1.16% | trading_value | 0.16% | asset_yield | 1.23% | reference_rate | 0.42% |
| market_capitalization | 0.95% | equity_performance | 0.15% | term_interest_rate | 1.17% | swap_rate | 0.38% |
| equity_value | 0.85% | stock_price_performance | 0.15% | interest_rate_risk | 1.14% | reinvestment_yield | 0.37% |
| market_valuation | 0.67% | stock_value | 0.14% | income_portfolio | 1.02% | cmbs_market | 0.31% |
| asset_price | 0.66% | price_target | 0.14% | spread_widen | 1.00% | agency_rmbs | 0.32% |
| closing_price | 0.63% | share_price_appreciation | 0.14% | government_bond | 0.87% | income_investment | 0.28% |
| cash_flow_yield | 0.55% | share_market | 0.13% | money_market_fund | 0.80% | term_bond | 0.28% |
| equity_return | 0.38% | stock_valuation | 0.13% | debt_security | 0.76% | government_security | 0.28% |
| share_value | 0.37% | p_/_e | 0.13% | market_interest_rate | 0.71% | loan_spread | 0.27% |

**Table 2. Summary Statistics**

This table reports summary statistics for firm-level IAFM measures and other characteristics. IAFM Equity and IAFM Debt are TF-IDF-based measures that capture the frequency of equity-related and debt-related phrases, respectively, in earnings call transcripts. All measures are averaged across all quarterly earnings calls within each calendar year. The sample for Panel A includes 7,673 unique U.S. public firms over the period 2007 to 2023, whereas the sample for Panel B exclude financial firms and utilities. Panel C reports summary statistics of non-IAFM firm characteristics, calculated for firms that have non-missing IAFM measures and are not financial firms or utilities. Table A1 provides detailed variable definitions.

| | Mean | STD | 25% | Median | 75% | N |
|---|---|---|---|---|---|---|
| *Panel A: IAFM Measures for All U.S. Public Firms* | | | | | | |
| IAFM Equity | 3.05 | 4.44 | 0.35 | 1.41 | 3.71 | 60820 |
| IAFM Debt | 2.29 | 5.04 | 0 | 0.34 | 1.93 | 60820 |
| *Panel B: IAFM Measures for U.S. Public Firms Excluding Financial Firms and Utilities* | | | | | | |
| IAFM Equity | 1.93 | 2.86 | 0.22 | 1.01 | 2.47 | 47812 |
| IAFM Debt | 0.81 | 1.74 | 0 | 0 | 0.94 | 47812 |
| *Panel C: Non-IAFM Firm Characteristics, Excluding Financial Firms and Utilities* | | | | | | |
| Year-End Tobin's Q | 2.38 | 2.31 | 1.17 | 1.64 | 2.62 | 45344 |
| Total Assets ($'mil) | 6889.39 | 19466.22 | 263.9 | 1034.43 | 3986.85 | 43627 |
| Cash (%) | 22.85 | 24.10 | 4.88 | 13.43 | 32.82 | 43626 |
| Leverage (%) | 25.1 | 22.44 | 4.72 | 21.69 | 38.52 | 43435 |
| Sales Growth (%) | 14.47 | 49.00 | -3.03 | 6.82 | 19.75 | 52129 |
| Dividend Yield (%) | 1.92 | 8.50 | 0 | 0 | 2.07 | 60820 |
| Inst. Ownership (%) | 51.2 | 37.61 | 3.67 | 60.87 | 86.26 | 60820 |
| WPS (X $10^3$) | 0.03 | 0.10 | 0 | 0 | 0.01 | 15666 |
| Mgr. Ownership | 0.02 | 0.05 | 0 | 0 | 0.01 | 19909 |
| Finance-Expert CEO | 0.35 | 0.48 | 0 | 0 | 1 | 39963 |
| Bond Yield | 0.05 | 0.04 | 0.03 | 0.05 | 0.06 | 7573 |
| CAPX (%) | 4.98 | 6.54 | 1.34 | 2.9 | 5.89 | 43576 |
| INVT (%) | 4.91 | 13.12 | 0 | 2.49 | 7.38 | 43613 |
| Net Equity Issue Indicator | 0.42 | 0.49 | 0 | 0 | 1 | 40394 |
| Net Debt Issue Indicator | 0.34 | 0.47 | 0 | 0 | 1 | 42266 |
| Equity Issue vs Debt Issue | 0.59 | 0.49 | 0 | 1 | 1 | 19672 |
| NFD | 0.08 | 0.30 | -0.04 | 0 | 0.07 | 55519 |
| R&Ds (%) | 5.87 | 11.33 | 0 | 0.15 | 6.76 | 47812 |
| HHI(SIC 3-digit Industry Sales) | 0.19 | 0.18 | 0.06 | 0.13 | 0.25 | 47807 |
| Insider Trading Indicator | 0.5 | 0.50 | 0 | 1 | 1 | 46305 |
| Insider Trading Intensity | 2.56 | 11.38 | 0.14 | 0.53 | 1.77 | 23304 |
| LW (2024) Financial Constraint | -0.1 | 0.58 | -0.46 | -0.19 | 0.16 | 38986 |

**Table 3. Variance Decomposition of IAFM Measures**

This table presents the *incremental* $R^2$ (%) from adding a specific set of fixed effects to firm-year level regressions. IAFM Equity (Column (1)) and IAFM Debt (Column (2)) are TF-IDF-based measures that capture the frequency of equity-related and debt-related phrases, respectively, in earnings call transcripts. All measures are averaged across all quarterly earnings calls within each calendar year. The sample period is 2007-2023.

| Dep. Var.: IAFM | (1) | (2) |
|---|---|---|
| Dimension: | Equity | Debt |
| Year FE | 0.28% | 0.64% |
| Industry FE | 38.12% | 44.77% |
| Industry X Year FE | 3.2% | 2.9% |
| Firm FE | 30.4% | 33.9% |
| Residual Firm X Year Variation | 28% | 17.79% |
| Sum | 100% | 100% |

**Table 4. Industry Distribution of IAFM Equity and IAFM Debt**

This table presents firm-level IAFM measures across the 12 Fama-French Industries, classified using four-digit SIC codes. Industries are ranked by the average firm-year IAFM score, which is based on a TF-IDF approach capturing the frequency of financial-market-related phrases in earnings calls. IAFM Equity (Panel A) and IAFM Debt (Panel B), respectively, measures the frequency of phrases related to equity and debt. All IAFM measures are computed at the firm-year level by averaging across all quarterly earnings calls within each calendar year. The sample period is 2007-2023. Variable definitions are provided in Table A.1.

| *Panel A: IAFM Equity* | | | | |
|---|---|---|---|---|
| Industry (12 Fama-French Industries) | Mean | STD | Median | N |
| 11 (Finance) | 7.67 | 6.55 | 5.76 | 10992 |
| 8 (Utilities) | 4.61 | 4.31 | 3.47 | 1671 |
| 4 (Oil, Gas, and Coal Extraction and Products) | 3.38 | 3.98 | 2.10 | 3074 |
| 12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment) | 2.98 | 4.09 | 1.59 | 8257 |
| 7 (Telephone and Television Transmission) | 2.80 | 3.51 | 1.74 | 1800 |
| 5 (Chemicals and Allied Products) | 2.18 | 2.63 | 1.39 | 1501 |
| 2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances) | 2.02 | 2.64 | 1.26 | 1410 |
| 3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing) | 1.71 | 2.26 | 1.04 | 5107 |
| 9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops)) | 1.71 | 2.41 | 0.95 | 5155 |
| 1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys) | 1.66 | 2.08 | 1.03 | 2405 |
| 6 (Business Equipment: Computers, Software, and Electronic Equipment) | 1.41 | 2.06 | 0.70 | 11517 |
| 10 (Healthcare, Medical Equipment, and Drugs) | 1.22 | 2.00 | 0.48 | 7931 |
| *Panel B: IAFM Debt* | | | | |
| Industry (12 Fama-French Industries) | Mean | STD | Median | N |
| 11 (Finance) | 8.77 | 8.62 | 5.88 | 10992 |
| 8 (Utilities) | 2.03 | 2.89 | 1.04 | 1671 |
| 12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment) | 1.46 | 2.70 | 0.55 | 8257 |
| 7 (Telephone and Television Transmission) | 1.26 | 1.82 | 0.57 | 1800 |
| 3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing) | 0.94 | 1.61 | 0.34 | 5107 |
| 4 (Oil, Gas, and Coal Extraction and Products) | 0.92 | 1.60 | 0.34 | 3074 |
| 5 (Chemicals and Allied Products) | 0.87 | 1.33 | 0.34 | 1501 |
| 9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops)) | 0.87 | 1.66 | 0.23 | 5155 |
| 1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys) | 0.82 | 1.64 | 0.23 | 2405 |
| 2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances) | 0.80 | 1.39 | 0.23 | 1410 |
| 6 (Business Equipment: Computers, Software, and Electronic Equipment) | 0.52 | 1.42 | 0.00 | 11517 |
| 10 (Healthcare, Medical Equipment, and Drugs) | 0.32 | 0.85 | 0.00 | 7931 |

**Table 5. Managerial Equity Ownership**

This table reports regression results investigating whether managerial ownership predicts firm-level attention to financial markets. The dependent variable is the tf-idf measure of IAFM Equity for Columns (1) and (3), and IAFM Debt for Columns (2) and (4). In Columns (1) and (2), the main independent variables are the scaled wealth–performance sensitivity (WPS (X $10^3$)) and its squared term (WPS (X $10^3$)$^2$). WPS measures dollar change in CEO wealth for a one percentage point change in firm value, divided by annual pay as in Edmans, Gabaix, and Landier (2009). In Columns (3) and (4), the main independent variables are managerial ownership (Mgr. Ownership) and its squared term (Mgr. Ownership$^2$). Control variables include end-of-year Tobin's Q, firm size (ln(Assets)), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Firm and 3-digit industry-by-year fixed effects are included. All independent variables are lagged by one year. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Dimension: | Equity | Debt | Equity | Debt |
| WPS (X $10^3$) | 0.594** | -0.166 | | |
| | (2.362) | (-0.815) | | |
| WPS (X $10^3$)$^2$ | -0.757*** | 0.103 | | |
| | (-2.593) | (0.424) | | |
| Mgr. Ownership | | | 1.664*** | 1.067** |
| | | | (3.342) | (2.530) |
| Mgr. Ownership$^2$ | | | -5.202*** | -4.269*** |
| | | | (-2.700) | (-2.822) |
| Year-End Q | -0.0153** | 0.0100** | -0.0187*** | 0.000220 |
| | (-2.512) | (2.253) | (-3.468) | (0.0780) |
| Ln(Total Assets) | 0.0382** | 0.0545*** | 0.0501*** | 0.0498*** |
| | (2.220) | (4.206) | (3.791) | (4.932) |
| Cash | 0.000382 | 0.00116** | 0.000402 | 0.00104** |
| | (0.576) | (2.342) | (0.733) | (2.478) |
| Leverage | -0.00137** | 0.00295*** | -0.00119*** | 0.00258*** |
| | (-2.556) | (6.627) | (-2.926) | (6.953) |
| Sales Growth | 0.000219 | -0.000191 | 0.000212 | -0.000169* |
| | (1.079) | (-1.470) | (1.524) | (-1.663) |
| Dividend Yield | 0.000319 | 0.000540 | -0.000439 | 0.000600 |
| | (0.267) | (0.449) | (-0.296) | (0.468) |
| Inst. Ownership | 0.000205 | -0.000340 | -0.000136 | -9.40e-05 |
| | (0.627) | (-1.343) | (-0.526) | (-0.460) |
| Observations | 14,647 | 14,647 | 0.483*** | -0.0204 |
| Adj. $R^2$ | 0.327 | 0.442 | (4.570) | (-0.253) |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table 6. Finance-Expert CEOs**

This table reports regression results investigating whether having a finance-expert CEO predicts firm-level attention to financial markets. The dependent variable is the tf-idf measure of IAFM Equity for Columns (1), (3), and (5), and IAFM Debt for Columns (2), (4) and (6). The main independent variables are the finance-expert CEO indicator. Control variables include end-of-year Tobin's Q, firm size (ln(Assets)), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. I additionally control for the gender, tenure, age, and squared age of the CEO. 3-digit industry-by-year fixed effects are included for Columns (1)-(6), and Columns (5) and (6) additionally include firm effects. All independent variables are lagged by one year. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Dimension: | Equity | Debt | Equity | Debt | Equity | Debt |
| Finance-Expert CEO | 0.0855*** | 0.0360*** | 0.0850*** | 0.0371*** | 0.0535*** | 0.0328*** |
| | (10.65) | (5.874) | (10.51) | (6.043) | (4.559) | (3.736) |
| Female CEO | | | -0.0349** | -0.0329*** | -0.00794 | -0.0627*** |
| | | | (-2.244) | (-2.829) | (-0.326) | (-3.388) |
| CEO Tenure | | | -0.000499 | 0.00158*** | 0.000474 | 0.000402 |
| | | | (-0.795) | (3.520) | (0.494) | (0.551) |
| CEO Age | | | -0.000792 | 0.00565 | 0.00365 | 0.00608 |
| | | | (-0.153) | (1.573) | (0.493) | (1.089) |
| CEO Age Squared | | | 6.61e-06 | -4.63e-05 | -3.14e-05 | -5.15e-05 |
| | | | (0.147) | (-1.471) | (-0.492) | (-1.058) |
| Observations | 33,453 | 33,453 | 33,416 | 33,416 | 32,705 | 32,705 |
| Adj. $R^2$ | 0.147 | 0.276 | 0.147 | 0.277 | 0.382 | 0.460 |
| Firm FE | No | No | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes | Yes | Yes |

**Table 7. Equity and Debt Markets Performance**

This table reports regression results investigating whether equity and debt markets performance predict firm-level attention to financial markets. The dependent variable is IAFM Equity for Column (1), and IAFM Debt for Column (2). For Panel A, the main independent variables are the firm-level equity return over the past calendar year and the annualized volatility of daily firm-level return. For Panel B, they are the market-wide equity return over the past calendar year and the annualized volatility of daily market-wide returns. For Panel C, the main independent variables include the annual rate of change and volatility in the 7-year U.S. Treasury yield over the past calendar year. The annual rate of change is the annual change in the yield divided by the previous year end's yield. Annual volatility in yield is the standard deviation of daily rate of change in yield. For Panel D, the main independent variables include the firm-level bond yield and its volatility over the past calendar year. Analysis in Panel D restricts to observations with at least one publicly tradable bond. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Returns, return volatility, interest rate change, interest rate change volatility, bond yield and bond yield volatility are all expressed in actual number (e.g., 1 unit = 100% change) for easier interpretability, not in percentage form. All explanatory variables are lagged by one year. Firm fixed effects are included across Panels A, B, and C, whereas Panel A additionally includes 3-digit industry-by-year fixed effects. Panel D includes 3-digit industry-by-year fixed effects only. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) |
|---|---|---|
| Dimension: | Equity | Debt |
| Panel A: Firm-Level Equity Performance | | |
| Firm-Level 1-Year Equity Return | 0.0292*** | 0.0134* |
| | (3.214) | (1.771) |
| Firm-Level Equity Return Volatility | -1.945*** | -0.324 |
| | (-3.910) | (-0.826) |
| Observations | 26,851 | 26,851 |
| Adj. $R^2$ | 0.424 | 0.450 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |
| Panel B: Market-Wide Equity Performance | | |
| Market-Wide 1-Year Equity Return | -0.0535*** | -0.00135 |
| | (-2.861) | (-0.0840) |
| Market-Wide Return Volatility | -1.176* | 7.811*** |
| | (-1.837) | (10.01) |
| Observations | 39,349 | 39,349 |
| Adj. $R^2$ | 0.401 | 0.410 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | No | No |

| Dep. Var.: Ln(1+IAFM) | (1) | (2) |
|---|---|---|
| Dimension: | Equity | Debt |
| Panel C: Interest Rate Movements | | |
| Δ in Interest Rate | 0.00452 | 0.0480*** |
| | (0.628) | (7.207) |
| Volatility(Δ in Interest Rate) | -0.381*** | -0.420*** |
| | (-3.728) | (-4.228) |
| Observations | 39,349 | 39,349 |
| Adj. $R^2$ | 0.401 | 0.406 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | No | No |
| Panel E: Credit Spread | | |
| Bond Yield | -0.915*** | 1.159*** |
| | (-2.623) | (3.102) |
| Volatility(Bond Yield) | 95.07 | 64.44 |
| | (0.809) | (0.638) |
| Observations | 6,322 | 6,322 |
| Adj. $R^2$ | 0.160 | 0.258 |
| Firm FE | No | No |
| Industry-by-Year FE | Yes | Yes |

**Table 8. Investment-Price Sensitivity**

This table presents regression results examining the effect of IAFM on investment-price sensitivity. The dependent variable is CAPX for Panel A and INVT for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q. Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects are included for Columns (1)-(4), and Columns (3) and (4) additionally include firm effects. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Proxy for IAFM: | Equity | Debt | Equity | Debt |
| Panel A: Dep. Var.: CAPX (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0275 | 0.131*** | 0.0633*** | 0.0938*** |
| | (0.968) | (2.964) | (2.891) | (2.670) |
| Ln(1+IAFM) | -0.275*** | -0.528*** | -0.164** | -0.307*** |
| | (-3.748) | (-4.616) | (-2.507) | (-3.256) |
| Year-End Q | 0.327*** | 0.316*** | 0.343*** | 0.363*** |
| | (10.54) | (12.95) | (10.45) | (11.20) |
| Observations | 36,754 | 36,754 | 35,885 | 35,885 |
| Adj. $R^2$ | 0.409 | 0.409 | 0.680 | 0.680 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: INVT (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.129** | 0.201** | 0.247*** | 0.269** |
| | (2.034) | (2.121) | (3.624) | (2.455) |
| Ln(1+IAFM) | -0.422** | -0.438* | -0.456** | -0.832*** |
| | (-2.458) | (-1.693) | (-2.357) | (-2.677) |
| Year-End Q | 0.626*** | 0.662*** | 0.838*** | 0.930*** |
| | (10.03) | (12.09) | (10.38) | (11.23) |
| Observations | 36,785 | 36,785 | 35,919 | 35,919 |
| Adj. $R^2$ | 0.162 | 0.162 | 0.290 | 0.289 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table 9. Financing Policies: Whether Tapping External Financing by Source**

This table presents regression results examining the effect of IAFM on decisions to tap external financing or not. The dependent variable is whether tapping equity financing (i.e., equal to one if positive net equity issuance and zero otherwise) for Panel A and whether tapping debt financing (i.e., equal to one if positive net debt issuance and zero otherwise) for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and NFD. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Across both panels, 3-digit industry-by-year fixed effects are included for Columns (1)-(3), and Columns (4)-(6) additionally include firm effects. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Panel A: Effect of IAFM on Whether Tapping Equity Financing

| Dep. Var.: Net Equity Issue Indicator | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Ln(1+IAFM Equity) X NFD | 0.0553*** | | 0.0399*** | 0.0641*** | | 0.0522*** |
| | (3.760) | | (2.844) | (4.663) | | (3.834) |
| Ln(1+IAFM Equity) | -0.0448*** | | -0.0439*** | -0.0208*** | | -0.0208*** |
| | (-10.81) | | (-10.56) | (-4.695) | | (-4.701) |
| Ln(1+IAFM Debt) X NFD | | 0.143*** | 0.130*** | | 0.116*** | 0.0976*** |
| | | (4.762) | (4.415) | | (3.960) | (3.330) |
| Ln(1+IAFM Debt) | | -0.0145*** | -0.00527 | | 0.000993 | 0.00368 |
| | | (-2.682) | (-0.984) | | (0.166) | (0.613) |
| NFD | 0.333*** | 0.343*** | 0.319*** | 0.204*** | 0.224*** | 0.192*** |
| | (14.20) | (16.25) | (13.42) | (10.05) | (11.51) | (9.416) |
| Observations | 33,981 | 33,981 | 33,981 | 33,073 | 33,073 | 33,073 |
| Adj. $R^2$ | 0.223 | 0.221 | 0.224 | 0.428 | 0.427 | 0.428 |
| Firm FE | No | No | No | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes | Yes | Yes |

Panel B: Effect of IAFM on Whether Tapping Debt Financing

| Dep. Var.: Net Debt Issue Indicator | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Ln(1+IAFM Equity) X NFD | 0.0906*** | | 0.0383** | 0.104*** | | 0.0541** |
| | (4.492) | | (2.034) | (4.657) | | (2.534) |
| Ln(1+IAFM Equity) | 0.00774* | | 0.0101** | 0.00221 | | 0.00456 |
| | (1.848) | | (2.441) | (0.435) | | (0.904) |
| Ln(1+IAFM Debt) X NFD | | 0.507*** | 0.493*** | | 0.487*** | 0.468*** |
| | | (10.62) | (10.37) | | (10.27) | (10.11) |
| Ln(1+IAFM Debt) | | -0.00601 | -0.00806 | | -0.00906 | -0.00907 |
| | | (-1.147) | (-1.528) | | (-1.418) | (-1.418) |
| NFD | 0.456*** | 0.428*** | 0.404*** | 0.477*** | 0.455*** | 0.422*** |
| | (12.84) | (14.40) | (11.90) | (11.69) | (13.70) | (10.94) |
| Observations | 35,534 | 35,534 | 35,534 | 34,651 | 34,651 | 34,651 |
| Adj. $R^2$ | 0.191 | 0.202 | 0.202 | 0.261 | 0.269 | 0.270 |
| Firm FE | No | No | No | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes | Yes | Yes |

**Table 10. Financing Policies: External Financing Intensity by Source, Conditional on Firm-Level Valuation, Equity Market Sentiment, and Interest Rates**

This table examines how financial market attention (IAFM) affects firms' choice between equity and debt financing, conditional on market conditions and firm characteristics. The sample includes firm-year observations where firms raised external financing from a single source (either equity or debt only). The dependent variable equals one if the firm issued net equity with non-positive net debt issuance, and zero if the firm issued net debt with non-positive net equity issuance. Panel A tests whether equity market attention interacts with equity market sentiment (Baker and Wurgler (2006) index, orthogonalized to six macroeconomic conditions) and firm valuation level (Tobin's Q) to predict financing choice. Panel B examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The main independent variables are interaction terms between log-transformed IAFM indices, NFD, and the respective market condition variables. Annual changes in Treasury yield are measured using annual changes in the yield divided by the previous year end's yield, and are expressed in real units, instead of percent changes (e.g., 1 unit = 100% change). Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Panel A: Choice of Financing Source in Response to Changes in Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.0154** | |
| | (2.152) | |
| Ln(1+IAFM Equity) X Δ in Equity Market Sentiment | 0.00157 | |
| | (0.630) | |
| NFD X Δ in Equity Market Sentiment | -0.00474 | |
| | (-0.606) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.0990*** |
| | | (3.426) |
| Ln(1+IAFM Equity) X Equity Market Sentiment | | -0.00674 |
| | | (-0.740) |
| NFD X Equity Market Sentiment | | -0.0472* |
| | | (-1.667) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0171*** | 0.0180*** |
| | (3.173) | (3.411) |
| Ln(1+IAFM Equity) X NFD | -0.0873*** | -0.0981*** |
| | (-3.132) | (-3.423) |
| Ln(1+IAFM Equity) X Year-End Q | -0.000349 | -4.63e-05 |
| | (-0.102) | (-0.0136) |
| NFD X Year-End Q | 0.0122*** | 0.0120*** |
| | (3.757) | (3.641) |
| Ln(1+IAFM Equity) | -0.0120 | -0.0139 |
| | (-1.091) | (-1.278) |
| NFD | -0.242*** | -0.240*** |
| | (-6.792) | (-6.610) |
| Year-End Q | -0.00211 | -0.00236 |
| | (-0.816) | (-0.912) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.579 | 0.579 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel B: Choice of Financing Source in Response to Changes in Interest Rates

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.111* | |
| | (1.890) | |
| Ln(1+IAFM Debt) X Δ in Interest Rate | -2.09e-05 | |
| | (-0.00185) | |
| NFD X Δ in Interest Rate | -0.0365* | |
| | (-1.880) | |
| Ln(1+IAFM Debt) X NFD X Interest Rate | | 4.013 |
| | | (0.757) |
| Ln(1+IAFM Debt) X Interest Rate | | 0.473 |
| | | (0.540) |
| NFD X Interest Rate | | -1.186 |
| | | (-0.772) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0138** | 0.0136** |
| | (2.542) | (2.572) |
| Ln(1+IAFM Debt) X NFD | -0.313*** | -0.390*** |
| | (-6.726) | (-3.149) |
| Ln(1+IAFM Equity) X NFD | -0.0555** | -0.0516* |
| | (-1.963) | (-1.847) |
| Ln(1+IAFM Equity) X Year-End Q | 6.24e-05 | -1.09e-05 |
| | (0.0184) | (-0.00324) |
| NFD X Year-End Q | 0.0102*** | 0.0105*** |
| | (3.143) | (3.234) |
| Ln(1+IAFM Debt) | 0.0101 | -0.000207 |
| | (1.133) | (-0.00979) |
| Ln(1+IAFM Equity) | -0.0154 | -0.0155 |
| | (-1.442) | (-1.445) |
| NFD | -0.199*** | -0.178*** |
| | (-6.110) | (-4.069) |
| Year-End Q | -0.00201 | -0.00204 |
| | (-0.777) | (-0.787) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.582 | 0.582 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

**Table 11. The Sensitivity of R&D Investment to Prices**

This table presents regression results examining the effect of IAFM on the sensitivity of R&D investments to prices. The dependent variable is R&D investments. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q. Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects are included for Columns (1)-(4), and Columns (3) and (4) additionally include firm effects. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: R&D Investment (%) | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Proxy for IAFM: | Equity | Debt | Equity | Debt |
| Ln(1+IAFM) X Year-End Q | -0.163*** | -0.410*** | -0.0737* | -0.140*** |
| | (-3.085) | (-7.393) | (-1.903) | (-3.332) |
| Ln(1+IAFM) | -0.313*** | 0.185 | 0.111* | 0.337*** |
| | (-2.644) | (1.353) | (1.688) | (4.036) |
| Year-End Q | 0.582*** | 0.583*** | 0.474*** | 0.457*** |
| | (9.064) | (10.89) | (7.827) | (9.347) |
| Observations | 36,795 | 36,795 | 35,932 | 35,932 |
| Adj. $R^2$ | 0.544 | 0.544 | 0.879 | 0.879 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table 12. The Effect of IAFM on Whether Tapping External Financing When Financing R&D Investments**

This table presents regression results examining the effect of IAFM on whether financing R&D investments using external financing. The dependent variable is whether tapping equity issuance for Panel A and whether tapping debt financing for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and contemporaneous R&D expense. Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include, end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. I also include NFD and its interaction with log-transformed IAFM measures. 3-digit industry-by-year and firm fixed effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Proxy for IAFM: | Equity | Debt | Equity | Debt |
| Panel A: Dep. Var.: Net Equity Issue Indicator | | | | |
| Ln(1+IAFM) X R&D Investment (%) | -0.00213*** | -0.00244*** | -0.00134*** | -0.00321*** |
| | (-5.528) | (-3.076) | (-2.930) | (-4.134) |
| R&D Investment (%) | 0.00558*** | 0.00509*** | 0.000937 | 0.000677 |
| | (13.31) | (14.55) | (1.301) | (0.957) |
| Ln(1+IAFM) X NFD | 0.0908*** | 0.186*** | 0.0788*** | 0.138*** |
| | (5.375) | (5.851) | (5.456) | (4.447) |
| Ln(1+IAFM) | -0.0339*** | -0.00646 | -0.0154*** | 0.00902 |
| | (-7.819) | (-1.151) | (-3.101) | (1.402) |
| NFD | 0.273*** | 0.295*** | 0.193*** | 0.218*** |
| | (10.62) | (13.19) | (9.269) | (11.08) |
| Observations | 33,981 | 33,981 | 33,073 | 33,073 |
| Adj. $R^2$ | 0.228 | 0.225 | 0.428 | 0.427 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: Net Debt Issue Indicator | | | | |
| Ln(1+IAFM) X R&D Investment (%) | -0.00267*** | -0.00473*** | -0.00161** | -0.00522*** |
| | (-5.037) | (-4.503) | (-2.495) | (-4.569) |
| R&D Investment (%) | -0.00222*** | -0.00268*** | -0.00519*** | -0.00469*** |
| | (-3.719) | (-5.330) | (-5.573) | (-5.861) |
| Ln(1+IAFM) X NFD | 0.121*** | 0.527*** | 0.116*** | 0.511*** |
| | (5.191) | (11.30) | (4.512) | (11.30) |
| Ln(1+IAFM) | 0.0164*** | 0.00296 | 0.00927* | 0.00524 |
| | (3.500) | (0.510) | (1.653) | (0.747) |
| NFD | 0.468*** | 0.450*** | 0.496*** | 0.474*** |
| | (12.72) | (14.85) | (12.06) | (14.47) |
| Observations | 35,534 | 35,534 | 34,651 | 34,651 |
| Adj. $R^2$ | 0.195 | 0.205 | 0.263 | 0.272 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

## Appendix

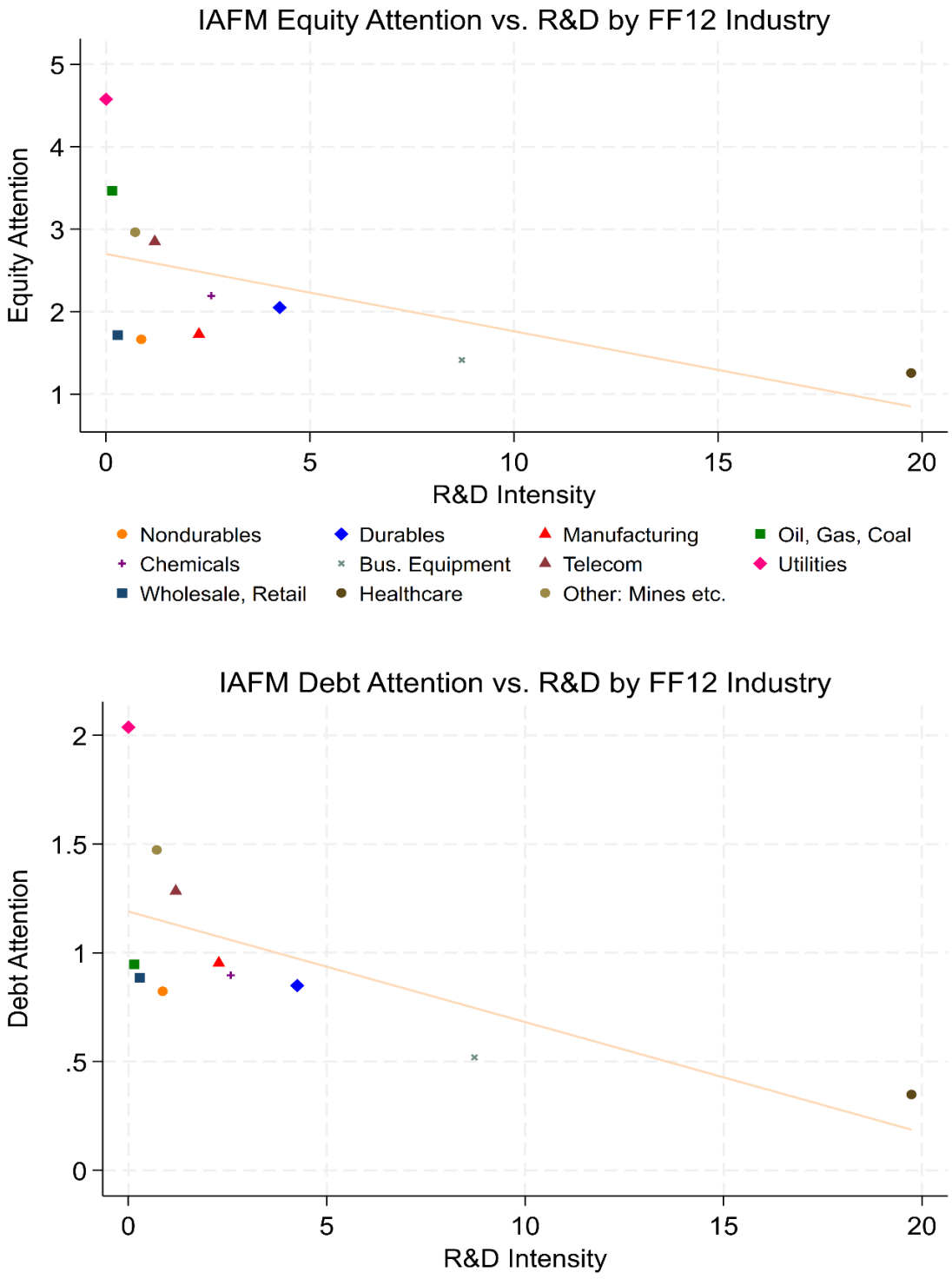


**Figure A1: IAFM Measures Versus R&D Intensity.** This figure plots the relationship between industry-average IAFM measures (IAFM Equity and IAFM Debt) and R&D across 11 of the 12 Fama-French industries, 2007-2023 (Finance industry excluded). The y-axis shows average IAFM measures by industry, while the x-axis shows average R&D expenditure by industry. Industry-level R&D intensity is calculated as the equally-weighted average of firm-level R&D intensity, measured using research and development expenses (Compustat XRD) as a percentage of total assets (Compustat AT).

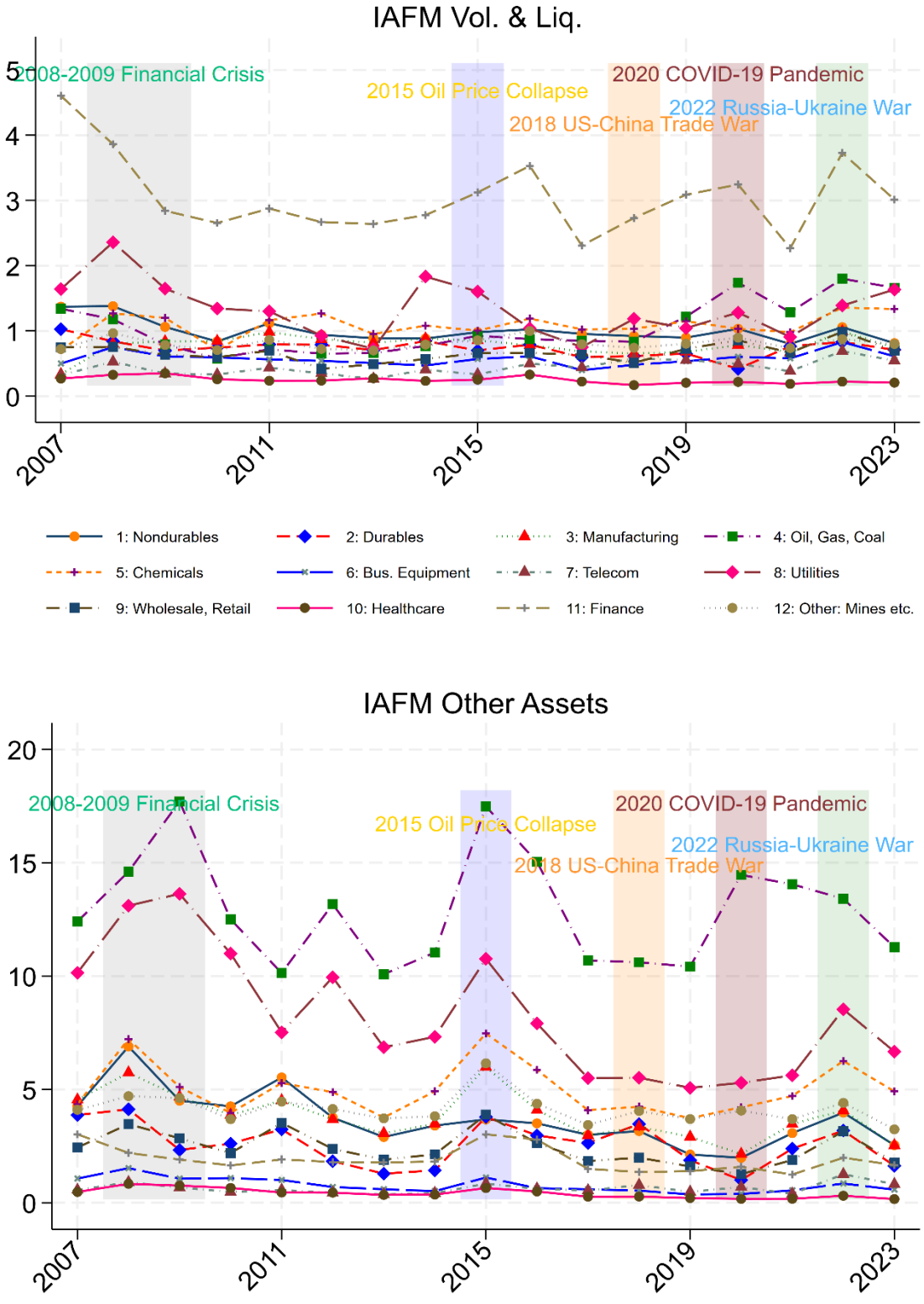


**Fig A2: IAFM Vol. & Liq. And IAFM Other Across 12 Fama-French Industries Over Time.** This figure shows the two IAFM measures (IAFM Vol. & Liq. and IAFM Oter) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from 2007 to 2023.

**Table A1. Definitions of Variables**

| Variable | Definition |
|---|---|
| IAFM Equity | IAFM Equity is a TF-IDF-based measure that focuses specifically on equity market-related phrases in earnings calls. |
| IAFM Debt | IAFM Debt is a TF-IDF-based measure that focuses specifically on debt market-related phrases in earnings calls. |
| IAFM Vol. & Liq. | IAFM Vol. & Liq. is a TF-IDF-based measure that captures terms associated with financial market volatility and liquidity. |
| IAFM Other Assets | IAFM Other Assets is a TF-IDF-based measure that captures phrases related to commodity, currency, and derivatives markets. |
| Year-End Q | The year-end market value of equity over year t-1 (the closing price at year-end X shares outstanding from CRSP) plus book value of assets minus the book value of equity (Compustat AT–CEQ). |
| Ln(Total Assets) | Log of total assets (Compustat AT), lagged by one year. |
| Cash (%) | 100 X cash and Short-term investment (Compustat CHE) scaled by assets (Compustat AT), lagged by one year. |
| Leverage (%) | 100 X long-term debt (Compustat DLTT) plus debt in current liabilities (Compustat DLC) scaled by total assets (Compustat AT), lagged by one year. |
| Sales Growth (%) | 100 X ($SALE_{t-1} - SALE_{t-2}$)/ $SALE_{t-2}$) where $SALE_{t-1}$ denotes the Compustat SALE in year t-1. |
| Dividend Yield (%) | 100 X the sum of total dividends paid to common shares (Compustat DVC) and preferred shares (Compustat DVP), scaled by the sum of the market value of common equity (year-end closing price X shares outstanding from CRSP) and the book value of preferred stock (Compustat PSTK), lagged by one year. |
| Inst. Ownership (%) | 100 X total shares held by all institutional investors scaled by total shares outstanding. |
| CAPX (%) | 100 X the capital expenditure (Compustat CAPX) divided by lagged total assets (Compustat AT). |
| INVT (%) | 100 X the changes in gross property, plant, and equipment (Compustat PPEGT) plus changes in inventory (Compustat INVT), divided by lagged total assets (Compustat AT). |
| WPS (X $10^3$) | The scaled wealth-performance sensitivity measure of Edmans, Gabaix, and Landier (2009): The dollar change in the CEO's wealth for a 100 percentage point change in the stock price, scaled by annual pay. |
| Mgr. Ownership | Total number of shares held by CEO (Execucomp CEO_SHROWN) scaled by the total number of shares outstanding (Compustat CSHO) |
| Finance-Expert CEO | A CEO who has prior experience in either banking or investment firms, in a finance-related executive role such as accountant, chief financial officer (CFO), treasurer, or vice president of finance, or in a large auditing firm. It is defined following Custódio and Metzger (2014). |

| | |
|---|---|
| Interest Rate | The 7-year U.S. Treasury yield as of the end of the previous calendar year is used to capture U.S. firms' general exposure to interest rate fluctuations. This maturity is chosen because it aligns with the maturity pattern of publicly traded corporate bonds in my sample: the median firm-level time to maturity of bonds in the sample is 6.5 years, and the mean is 7.8 years. |
| Bond Yield | The firm's most recent monthly close yield (expressed in real terms) as of the prior calendar year, averaged across all publicly traded bonds (weighted by outstanding amount). |
| Net Equity Issue Indicator | Equity issuance is 100 X the difference between sales of common stock (Compustat SSTK) and stock repurchases (Compustat PRSTKC), scaled by lagged total assets (Compustat AT). |
| Net Debt Issue Indicator | Debt issuance is 100 X the difference between long-term debt issuance (Compustat DLTIS) and long-term debt reduction (Compustat DLTR), scaled by lagged total assets (Compustat AT). |
| NFD | Net financing deficit is the sum of cash dividends, net investment, change in working capital, and minus cash flow after interest and tax, scaled by lagged total assets (Compustat AT). For firms reporting format codes 1 to 3, net investment is CAPX + IVCH + AQC + FUSEO – SPPE – SIV; for firms reporting format code 7, it is CAPX + IVCH + AQC – SPPE – SIV – IVSTCH – IVACO. When items are missing or combined with other items, I code them as 0. To compute change in working capital, for format code 1, it is WCAPC + CHECH + DLCCH; for codes 2 and 3, – WCAPC + CHECH – DLCCH; for code 7, – RECCH – INVCH – APALCH – TXACH – AOLOCH + CHECH – FIAO – DLCCH. All items, excluding CHECH, are replaced with 0 when missing or combined with other items. To calculate cash after interest and tax, for codes 1 to 3, it is IBC + XIDOC + DPC + TXDC + ESUBC + SPPIV + FOPO + FSRCO. For code 7, this is items IBC + XIDOC + DPC + TXDC + ESUBC + SPPIV + FOPO + EXRE. Items are coded as 0 when missing or combined with other items. |
| Equity Market Sentiment | Sentiment index in Baker and Wurgler (2006); based on first principal component of FIVE (standardized) sentiment proxies where each of the proxies has first been orthogonalized with respect to a set of six macroeconomic indicators |
| R&D Investment (%) | 100 X research and development expenses (Compustat XRD) scaled by lagged total assets (Compustat AT). Missing observations are replaced with zero. |
| Insider Trading Intensity | 1000 X number of shares traded by insiders in a given calendar year (Thomson Reuters Insider Filing SHARES) scaled by the total number of shares traded (sum of daily trading volume (CRSP CSHTRD) over the year). I only consider open market stock transactions initiated by the top five executives (CEO, CFO, COO, President, and Chairman of theBoard). |

| | |
|---|---|
| HHI(SIC 3-Digit Industry Sales) | Sales-based Herfindahl–Hirschman index of the SIC 3-digit industry to which a firm belongs. |
| HHI(Product Market Sales) | Sales-based Herfindahl–Hirschman index of the product market to which a firm belongs, where product market peers are defined in Hoberg and Phillips (2016). |
| LW (2024) Financial Constraint | Linn and Weagley's (2024) continuous equity constraint measure, which is computed using full firm characteristics. |

**Table A2. Role of Insider Information**

This table presents regression results examining the effect of IAFM on investment-price sensitivity, conditional the level of insider trading. The dependent variable is CAPX for Panel and INVT for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q. Columns (1)-(3) use the tf-idf measure of IAFM Equity. Columns (4)-(6) use the tf-idf measure of IAFM Debt. In Columns (1) and (4), I focus on firms without any insider trading in a year. In Columns (2) and (5), I focus on firms with a below-median insider trading intensity in a year, conditional on non-zero insider trading. In Columns (3) and (6), I focus on firms with an above-median insider trading intensity in a year, conditional on non-zero insider trading. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Proxy for IAFM: | Equity | | | Debt | | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Insider Trading Level: | No Insid. Trad. | Low Insid. Trad. | High Insid. Trad. | No Insid. Trad. | Low Insid. Trad. | High Insid. Trad. |
| Panel A: Dep. Var.: CAPX (%) | | | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0702** | 0.0222 | 0.0496 | 0.177*** | 0.0262 | -0.0462 |
| | (2.172) | (0.597) | (1.155) | (3.217) | (0.426) | (-0.780) |
| Ln(1+IAFM) | -0.226** | 0.0238 | -0.0140 | -0.397** | -0.0190 | -0.0224 |
| | (-2.084) | (0.203) | (-0.107) | (-2.304) | (-0.108) | (-0.126) |
| Year-End Q | 0.342*** | 0.318*** | 0.244*** | 0.353*** | 0.324*** | 0.277*** |
| | (6.781) | (7.437) | (5.048) | (7.704) | (7.654) | (5.744) |
| Observations | 15,669 | 8,564 | 7,112 | 15,669 | 8,564 | 7,112 |
| Adj. $R^2$ | 0.646 | 0.761 | 0.728 | 0.647 | 0.761 | 0.728 |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: INVT (%) | | | | | | |
| Ln(1+IAFM) X Year-End Q | 0.311*** | 0.0958 | 0.0806 | 0.246* | 0.471** | 0.0822 |
| | (3.187) | (0.822) | (0.560) | (1.907) | (2.396) | (0.417) |
| Ln(1+IAFM) | -0.417 | -0.468 | 0.0493 | -0.810* | -1.247** | -0.381 |
| | (-1.387) | (-1.233) | (0.114) | (-1.704) | (-2.319) | (-0.574) |
| Year-End Q | 0.747*** | 0.795*** | 0.733*** | 0.311*** | 0.0958 | 0.0806 |
| | (5.790) | (5.960) | (6.504) | (3.187) | (0.822) | (0.560) |
| Observations | 15,693 | 8,569 | 7,118 | 15,693 | 8,569 | 7,118 |
| Adj. $R^2$ | 0.227 | 0.369 | 0.387 | 0.227 | 0.370 | 0.386 |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes | Yes | Yes |

**Table A3. Role of SIC 3-Digit Industry Competition**

This table presents regression results examining the effect of IAFM on investment-price sensitivity, conditional on different levels of industry competition. The dependent variable is CAPX for Panel A and INVT for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q across all model specifications. Columns (1) and (2) use the tf-idf measure of IAFM Equity. Columns (3) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. In Columns (1) and (3), I focus on firms falling into the 3-digit industry with a below-median sales-based HHI. In Columns (2) and (4), I focus on firms falling into the 3-digit industry with an above-median sales-based HHI. 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| SIC 3-Digit Industry Competition Level: | Low | High | Low | High |
| Panel A: Dep. Var.: CAPX (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0408 | 0.0688*** | -0.0813 | 0.109*** |
| | (0.579) | (3.028) | (-0.656) | (3.022) |
| Ln(1+IAFM) | 0.0618 | -0.187*** | 0.196 | -0.340*** |
| | (0.426) | (-2.624) | (0.853) | (-3.314) |
| Year-End Q | 0.757*** | 0.318*** | 0.794*** | 0.339*** |
| | (5.510) | (9.791) | (5.206) | (10.54) |
| Observations | 4,731 | 30,963 | 4,731 | 30,963 |
| Adj. $R^2$ | 0.598 | 0.690 | 0.597 | 0.690 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: INVT (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.380 | 0.253*** | 0.483 | 0.257** |
| | (1.543) | (3.581) | (1.389) | (2.304) |
| Ln(1+IAFM) | -0.445 | -0.479** | -0.546 | -0.835** |
| | (-0.792) | (-2.307) | (-0.714) | (-2.505) |
| Year-End Q | 2.182*** | 0.763*** | 2.275*** | 0.861*** |
| | (6.536) | (9.552) | (6.774) | (10.43) |
| Observations | 4,727 | 31,002 | 4,727 | 31,002 |
| Adj. $R^2$ | 0.280 | 0.296 | 0.280 | 0.296 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table A4. Role of Financial Constraints**

This table presents regression results examining the effect of IAFM on investment-price sensitivity, conditional on whether the firm is financially constrained. The dependent variable is CAPX for Panel A and INVT for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q across all model specifications. Columns (1) and (2) use the tf-idf measure of IAFM Equity. Columns (3) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Columns (1) and (3) present results for firms classified as financially unconstrained (below-median Linn and Weagley's (2024) equity constraint measure), while Columns (2) and (4) focus on financially constrained firms (above-median constraint measure). 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Financial Constraints: | Uncon. | Con. | Uncon. | Con. |
| Panel A: Dep. Var.: CAPX (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0269 | 0.0668* | 0.0463 | 0.166** |
| | (0.778) | (1.871) | (0.946) | (2.235) |
| Ln(1+IAFM) | -0.127 | -0.0703 | -0.0964 | -0.673*** |
| | (-1.584) | (-0.506) | (-0.822) | (-2.816) |
| Year-End Q | 0.455*** | 0.250*** | 0.463*** | 0.263*** |
| | (8.511) | (6.504) | (9.981) | (6.992) |
| Observations | 16,829 | 11,914 | 16,829 | 11,914 |
| Adj. $R^2$ | 0.703 | 0.679 | 0.703 | 0.680 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: INVT (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.115 | 0.334*** | 0.160 | 0.361* |
| | (1.061) | (3.006) | (1.005) | (1.939) |
| Ln(1+IAFM) | -0.292 | -0.514 | -0.308 | -1.896*** |
| | (-1.050) | (-1.379) | (-0.781) | (-2.828) |
| Year-End Q | 1.119*** | 0.599*** | 1.159*** | 0.730*** |
| | (7.969) | (6.123) | (8.938) | (7.077) |
| Observations | 16,839 | 11,936 | 16,839 | 11,936 |
| Adj. $R^2$ | 0.297 | 0.321 | 0.297 | 0.321 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table A5. Complementary Role of Debt Market Attention for Investment-Price Sensitivity**

This table presents regression results examining the complementary role of IAFM Debt in shaping investment-price sensitivity. Panels A and B use the full sample, regardless of whether a firm had at least one publicly traded bond in the prior calendar year, while Panel C focuses exclusively on firms with such bonds. The dependent variable is CAPX in Panels A.1, Column (1) of Panel B, and C.1, and INVT in Panels A.2, Column (2) of Panel B, and C.2. In each panel, the key independent variables are the interactions between year-end Tobin's Q and the log of (1) IAFM Equity and (2) IAFM Debt. Control variables include lagged Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. In Panels A and C, Column (1) includes all firms, while Columns (2) and (3) split the sample by median leverage—Column (2) includes low-leverage firms, and Column (3) includes high-leverage firms. Panel B includes all firms and additionally controls for financial constraint, defined as an indicator equal to one if Linn and Weagley's (2024) equity constraint measure is above the prior year's sample median, and zero otherwise. This indicator is also interacted with Tobin's Q. All regressions include 3-digit industry-by-year and firm fixed effects. The sample period is 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Panel A: Full Sample, including firms with and without publicly traded bonds

| | (1) | (2) | (3) |
|---|---|---|---|
| | Full Sample | Low Leverage | High Leverage |
| Panel A.1: Dep. Var.: CAPX (%) | | | |
| Ln(1+IAFM Equity) X Year-End Q | 0.0557** | 0.0842*** | 0.0340 |
| | (2.553) | (3.320) | (0.929) |
| Ln(1+IAFM Debt) X Year-End Q | 0.0831** | 0.0385 | 0.0701* |
| | (2.368) | (0.685) | (1.701) |
| Ln(1+IAFM Equity) | -0.140** | -0.226*** | -0.0439 |
| | (-2.115) | (-2.596) | (-0.440) |
| Ln(1+IAFM Debt) | -0.282*** | -0.227 | -0.242** |
| | (-2.964) | (-1.488) | (-2.033) |
| Year-End Q | 0.333*** | 0.285*** | 0.360*** |
| | (10.19) | (9.049) | (6.439) |
| Observations | 35,885 | 14,555 | 19,588 |
| Adj. $R^2$ | 0.680 | 0.689 | 0.691 |
| Firm FE | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes |
| Panel A.2: Dep. Var.: INVT (%) | | | |
| Ln(1+IAFM Equity) X Year-End Q | 0.226*** | 0.192** | 0.293*** |
| | (3.365) | (2.437) | (2.608) |
| Ln(1+IAFM Debt) X Year-End Q | 0.225** | -0.00452 | 0.230* |
| | (2.071) | (-0.0336) | (1.898) |
| Ln(1+IAFM Equity) | -0.391** | -0.371 | -0.523* |
| | (-1.999) | (-1.345) | (-1.733) |
| Ln(1+IAFM Debt) | -0.750** | 0.0164 | -0.782** |
| | (-2.386) | (0.0348) | (-2.192) |
| Year-End Q | 0.812*** | 0.793*** | 0.719*** |
| | (10.08) | (8.783) | (5.324) |
| Observations | 35,919 | 14,583 | 19,600 |
| Adj. $R^2$ | 0.290 | 0.368 | 0.258 |
| Firm FE | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes |

Panel B: Controlling for the effect of financial constraints

| | (1) | (2) |
|---|---|---|
| Dep. Var.: | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity) X Year-End Q | 0.0533** | 0.252*** |
| | (2.118) | (3.126) |
| Ln(1+IAFM Debt) X Year-End Q | 0.0869** | 0.234* |
| | (2.038) | (1.840) |
| High Financial Constraint (LW, 2024) X Year-End Q | -0.0474 | -0.269** |
| | (-1.462) | (-2.439) |
| Ln(1+IAFM Equity) | -0.122* | -0.341 |
| | (-1.652) | (-1.488) |
| Ln(1+IAFM Debt) | -0.322*** | -0.947*** |
| | (-2.911) | (-2.666) |
| High Financial Constraint (LW, 2024) | -0.00870 | 0.470 |
| | (-0.0874) | (1.384) |
| Year-End Q | 0.365*** | 0.965*** |
| | (10.30) | (8.591) |
| Observations | 30,756 | 30,791 |
| Adj. $R^2$ | 0.683 | 0.293 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel C: Sample only including firms without publicly traded bonds

| | (1) | (2) | (3) |
|---|---|---|---|
| | Unconditional | Low Leverage | High Leverage |
| Panel C.1: Dep. Var.: CAPX (%) | | | |
| Ln(1+IAFM Equity) X Year-End Q | 0.0617*** | 0.0942*** | 0.0223 |
| | (2.662) | (3.394) | (0.554) |
| Ln(1+IAFM Debt) X Year-End Q | 0.0975** | 0.0160 | 0.148*** |
| | (2.526) | (0.219) | (2.708) |
| Ln(1+IAFM Equity) | -0.156** | -0.303*** | 0.0137 |
| | (-2.039) | (-2.982) | (0.124) |
| Ln(1+IAFM Debt) | -0.288*** | -0.137 | -0.370*** |
| | (-2.790) | (-0.699) | (-2.730) |
| Year-End Q | 0.317*** | 0.277*** | 0.336*** |
| | (9.767) | (8.376) | (5.856) |
| Observations | 28,973 | 11,757 | 15,443 |
| Adj. $R^2$ | 0.654 | 0.672 | 0.658 |
| Firm FE | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes |
| Panel C.2: Dep. Var.: INVT (%) | | | |
| Ln(1+IAFM Equity) X Year-End Q | 0.218*** | 0.224*** | 0.254** |
| | (2.993) | (2.694) | (2.096) |
| Ln(1+IAFM Debt) X Year-End Q | 0.227* | -0.0332 | 0.261* |
| | (1.880) | (-0.236) | (1.854) |
| Ln(1+IAFM Equity) | -0.320 | -0.444 | -0.367 |
| | (-1.434) | (-1.434) | (-1.125) |
| Ln(1+IAFM Debt) | -0.658* | 0.336 | -0.709* |
| | (-1.926) | (0.657) | (-1.742) |
| Year-End Q | 0.798*** | 0.760*** | 0.711*** |
| | (9.593) | (7.910) | (5.352) |
| Observations | 29,004 | 11,777 | 15,454 |
| Adj. $R^2$ | 0.289 | 0.368 | 0.255 |
| Firm FE | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes |

**Table A6. Competitive High-R&D Industry V.S. Competitive Low-R&D Industry**
This table presents regression results examining the effect of IAFM on R&D investments in a competitive industry, conditional on whether the firm operates in a high-R&D or low-R&D industry. I focus on firms operating in competitive industries (below-median sales-based HHI). The dependent variable is R&D investments. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q. Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. In Columns (1) and (3), I focus on firms falling into the 3-digit industry with a below-median equally-weighted average R&D. In Columns (2) and (4), I focus on firms falling into the industry with an above-median equally-weighted average R&D. In Panel A, an industry is defined a SIC 3-digit industry, whereas in Panel B, it is defined as a Hoberg and Phillips' (2016) product market. 3-digit industry-by-year and firm effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| Dep. Var.: R&Ds | (1) | (2) | (3) | (4) |
| Industry R&D Level: | Low | High | Low | High |
| Panel A: Split by SIC 3-Digit Industries | | | | |
| Ln(1+IAFM) X Year-End Q | -0.00230 | -0.0843* | -0.00167 | -0.123* |
| | (-1.259) | (-1.821) | (-1.465) | (-1.862) |
| Ln(1+IAFM) | 0.00687* | 0.0550 | 0.00128 | 0.360** |
| | (1.862) | (0.581) | (0.278) | (2.421) |
| Year-End Q | 0.00298 | 0.537*** | 0.00153 | 0.512*** |
| | (1.086) | (7.694) | (0.660) | (9.024) |
| Observations | 9,458 | 21,352 | 9,458 | 21,352 |
| Adj. $R^2$ | 0.812 | 0.870 | 0.812 | 0.870 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Split by Product Markets | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0375 | -0.223** | -0.0370 | -0.0447 |
| | (1.318) | (-2.007) | (-0.904) | (-0.155) |
| Ln(1+IAFM) | -0.0247 | 0.0270 | 0.0704 | 0.435 |
| | (-0.605) | (0.0879) | (1.193) | (0.637) |
| Year-End Q | 0.108** | 1.005*** | 0.138*** | 0.910*** |
| | (2.305) | (9.826) | (2.828) | (11.48) |
| Observations | 7,942 | 6,463 | 7,942 | 6,463 |
| Adj. $R^2$ | 0.955 | 0.824 | 0.955 | 0.824 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table A7. Does IAFM Capture Only Financial Constraint?**

This table presents regression results examining the relationship between financial constraints and IAFM. The dependent variable is log-transformed IAFM measures. IAFM the tf-idf measure of IAFM Equity for Columns (1) and (3), and the tf-idf measure of IAFM Debt for Columns (2) and (4). The key independent variable is the continuous value of Linn and Weagley's (2024) equity constraint measure. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit-by-year fixed effects are included in Columns (1)-(4) and Columns (3) and (4) additionally include firm fixed effects. All independent variables are lagged by one year. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Proxy for IAFM: | Equity | Debt | Equity | Debt |
| LW (2024) Financial Constraint | -0.00585 | 0.00190 | 0.00836 | 0.0195** |
| | (-0.600) | (0.292) | (0.716) | (2.148) |
| Observations | 34,158 | 34,158 | 33,537 | 33,537 |
| Adj. $R^2$ | 0.167 | 0.273 | 0.415 | 0.467 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table A8. Isolating the Channel of Information on Business Opportunities for Attention-Induced Investment-Price Sensitivity**

This table presents regression results isolating the channel of information on business opportunities through which IAFM affects investment-price sensitivity. Panel A focuses on equity market attention, examining how the sensitivity of investment to stock prices varies with firms' contemporaneous external financing activity. Panel B shifts to debt market attention, using the same investment-stock price sensitivity framework. Panel C also centers on debt market attention, but investigates investment sensitivity to bond yields instead. Across all panels, the dependent variable is CAPX in Columns (1) and (3), and INVT in Columns (2) and (4). The key independent variable is the interaction between the log-transformed IAFM measure and a price-based signal: year-end Tobin's Q in Panels A and B, and year-end bond yield in Panel C. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Columns (1) and (2) report results for firms with non-positive net external financing—defined as the sum of net equity and net debt financing—in the year of investment. In contrast, Columns (3) and (4) focus on firms with positive net external financing during the same period. 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Panel A: Isolating the Equity Market Attention's Information Channel

| Net External Financing: | Non-Positive | | Positive | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity) X Year-End Q | 0.0662** | 0.166* | 0.0777* | 0.303** |
| | (2.337) | (1.653) | (1.834) | (2.291) |
| Ln(1+IAFM Equity) | -0.195*** | -0.181 | -0.104 | -0.588 |
| | (-2.760) | (-0.742) | (-0.788) | (-1.420) |
| Year-End Q | 0.304*** | 0.719*** | 0.335*** | 0.847*** |
| | (7.892) | (7.543) | (8.310) | (7.903) |
| Observations | 19,438 | 19,443 | 13,925 | 13,922 |
| Adj. $R^2$ | 0.682 | 0.286 | 0.714 | 0.329 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Isolating the Debt Market Attention's Information Channel, Based on Investment-Stock Price Sensitivity

| Net External Financing: | Non-Positive | | Positive | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Debt) X Year-End Q | 0.0610 | 0.123 | 0.189*** | 0.447*** |
| | (1.294) | (0.749) | (3.280) | (2.818) |
| Ln(1+IAFM Debt) | -0.137 | -0.442 | -0.657*** | -1.624*** |
| | (-1.354) | (-1.220) | (-3.544) | (-2.626) |
| Year-End Q | 0.334*** | 0.799*** | 0.349*** | 0.937*** |
| | (9.097) | (8.097) | (8.436) | (8.473) |
| Observations | 19,438 | 19,443 | 13,925 | 13,922 |
| Adj. $R^2$ | 0.682 | 0.285 | 0.715 | 0.330 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: Isolating the Debt Market Attention's Information Channel, Based on Investment-Bond Price Sensitivity

| Net External Financing: | Non-Positive | | Positive | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Debt) X Bond Yield | -0.195 | -16.59 | -15.65* | -55.95** |
| | (-0.0427) | (-1.044) | (-1.666) | (-2.063) |
| Ln(1+IAFM Debt) | -0.000848 | 0.0921 | 0.463 | 1.934 |
| | (-0.00393) | (0.128) | (0.766) | (0.990) |
| Bond Yield | -3.307 | -13.03 | -25.10*** | -31.52 |
| | (-0.661) | (-0.711) | (-2.604) | (-0.872) |
| Observations | 3,528 | 3,529 | 1,312 | 1,313 |
| Adj. $R^2$ | 0.793 | 0.229 | 0.783 | 0.247 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table A9. Implications of IAFM Constructed Using Binary Indicators**

This table presents regression results examining the economic implications of attention to financial markets with IAFM measures constructed using binary indicators, which equal to one if the corresponding IAFM measure falls within the top two quintiles of the sample in a year and zero otherwise. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the High IAFM Equity/Debt Indicators. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the High IAFM Equity/Debt Indicators. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| High IAFM Indicator X | | | | |
| Year-End Q | 0.0615** | 0.232*** | 0.0761** | 0.218** |
| | (2.032) | (2.922) | (2.446) | (2.439) |
| High IAFM Indicator | -0.186** | -0.369 | -0.195** | -0.437* |
| | (-2.252) | (-1.562) | (-2.211) | (-1.654) |
| Year-End Q | 0.363*** | 0.918*** | 0.363*** | 0.930*** |
| | (11.17) | (11.20) | (11.24) | (11.17) |
| Observations | 35,885 | 35,919 | 35,885 | 35,919 |
| Adj. $R^2$ | 0.680 | 0.289 | 0.680 | 0.289 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| High IAFM Indicator X NFD | 0.0649*** | 0.102*** | 0.0896*** | 0.380*** |
| | (3.907) | (3.549) | (3.506) | (11.97) |
| High IAFM Indicator | -0.0163*** | 0.000589 | -0.00422 | -0.00887 |
| | (-3.007) | (0.0913) | (-0.731) | (-1.400) |
| NFD | 0.225*** | 0.512*** | 0.226*** | 0.462*** |
| | (11.79) | (13.28) | (11.79) | (14.35) |
| Observations | 33,073 | 34,651 | 33,073 | 34,651 |
| Adj. $R^2$ | 0.427 | 0.260 | 0.427 | 0.267 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| High IAFM Equity Indicator X NFD X Δ in Equity Market Sentiment | 0.00648 | |
| | (0.546) | |
| High IAFM Equity Indicator X NFD X Equity Market Sentiment | | 0.168*** |
| | | (3.569) |
| High IAFM Equity Indicator X NFD X Year-End Q | 0.0156** | 0.0153** |
| | (2.448) | (2.410) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.579 | 0.579 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| High IAFM Debt Indicator X NFD X Δ in Interest Rate | 0.100** |
| | (2.224) |
| High IAFM Equity Indicator X NFD X Year-End Q | 0.0116* |
| | (1.814) |
| Observations | 14,586 |
| Adj. $R^2$ | 0.581 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table A10. Seed Words and Expanded Dictionary for IAFM Vol. & Liq.**
Panel A presents the 25 seed words used to construct the expanded dictionaries for IAFM Volatility and Liquidity (IAFM Vol. & Liq.), a TF-IDF-based measure capturing terms associated with financial market volatility and liquidity. Panel B lists the 50 most representative words for IAFM Vol. & Liq. in the first two columns, ranked by descending similarity to the corresponding seed words, and the 50 most frequent words in the latter two columns, ranked by tf-idf scores, with percentages indicating each word's contribution to the dimension's total tf-idf score across all transcripts. Panel C reports the firm-level IAFM Vol. & Liq. measure across the 12 Fama-French Industries, classified using four-digit SIC codes, with industries ranked by their average firm-year IAFM scores. These scores are based on a TF-IDF approach capturing the frequency of financial-market-related phrases in earnings calls and are aggregated at the firm-year level by averaging across all quarterly earnings calls within each calendar year. The sample period covers 2007–2023. Variable definitions are provided in Table A.1. Panel D examines whether equity market volatility predicts firm-level attention to financial market volatility and liquidity, using the same model specification as in Table 7 Panel B. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Seed words

| Vol. & Liq. |
|---|
| algo_trading |
| algorithmic_trading |
| block_trade |
| circuit_breaker |
| dark_pool |
| flash_crash |
| intraday_volatility |
| liquidity_risk |
| market_crash |
| market_depth |
| market_illiquidity |
| market_impact |
| market_liquidity |
| market_maker |
| market_turmoil |
| market_volatility |
| order_flow |
| price_fluctuation |
| price_movement |
| price_swing |
| price_volatility |
| stock_liquidity |
| trading_volume |
| vix_contract |
| vix_index |

Panel B: Fifty most representative words and fifty most frequently occurring words by tf-idf contribution for IAFM Vol. & Liq.

| Fifty most representative words | | | | Fifty most frequently occurring words | | | |
|---|---|---|---|---|---|---|---|
| Word | Sim. | Word | Sim. | Word | % | Word | % |
| market_volatility | 0.77 | price_dispersion | 0.65 | volatility | 30.59% | market_liquidity | 0.49% |
| trading_volume | 0.73 | equity_market_trading | 0.65 | trading | 17.71% | selloff | 0.45% |
| trading_activity | 0.71 | world_stock_market | 0.65 | etf | 5.38% | price_fluctuation | 0.45% |
| market_liquidity | 0.68 | market_dysfunction | 0.65 | market_volatility | 4.95% | illiquidity | 0.40% |
| trading_connection | 0.68 | dispersion_return | 0.65 | market_participant | 3.02% | rate_volatility | 0.39% |
| risk_-_off_move | 0.68 | macro_product | 0.65 | trading_volume | 2.97% | circuit_breaker | 0.39% |
| volatility | 0.67 | margin_fund_size | 0.64 | order_flow | 2.88% | block_trade | 0.36% |
| volatility_complex | 0.67 | name_stock | 0.64 | hedge_fund | 2.58% | equity_market_volatility | 0.32% |
| micro_-_lot | 0.67 | index_trading | 0.64 | client_activity | 2.25% | dark_pool | 0.29% |
| volatility_spike | 0.67 | vix_volatility | 0.64 | trading_activity | 2.18% | frequency_trader | 0.27% |
| maker_-_taker_exchange | 0.67 | future_and_option_industry | 0.64 | market_volume | 1.65% | volatility_environment | 0.25% |
| interest_-_rate_market | 0.67 | future_and_option_market | 0.64 | market_movement | 1.60% | volatility_level | 0.22% |
| equity_market_volatility | 0.66 | credit_finance_charge | 0.64 | price_movement | 1.39% | intraday | 0.21% |
| policy_divergence | 0.66 | jgb_market | 0.64 | market_impact | 1.38% | crypto_market | 0.18% |
| extreme_volatility | 0.66 | forex_derivative | 0.64 | price_volatility | 1.25% | vix_option | 0.18% |
| investor_outflow | 0.66 | market_selloff | 0.64 | market_maker | 1.15% | equity_and_fixed_income_market | 0.17% |
| algorithmic_trading | 0.66 | energy_commodity_pricing | 0.64 | market_dislocation | 1.11% | bid_offer | 0.15% |
| equity_selloff | 0.66 | term_fix_-_rate_market | 0.64 | extreme_volatility | 0.79% | price_swing | 0.14% |
| volatility_swing | 0.66 | posit_volume | 0.64 | investor_sentiment | 0.77% | investor_behavior | 0.13% |
| market_maker | 0.66 | fx_world | 0.64 | market_turmoil | 0.66% | block_trading | 0.12% |
| price_volatility | 0.66 | speed_trader | 0.64 | cash_market | 0.61% | forex_market | 0.11% |
| cash_market_volume | 0.66 | hyg | 0.64 | market_correction | 0.54% | flash_crash | 0.11% |
| volatility_level | 0.66 | arbitrage_activity | 0.63 | liquidity_risk | 0.54% | intraday_volatility | 0.10% |
| equity_and_fix_-_income_market | 0.66 | portfolio_trading_activity | 0.63 | exchange_market | 0.52% | market_turnover | 0.10% |
| volatility_inflow | 0.65 | volatility_peak | 0.63 | liquidity_provider | 0.51% | vix_index | 0.09% |

Panel C: Summary Statistics by Fama-French Industries

| Industry (12 Fama-French Industries) | Mean | STD | Median | N |
|---|---|---|---|---|
| 11 (Finance) | 2.98 | 4.55 | 1.05 | 10992 |
| 8 (Utilities) | 1.31 | 2.13 | 0.53 | 1671 |
| 5 (Chemicals and Allied Products) | 1.10 | 1.47 | 0.64 | 1501 |
| 4 (Oil, Gas, and Coal Extraction and Products) | 1.00 | 1.72 | 0.38 | 3074 |
| 1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys) | 0.99 | 1.71 | 0.26 | 2405 |
| 12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment) | 0.81 | 1.52 | 0.26 | 8257 |
| 3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing) | 0.80 | 1.25 | 0.38 | 5107 |
| 2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances) | 0.73 | 1.18 | 0.26 | 1410 |
| 9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops)) | 0.66 | 1.31 | 0.26 | 5155 |
| 6 (Business Equipment: Computers, Software, and Electronic Equipment) | 0.58 | 1.43 | 0.00 | 11517 |
| 7 (Telephone and Television Transmission) | 0.44 | 1.05 | 0.00 | 1800 |
| 10 (Healthcare, Medical Equipment, and Drugs) | 0.24 | 0.66 | 0.00 | 7931 |
| Overall: | 1.1 | 2.47 | 0.26 | 60820 |

Panel D: Relationship Between Market-Wide Return Volatility and IAFM Vol. & Liq.

| Dep. Var.: Ln(1+IAFM) | (1) |
|---|---|
| Dimension: | Vol. & Liq. |
| Market-Wide 1-Year Equity Return | 0.000728 |
| | (0.0617) |
| Market-Wide Return Volatility | 0.757* |
| | (1.842) |
| Observations | 39,349 |
| Adj. $R^2$ | 0.381 |
| Firm FE | Yes |
| Industry-by-Year FE | No |

**Table A11. Controlling for Firms' Vulnerability to Market Disruptions**

This table examines how firms' attention to financial markets affects their investment and financing decisions, controlling for vulnerability to market volatility and liquidity. Firms with high vulnerability (High IAFM Vol. & Liq. Indicator = 1) have IAFM Volatility and Liquidity measures within the top two quintile of sample in a given year. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and (1) the log-transformed IAFM Equity/Debt measures and (2) High IAFM Vol. & Liq. Indicator. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and (1) the log-transformed IAFM Equity/Debt measures and (2) High IAFM Vol. & Liq. Indicator. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice, after controlling for High IAFM Vol. & Liq. Indicator's interactions with sentiment and Tobin's Q. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q, after controlling for High IAFM Vol. & Liq. Indicator's interactions with Treasury yield and Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.0601*** | 0.234*** | 0.0865** | 0.239** |
| | (2.728) | (3.411) | (2.480) | (2.242) |
| High IAFM Vol. & Liq. Indicator X Year-End Q | 0.0744*** | 0.297*** | 0.0720*** | 0.294*** |
| | (2.972) | (3.723) | (2.897) | (3.720) |
| Ln(1+IAFM Equity/Debt) | -0.155** | -0.426** | -0.175** | -0.774** |
| | (-2.362) | (-2.194) | (-2.517) | (-2.510) |
| High IAFM Vol. & Liq. Indicator | -0.182*** | -0.594*** | -0.291*** | -0.577** |
| | (-2.648) | (-2.651) | (-3.083) | (-2.577) |
| Year-End Q | 0.325*** | 0.767*** | 0.345*** | 0.858*** |
| | (9.797) | (9.473) | (10.60) | (10.36) |
| Observations | 35,885 | 35,919 | 35,919 | 35,919 |
| Adj. $R^2$ | 0.680 | 0.290 | 0.290 | 0.290 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| Ln(1+IAFM Equity/Debt) X NFD | 0.0551*** | 0.0813*** | 0.0964*** | 0.447*** |
| | (3.992) | (3.902) | (3.299) | (9.506) |
| High IAFM Vol. & Liq. Indicator X NFD | 0.107*** | 0.269*** | 0.104*** | 0.228*** |
| | (4.842) | (7.743) | (4.705) | (6.487) |
| Ln(1+IAFM Equity/Debt) | -0.0198*** | 0.00388 | 0.00221 | -0.00716 |
| | (-4.479) | (0.767) | (0.368) | (-1.131) |
| High IAFM Vol. & Liq. Indicator | -0.0122** | -0.0113** | -0.0135** | -0.00818 |
| | (-2.280) | (-1.976) | (-2.531) | (-1.436) |
| NFD | 0.184*** | 0.428*** | 0.203*** | 0.408*** |
| | (9.212) | (11.05) | (10.43) | (12.50) |
| Observations | 33,073 | 34,651 | 33,073 | 34,651 |
| Adj. $R^2$ | 0.428 | 0.265 | 0.428 | 0.272 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.0146** | |
| | (2.009) | |
| High IAFM Vol. & Liq. Indicator X NFD X Δ in Equity Market Sentiment | -0.0123 | |
| | (-0.913) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.0933*** |
| | | (3.305) |
| High IAFM Vol. & Liq. Indicator X NFD X Equity Market Sentiment | | 0.0359 |
| | | (0.803) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0140** | 0.0153*** |
| | (2.486) | (2.773) |
| High IAFM Vol. & Liq. Indicator X NFD X Year-End Q | 0.0263*** | 0.0249*** |
| | (3.321) | (3.124) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.581 | 0.581 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.105* |
| | (1.757) |
| High IAFM Vol. & Liq. Indicator X NFD X Δ in Interest Rate | 0.0168 |
| | (0.335) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0111* |
| | (1.947) |
| High IAFM Vol. & Liq. Indicator X NFD X Year-End Q | 0.0239*** |
| | (2.999) |
| Observations | 14,586 |
| Adj. $R^2$ | 0.583 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Internet Appendix**

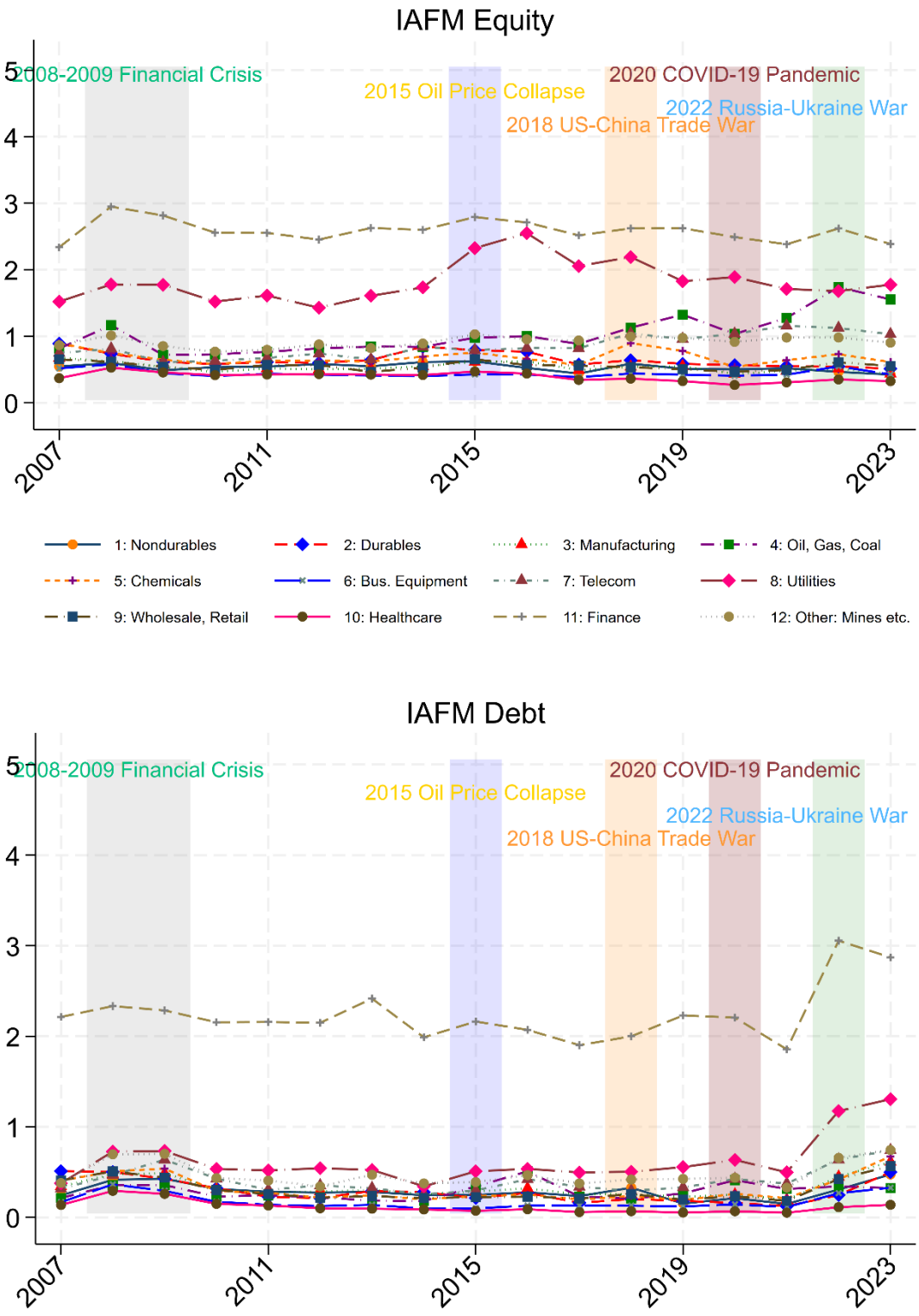


**Fig IA1: TF-Only IAFM Measures Across 12 Fama-French Industries Over Time.** This figure shows the two tf-only IAFM measures (IAFM Equity and IAFM Debt) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from 2007 to 2023.

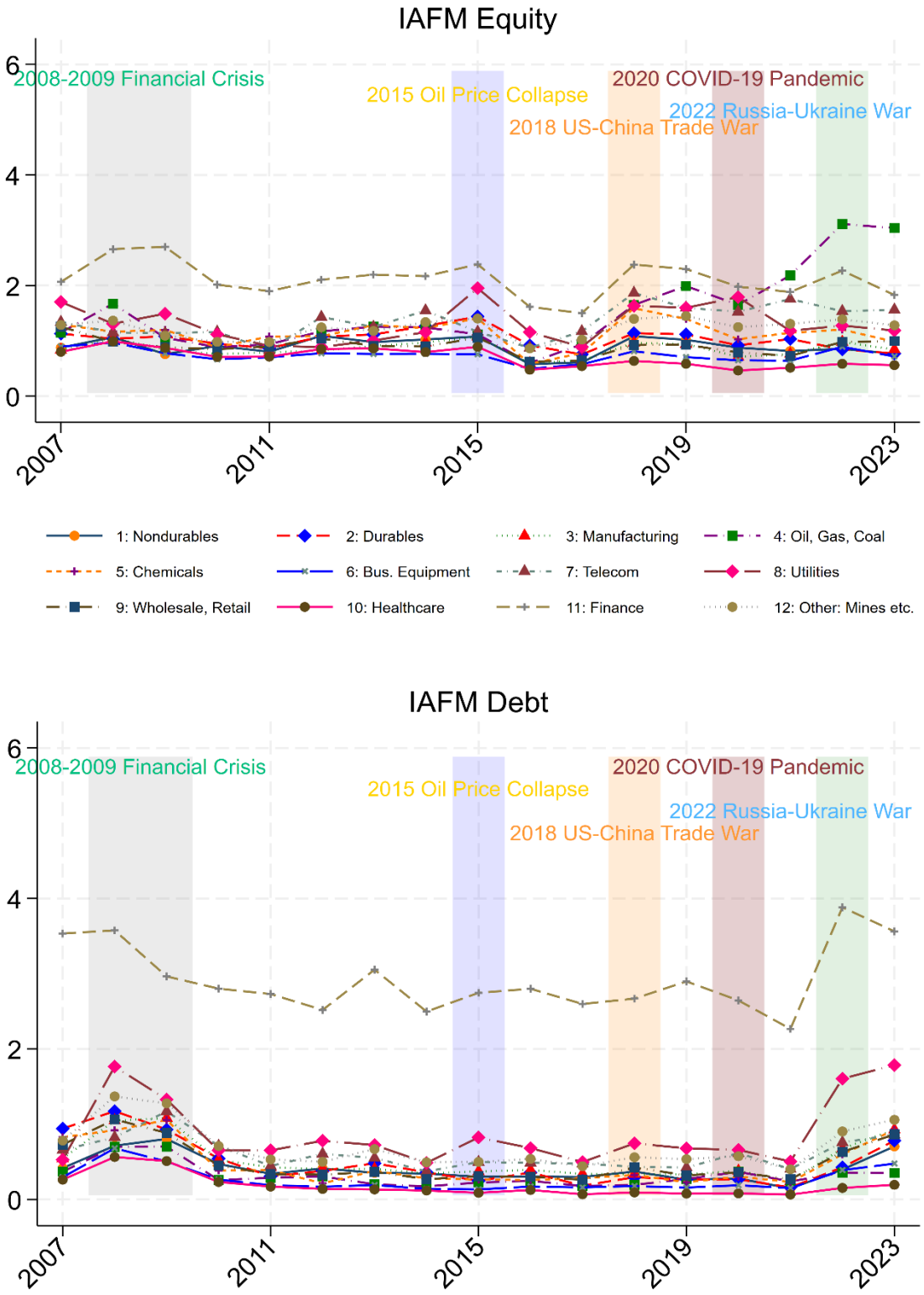


**Fig IA2: Seed-Words IAFM Measures Across 12 Fama-French Industries Over Time.** This figure shows the two seed words-based IAFM measures (IAFM Equity and IAFM Debt) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from 2007 to 2023.

**Table IA1. Do Changes in Treasury Yields with Alternative Maturities Predict Change in IAFM?**

This table reports regression results investigating whether changes in treasury yields predict firm-level attention to financial markets. The dependent variable is IAFM Equity for Columns (1), (3), (5), and (7) and IAFM Debt for Columns (2), (4), (6), and (8). Key independent variables are the annual percentage change and volatility of Treasury yields across four maturities (6-month, 1-year, 5-year, and 10-year). The annual rate of change is the annual change in the yield divided by the previous year end's yield. Annual volatility in yield is the standard deviation of daily rate of change in yield. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Interest rate change, interest rate change volatility are all expressed in actual number (e.g., 1 unit = 100% change) for easier interpretability, not in percentage form. All explanatory variables are lagged by one year. Firm fixed effects are included. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|
| Dimension: | Equity | Debt | Equity | Debt | Equity | Debt | Equity | Debt |
| Δ in 6-Month Treasury Yield | -0.000906 | 0.00878*** | | | | | | |
| | (-1.085) | (10.13) | | | | | | |
| Volatility(Δ in 6-Month Treasury Yield) | -0.0125 | -0.0708*** | | | | | | |
| | (-0.508) | (-3.161) | | | | | | |
| Δ in 1-Year Treasury Yield | | | 0.000162 | 0.0183*** | | | | |
| | | | (0.0915) | (10.55) | | | | |
| Volatility(Δ in 1-Year Treasury Yield) | | | -0.0170 | -0.0246 | | | | |
| | | | (-0.336) | (-0.486) | | | | |
| Δ in 5-Year Treasury Yield | | | | | 0.0138** | 0.0402*** | | |
| | | | | | (2.338) | (8.808) | | |
| Volatility(Δ in 5-Year Treasury Yield) | | | | | -0.237*** | -0.410*** | | |
| | | | | | (-3.019) | (-5.150) | | |
| Δ in 10-Year Treasury Yield | | | | | | | -0.00762 | 0.0595*** |
| | | | | | | | (-0.932) | (7.071) |
| Volatility(Δ in 10-Year Treasury Yield | | | | | | | -0.565*** | -0.294** |
| | | | | | | | (-4.584) | (-2.489) |
| Observations | 39,349 | 39,349 | 39,349 | 39,349 | 39,349 | 39,349 | 39,349 | 39,349 |
| Adj. $R^2$ | 0.401 | 0.409 | 0.401 | 0.409 | 0.401 | 0.407 | 0.402 | 0.405 |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | No | No | No | No | No | No | No | No |

**Table IA2. Role of Product-Market Competition**

This table presents regression results examining the effect of IAFM on investment-price sensitivity, conditional on different levels of product-market competition. The dependent variable is CAPX for Panel A and INVT for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q across all model specifications. Columns (1) and (2) use the tf-idf measure of IAFM Equity. Columns (3) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. In Columns (1) and (3), I focus on firms with a below-median sales-based product-market HHI. In Columns (2) and (4), I focus on firms falling with an above-median sales-based product-market HHI. Product markets are defined following Hoberg and Phillips (2016). 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Product-Market Competition Level: | Low | High | Low | High |
| Panel C: Dep. Var.: CAPX (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0203 | 0.0823** | -0.0360 | 0.0779 |
| | (0.546) | (2.411) | (-0.741) | (1.156) |
| Ln(1+IAFM) | -0.164** | -0.169 | -0.0912 | -0.364* |
| | (-1.989) | (-1.400) | (-0.854) | (-1.715) |
| Year-End Q | 0.426*** | 0.316*** | 0.448*** | 0.348*** |
| | (7.514) | (8.225) | (7.609) | (9.435) |
| Observations | 15,395 | 14,812 | 15,395 | 14,812 |
| Adj. $R^2$ | 0.647 | 0.725 | 0.647 | 0.725 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel D: Dep. Var.: INVT (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.120 | 0.248* | -0.132 | 0.343 |
| | (1.226) | (1.933) | (-0.890) | (1.445) |
| Ln(1+IAFM) | -0.250 | -0.443 | -0.0859 | -1.071 |
| | (-0.925) | (-1.165) | (-0.228) | (-1.544) |
| Year-End Q | 1.176*** | 0.740*** | 1.279*** | 0.825*** |
| | (7.680) | (6.715) | (8.394) | (7.634) |
| Observations | 15,405 | 14,828 | 15,405 | 14,828 |
| Adj. $R^2$ | 0.262 | 0.331 | 0.262 | 0.331 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table IA3. Role of Financial Constraints, Based on A Composite Constraint Measure**
This table presents regression results examining the effect of IAFM on investment-price sensitivity, conditional on whether the firm is financially constrained, based on a composite measured of financial constraints. The dependent variable is CAPX for Panel A and INVT for Panel B. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q across all model specifications. Columns (1) and (2) use the tf-idf measure of IAFM Equity. Columns (3) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Columns (1) and (3) present results for firms classified as financially unconstrained, while Columns (2) and (4) focus on financially constrained firms. The composite indicator of financial constraint is constructed based on five proxies of financial constraints: dividend, credit ratings, the Kaplan-Zingales (1997) index, the Hadlock and Pierce (2010) index, and Whited and Wu (2006) index. For dividend, a firm is classified as constrained if it does not pay dividend in a year. For credit rating, a firm is classified as constrained if it does not have either a short-term (spsticrm) or long-term (splticrm) credit rating from S&P based on Compustat Credit Rating database. Due to data availability, credit rating data is limited to sample period before 2017. For the Kaplan-Zingales, Hadlock-Pierce, and Whited- Wu indices, firms are categorized as financially constrained if they are above the median in a year and unconstrained otherwise. A firm is financially constrained if the majority of the five (lagged by one year) proxies classify the firm as being constrained; otherwise, the firm is unconstrained. 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Financial Constraints: | Uncon. | Con. | Uncon. | Con. |
| Panel A: Dep. Var.: CAPX (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.0318 | 0.0989*** | 0.101*** | 0.178** |
| | (1.153) | (2.698) | (2.883) | (1.975) |
| Ln(1+IAFM) | -0.0580 | -0.288** | -0.283*** | -0.476* |
| | (-0.781) | (-2.340) | (-3.011) | (-1.942) |
| Year-End Q | 0.268*** | 0.304*** | 0.256*** | 0.340*** |
| | (7.513) | (7.024) | (7.543) | (7.869) |
| Observations | 19,592 | 14,766 | 19,592 | 14,766 |
| Adj. $R^2$ | 0.693 | 0.698 | 0.693 | 0.698 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: INVT (%) | | | | |
| Ln(1+IAFM) X Year-End Q | 0.130 | 0.422*** | 0.172 | 0.711*** |
| | (1.460) | (3.417) | (1.253) | (3.201) |
| Ln(1+IAFM) | -0.283 | -0.754** | -0.445 | -1.907*** |
| | (-1.192) | (-1.966) | (-1.290) | (-2.851) |
| Year-End Q | 0.584*** | 0.815*** | 0.606*** | 0.972*** |
| | (5.523) | (7.614) | (6.018) | (8.508) |
| Observations | 19,605 | 14,786 | 19,605 | 14,786 |
| Adj. $R^2$ | 0.283 | 0.316 | 0.283 | 0.316 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table IA4. Role of Debt Market Attention for the Investment-Price Sensitivity, Controlling for A Composite Constraint Measure**

This table mimics the model specification of Table A5 Panel B except that firm-level financial constraint indicator is now the composite indicator of financial constraint, which is constructed based on five proxies of financial constraints: dividend, credit ratings, the Kaplan-Zingales (1997) index, the Hadlock and Pierce (2010) index, and Whited and Wu (2006) index. For dividend, a firm is classified as constrained if it does not pay dividend in a year. For credit rating, a firm is classified as constrained if it does not have either a short-term (spsticrm) or long-term (splticrm) credit rating from S&P based on Compustat Credit Rating database. Due to data availability, credit rating data is limited to sample period before 2017. For the Kaplan-Zingales, Hadlock-Pierce, and Whited-Wu indices, firms are categorized as financially constrained if they are above the median in a year and unconstrained otherwise. A firm is financially constrained if the majority of the five (lagged by one year) proxies classify the firm as being constrained; otherwise, the firm is unconstrained. The dependent variable is CAPX in Column (1) and INVT in Column (2). The key independent variables are the interactions between year-end Tobin's Q and the log of (1) IAFM Equity and (2) IAFM Debt. Control variables include lagged Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. All regressions include 3-digit industry-by-year and firm fixed effects. The sample period is 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| | (1) | (2) |
|---|---|---|
| Dep. Var.: | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity) X Year-End Q | 0.0561** | 0.224*** |
| | (2.555) | (3.320) |
| Ln(1+IAFM Debt) X Year-End Q | 0.0863** | 0.230** |
| | (2.426) | (2.093) |
| Composite Financial-Constraint Indicator X Year-End Q | 0.0426 | 0.0919 |
| | (1.264) | (0.908) |
| Ln(1+IAFM Equity) | -0.142** | -0.392** |
| | (-2.136) | (-2.002) |
| Ln(1+IAFM Debt) | -0.289*** | -0.759** |
| | (-3.015) | (-2.405) |
| Composite Financial-Constraint Indicator | -0.284*** | -1.250*** |
| | (-2.615) | (-3.761) |
| Year-End Q | 0.307*** | 0.751*** |
| | (8.618) | (8.210) |
| Observations | 35,885 | 35,919 |
| Adj. $R^2$ | 0.680 | 0.290 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

**Table IA5. Bond Yield Sensitivity of Investments**

This table presents regression results examining the effect of IAFM on the bond yield sensitivity of investments. The dependent variable is CAPX for Column (1) and INVT for Column (2). The key independent variables include the interaction of bond yield with the log of IAFM Debt, and the interaction of year-end Tobin's Q with the log of IAFM Equity. Bond yield is the firm's most recent monthly close yield as of the prior calendar year, averaged across all publicly traded bonds (weighted by outstanding amount). Bond yield is expressed in actual number (e.g., 1 unit = 100% change) for easier interpretability, not in percentage form. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm effects are included. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| | (1) | (2) |
|---|---|---|
| Dep. Var.: | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity) X Year-End Q | 0.0677 | 0.474** |
| | (1.033) | (1.973) |
| Ln(1+IAFM Debt) X Bond Yield | -2.922 | -21.27* |
| | (-0.610) | (-1.946) |
| Ln(1+IAFM Equity) | -0.144 | -1.107* |
| | (-0.960) | (-1.854) |
| Ln(1+IAFM Debt) | -0.0206 | 0.285 |
| | (-0.0860) | (0.466) |
| Year-End Q | 0.298*** | 0.950*** |
| | (3.529) | (3.886) |
| Bond Yield | -16.15*** | -37.14*** |
| | (-3.143) | (-2.878) |
| Observations | 5,933 | 5,936 |
| Adj. $R^2$ | 0.787 | 0.292 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

**Table IA6. Sensitivity of Investments to Credit Spread, Term Spread, and Treasury Yield**
This table presents regression results decomposing the effect of IAFM on the bond yield sensitivity of investments into sensitivity to credit spread, term spread, and treasury yield. The dependent variable is CAPX for Column (1) and INVT for Column (2). The key independent variables include the interaction of bond yield with the log of IAFM Debt, and the interaction of year-end Tobin's Q with the log of IAFM Equity. Bond yield is now decomposed into three components: 1) credit spread, 2) term spread, and 3) treasury yield. To compute the credit spread, I first calculate the difference between each bond's yield and the interpolated Treasury yield with a maturity matching the bond's. The linear interpolation is conducted based on the two adjacent points on the Treasury yield curve that bracket the bond's time to maturity. The term spread is defined as the difference between the matched-maturity Treasury yield and the three-month Treasury bill rate. I then compute the monthly firm-level credit spread and term spread as the outstanding-amount-weighted average of bond-level spreads. The Treasury yield component is represented by the three-month Treasury bill rate itself. For end-of-year firm-level bond yield, spread, and treasury yield, I use the last available monthly observation in each calendar year. All spreads and yields are expressed in real terms. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm effects are included. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| | (1) | (2) |
|---|---|---|
| Dep. Var.: | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity) X Year-End Q | 0.0651 | 0.478** |
| | (0.976) | (1.971) |
| Ln(1+IAFM Debt) X Credit Spread | -2.855 | -21.93* |
| | (-0.584) | (-1.874) |
| Ln(1+IAFM Debt) X Term Spread | 10.53 | -29.80 |
| | (0.749) | (-0.853) |
| Ln(1+IAFM Debt) X 3-Month Treasury Yield | 5.800 | -24.63 |
| | (0.569) | (-1.183) |
| Ln(1+IAFM Equity) | -0.136 | -1.122* |
| | (-0.889) | (-1.863) |
| Ln(1+IAFM Debt) | -0.259 | 0.392 |
| | (-0.973) | (0.576) |
| Year-End Q | 0.308*** | 1.004*** |
| | (3.561) | (3.932) |
| Credit Spread | -17.65*** | -41.13*** |
| | (-3.064) | (-2.820) |
| Term Spread | -8.401 | 79.05 |
| | (-0.562) | (1.470) |
| Observations | 5,878 | 5,881 |
| Adj. $R^2$ | 0.788 | 0.293 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

**Table IA7. External Financing Intensity by Source, Conditional on Bond Yield**
This table examines how financial market attention (IAFM) affects firms' choice between equity and debt financing, conditional on firm-level bond yield. The sample includes firm-year observations where firms raised external financing from a single source (either equity or debt only) and have at least one publicly tradable bond as of the last calendar year end. The dependent variable equals one if the firm issued net equity with non-positive net debt issuance, and zero if the firm issued net debt with non-positive net equity issuance. The key independent variables include the interaction of bond yield with the log of IAFM Debt and NFD, and the interaction of year-end Tobin's Q with the log of IAFM Equity and NFD. Bond yield is the firm's most recent monthly close yield as of the prior calendar year, averaged across all publicly traded bonds (weighted by outstanding amount). Bond yield is expressed in actual number (e.g., 1 unit = 100% change) for easier interpretability, not in percentage form. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects are included in both Columns (1) and (2) and firm effects additionally are included in Column (2). All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Bond Yield | 0.253 | 0.0900 |
| | (1.471) | (0.320) |
| Ln(1+IAFM Debt) X Δ in Bond Yield | -0.0190 | -0.0462 |
| | (-0.550) | (-1.249) |
| NFD X Δ in Bond Yield | 0.104 | 0.0547 |
| | (0.601) | (0.191) |
| Δ in Bond Yield | -0.0709* | -0.0436 |
| | (-1.778) | (-1.290) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0583 | 0.0664 |
| | (0.824) | (0.855) |
| Ln(1+IAFM Debt) X NFD | -0.320* | -0.333 |
| | (-1.830) | (-1.506) |
| Ln(1+IAFM Equity) X NFD | -0.0604 | -0.0436 |
| | (-0.249) | (-0.166) |
| Ln(1+IAFM Equity) X Year-End Q | -0.0161 | -0.0308** |
| | (-1.272) | (-2.262) |
| NFD X Year-End Q | 0.230*** | 0.189** |
| | (3.015) | (2.000) |
| Ln(1+IAFM Debt) | -0.00318 | -0.0539** |
| | (-0.156) | (-2.117) |
| Ln(1+IAFM Equity) | 0.0187 | 0.0385 |
| | (0.616) | (1.101) |
| NFD | -1.599*** | -1.212*** |
| | (-5.276) | (-3.602) |
| Year-End Q | -0.0243* | -0.00362 |
| | (-1.876) | (-0.249) |
| Observations | 2,027 | 1,829 |
| Adj. $R^2$ | 0.312 | 0.471 |
| Firm FE | No | Yes |
| Industry-by-Year FE | Yes | Yes |

**Table IA8. The Effect of IAFM on The Choice of External Financing Source When Financing R&D Investments**

This table presents regression results examining the effect of IAFM on the choice of financing source when funding R&D investments using external financing. The sample includes firm-year observations where firms raised external financing from a single source (either equity or debt only). The dependent variable equals one if the firm issued net equity with non-positive net debt issuance, and zero if the firm issued net debt with non-positive net equity issuance. The main independent variable is the interaction term between log-transformed IAFM measures and contemporaneous R&D expense. Column (1) uses the tf-idf measure of IAFM Equity. Column (2) uses the tf-idf measure of IAFM Debt. Control variables include, end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. I additionally include NFD and its interaction with log-transformed IAFM measures. 3-digit industry-by-year and firm fixed effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Proxy for IAFM: | Equity | Debt |
| Ln(1+IAFM) X R&D Investment (%) | 0.00100* | 0.00194** |
| | (1.858) | (2.017) |
| R&D Investment (%) | 0.00221*** | 0.00186*** |
| | (3.186) | (2.953) |
| Ln(1+IAFM) X NFD | -0.0407** | -0.349*** |
| | (-1.984) | (-7.757) |
| Ln(1+IAFM) | -0.0187** | 0.00431 |
| | (-2.270) | (0.437) |
| NFD | -0.191*** | -0.155*** |
| | (-6.646) | (-7.399) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.577 | 0.580 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

**Table IA9. Does IAFM Capture Only Financial Constraint? Evidence from A Composite Constraint Measure**

This table presents regression results examining the relationship between financial constraints and IAFM. The dependent variable is log-transformed IAFM measures. IAFM the tf-idf measure of IAFM Equity for Columns (1) and (3), and the tf-idf measure of IAFM Debt for Columns (2) and (4). The key independent variable is the composite indicator of financial constraint, which is constructed based on five proxies of financial constraints: dividend, credit ratings, the Kaplan and Zingales (1997) index, the Hadlock and Pierce (2010) index, and Whited and Wu (2006) index. For dividend, a firm is classified as constrained if it does not pay dividend in a year. For credit rating, a firm is classified as constrained if it does not have either a short-term (spsticrm) or long-term (splticrm) credit rating from S&P based on Compustat Credit Rating database. Due to data availability, credit rating data is limited to sample period before 2017. For the Kaplan-Zingales, Hadlock-Pierce, and Whited-Wu indices, firms are categorized as financially constrained if they are above the median and unconstrained otherwise. A firm is financially constrained if the majority of the five (lagged by one year) proxies classify the firm as being constrained; otherwise, the firm is unconstrained. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit-by-year fixed effects are included in Columns (1)-(4) and Columns (3) and (4) additionally include firm fixed effects. All independent variables are lagged by one year. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Proxy for IAFM: | Equity | Debt | Equity | Debt |
| Composite Financial-Constraint Indicator | -0.0388*** | -0.0190*** | -0.0164 | 0.00438 |
| | (-4.084) | (-2.617) | (-1.569) | (0.496) |
| Observations | 38,648 | 38,648 | 37,797 | 37,797 |
| Adj. $R^2$ | 0.177 | 0.281 | 0.427 | 0.479 |
| Firm FE | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

**Table IA10. Does the CEO's Finance Expertise Explain the Effect of Managerial Attention to Financial Markets?**

This table examines whether the effect of managerial attention to financial markets affects their investment and financing decisions is fully attributable to the effect of having finance education. In Panel A, I examine investment-price sensitivities. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and (1) the log-transformed IAFM Equity/Debt measures and (2) Finance-Expert CEO Indicator. In Panel B, I examine financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and (1) the log-transformed IAFM Equity/Debt measures and (2) Finance-Expert CEO Indicator. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice, after controlling for the effect of having finance education. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q, after controlling for Finance-Expert CEO Indicator's interactions with Treasury yield and Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM) X Year-End Q | 0.0616** | 0.302*** | 0.000739 | 0.165 |
| | (2.230) | (3.488) | (0.0176) | (1.252) |
| Finance-Expert CEO X Year-End Q | -0.0135 | -0.115 | -0.00830 | -0.0981 |
| | (-0.367) | (-0.968) | (-0.223) | (-0.821) |
| Ln(1+IAFM) | -0.185** | -0.643*** | -0.130 | -0.706** |
| | (-2.513) | (-2.757) | (-1.265) | (-2.034) |
| Finance-Expert CEO | -0.0424 | 0.360 | -0.0549 | 0.325 |
| | (-0.379) | (1.002) | (-0.491) | (0.901) |
| Year-End Q | 0.375*** | 0.944*** | 0.409*** | 1.087*** |
| | (9.912) | (9.489) | (10.32) | (10.38) |
| Observations | 30,281 | 30,303 | 30,281 | 30,303 |
| Adj. $R^2$ | 0.696 | 0.299 | 0.696 | 0.299 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| Ln(1+IAFM) X NFD | 0.0642*** | 0.0928*** | 0.126*** | 0.459*** |
| | (4.554) | (4.015) | (4.046) | (9.965) |
| Finance-Expert CEO X NFD | 0.0276 | -0.0398 | 0.0239 | -0.0645** |
| | (1.371) | (-1.505) | (1.188) | (-2.511) |
| Ln(1+IAFM) | -0.0199*** | 0.00175 | 0.00244 | -0.00923 |
| | (-4.022) | (0.304) | (0.361) | (-1.292) |
| Finance-Expert CEO | -0.00941 | 0.00440 | -0.0107 | 0.00433 |
| | (-1.119) | (0.484) | (-1.269) | (0.479) |
| NFD | 0.184*** | 0.487*** | 0.205*** | 0.473*** |
| | (8.219) | (11.65) | (9.759) | (13.29) |
| Observations | 27,887 | 29,232 | 27,887 | 29,232 |
| Adj. $R^2$ | 0.430 | 0.257 | 0.429 | 0.265 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| ‘ | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.0144* | |
| | (1.724) | |
| Finance-Expert CEO X NFD X Δ in Equity Market Sentiment | -0.00996 | |
| | (-0.905) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.102*** |
| | | (3.362) |
| Finance-Expert CEO X NFD X Equity Market Sentiment | | 0.00166 |
| | | (0.0407) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0163*** | 0.0180*** |
| | (2.851) | (3.155) |
| Finance-Expert CEO X NFD X Year-End Q | 0.00503 | 0.00605 |
| | (0.670) | (0.816) |
| Observations | 12,222 | 12,222 |
| Adj. $R^2$ | 0.579 | 0.580 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.0870 |
| | (1.414) |
| Finance-Expert CEO X NFD X Δ in Interest Rate | -0.0108 |
| | (-0.245) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0124** |
| | (2.172) |
| Finance-Expert CEO X NFD X Year-End Q | 0.00321 |
| | (0.454) |
| Observations | 12,222 |
| Adj. $R^2$ | 0.582 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA11. Implications of IAFM Constructed Based on Management Presentation Only**
This table presents regression results examining the economic implications of attention to financial markets with IAFM measures constructed based on only the Management Presentation section of each earnings call. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the log-transformed IAFM Equity/Debt measures. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the log-transformed IAFM Equity/Debt measures. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.0315* | 0.149** | 0.0503* | 0.129 |
| | (1.764) | (2.529) | (1.683) | (1.387) |
| Ln(1+IAFM Equity/Debt) | -0.0471 | -0.335** | -0.117 | -0.326 |
| | (-0.849) | (-2.021) | (-1.456) | (-1.338) |
| Year-End Q | 0.361*** | 0.893*** | 0.370*** | 0.955*** |
| | (11.01) | (10.43) | (11.38) | (11.43) |
| Observations | 35,880 | 35,914 | 35,880 | 35,914 |
| Adj. $R^2$ | 0.680 | 0.289 | 0.680 | 0.289 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| Ln(1+IAFM Equity/Debt) X NFD | 0.0418*** | 0.0348* | 0.0684*** | 0.348*** |
| | (3.551) | (1.816) | (2.590) | (9.069) |
| Ln(1+IAFM Equity/Debt) | -0.0111*** | 0.00132 | 0.00351 | -0.0117** |
| | (-2.897) | (0.316) | (0.695) | (-2.130) |
| NFD | 0.220*** | 0.525*** | 0.235*** | 0.486*** |
| | (11.36) | (12.70) | (12.21) | (14.17) |
| Observations | 33,069 | 34,646 | 33,069 | 34,646 |
| Adj. $R^2$ | 0.427 | 0.259 | 0.427 | 0.265 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.00584 | |
| | (0.867) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.0592** |
| | | (1.992) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0124*** | 0.0123*** |
| | (2.809) | (2.773) |
| Observations | 14,585 | 14,585 |
| Adj. $R^2$ | 0.578 | 0.579 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.0826* |
| | (1.717) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0109** |
| | (2.542) |
| Observations | 14,585 |
| Adj. $R^2$ | 0.580 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA12. Implications of IAFM Constructed Based on Q&As Only**

This table presents regression results examining the economic implications of attention to financial markets with IAFM measures constructed based on only the Questions and Answers (Q&As) section of each earnings call. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the log-transformed IAFM Equity/Debt measures. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the log-transformed IAFM Equity/Debt measures. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.0435** | 0.217*** | 0.0793** | 0.256** |
| | (2.137) | (3.526) | (2.404) | (2.545) |
| Ln(1+IAFM Equity/Debt) | -0.149** | -0.380** | -0.311*** | -0.763*** |
| | (-2.541) | (-2.226) | (-3.652) | (-2.765) |
| Year-End Q | 0.362*** | 0.887*** | 0.370*** | 0.940*** |
| | (10.78) | (10.86) | (11.27) | (11.18) |
| Observations | 35,627 | 35,658 | 35,627 | 35,658 |
| Adj. $R^2$ | 0.681 | 0.289 | 0.681 | 0.289 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| Ln(1+IAFM Equity/Debt) X NFD | 0.0538*** | 0.137*** | 0.101*** | 0.391*** |
| | (4.131) | (7.036) | (3.905) | (8.908) |
| Ln(1+IAFM Equity/Debt) | -0.0149*** | 5.75e-06 | -0.00216 | -0.00575 |
| | (-3.983) | (0.00141) | (-0.413) | (-1.037) |
| NFD | 0.217*** | 0.474*** | 0.230*** | 0.488*** |
| | (10.87) | (12.66) | (11.91) | (14.15) |
| Observations | 32,831 | 34,398 | 32,831 | 34,398 |
| Adj. $R^2$ | 0.427 | 0.262 | 0.427 | 0.266 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.0223*** | |
| | (3.033) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.108*** |
| | | (4.280) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0116** | 0.0138** |
| | (2.045) | (2.500) |
| Observations | 14,492 | 14,492 |
| Adj. $R^2$ | 0.579 | 0.579 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.0838 |
| | (1.535) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.00971* |
| | (1.651) |
| Observations | 14,492 |
| Adj. $R^2$ | 0.581 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA13. Implications of IAFM Constructed Using Term-Frequency (TF) Approach**
This table presents regression results examining the economic implications of attention to financial markets with IAFM measures constructed using the Term-Frequency (TF) approach. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the log-transformed IAFM Equity/Debt measures. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the log-transformed IAFM Equity/Debt measures. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.105** | 0.508*** | 0.206*** | 0.673*** |
| | (2.477) | (3.799) | (2.703) | (2.843) |
| Ln(1+IAFM Equity/Debt) | -0.255** | -0.924** | -0.727*** | -2.320*** |
| | (-2.027) | (-2.479) | (-3.757) | (-3.670) |
| Year-End Q | 0.352*** | 0.846*** | 0.362*** | 0.921*** |
| | (10.59) | (10.45) | (11.22) | (11.18) |
| Observations | 35,885 | 35,919 | 35,885 | 35,919 |
| Adj. $R^2$ | 0.680 | 0.290 | 0.680 | 0.290 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| Ln(1+IAFM Equity/Debt) X NFD | 0.116*** | 0.190*** | 0.215*** | 1.029*** |
| | (4.416) | (4.360) | (3.438) | (9.788) |
| Ln(1+IAFM Equity/Debt) | -0.0368*** | 0.0126 | 0.00616 | -0.0267** |
| | (-4.360) | (1.344) | (0.517) | (-2.114) |
| NFD | 0.210*** | 0.486*** | 0.228*** | 0.460*** |
| | (10.41) | (11.98) | (11.66) | (13.72) |
| Observations | 33,073 | 34,651 | 33,073 | 34,651 |
| Adj. $R^2$ | 0.427 | 0.261 | 0.427 | 0.270 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.0307** | |
| | (2.073) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.201*** |
| | | (3.313) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0330*** | 0.0358*** |
| | (2.834) | (3.288) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.579 | 0.579 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.246* |
| | (1.910) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0268** |
| | (2.300) |
| Observations | 14,586 |
| Adj. $R^2$ | 0.582 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA14. Implications of IAFM Constructed Using Seed Words Only**

This table presents regression results examining the economic implications of attention to financial markets with IAFM measures constructed using the seed words only. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the log-transformed IAFM Equity/Debt measures. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the log-transformed IAFM Equity/Debt measures. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.0280 | 0.176** | 0.0863* | 0.373** |
| | (1.137) | (2.153) | (1.766) | (2.347) |
| Ln(1+IAFM Equity/Debt) | -0.141** | -0.443* | -0.250** | -0.848** |
| | (-1.970) | (-1.956) | (-2.175) | (-2.297) |
| Year-End Q | 0.368*** | 0.915*** | 0.370*** | 0.939*** |
| | (10.75) | (11.09) | (11.37) | (11.24) |
| Observations | 35,885 | 35,919 | 35,885 | 35,919 |
| Adj. $R^2$ | 0.680 | 0.289 | 0.680 | 0.289 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| Ln(1+IAFM Equity/Debt) X NFD | 0.0658*** | 0.0606** | 0.117*** | 0.546*** |
| | (3.808) | (2.263) | (2.977) | (7.493) |
| Ln(1+IAFM Equity/Debt) | -0.0236*** | -0.00579 | 0.0129* | -0.0148* |
| | (-4.439) | (-0.960) | (1.648) | (-1.739) |
| NFD | 0.220*** | 0.521*** | 0.234*** | 0.489*** |
| | (10.80) | (12.85) | (12.14) | (13.96) |
| Observations | 33,073 | 34,651 | 33,073 | 34,651 |
| Adj. $R^2$ | 0.427 | 0.259 | 0.427 | 0.266 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| Ln(1+IAFM Equity) X NFD X Δ in Equity Market Sentiment | 0.0175* | |
| | (1.925) | |
| Ln(1+IAFM Equity) X NFD X Equity Market Sentiment | | 0.0855** |
| | | (2.491) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0160** | 0.0170*** |
| | (2.440) | (2.710) |
| Observations | 14,586 | 14,586 |
| Adj. $R^2$ | 0.579 | 0.579 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| Ln(1+IAFM Debt) X NFD X Δ in Interest Rate | 0.152* |
| | (1.867) |
| Ln(1+IAFM Equity) X NFD X Year-End Q | 0.0133** |
| | (2.018) |
| Observations | 14,586 |
| Adj. $R^2$ | 0.582 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA15. Controlling for Firms' Vulnerability to Market Disruptions, with All IAFM Measures Constructed Using Indicators**

This table examines how firms' attention to financial markets affects their investment and financing decisions, controlling for vulnerability to market volatility and liquidity. All IAFM measures are now constructed using binary indicators, which equal to one if the corresponding IAFM measure falls within the top two quintiles of the sample in a year and zero otherwise. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and (1) the High IAFM Equity/Debt Indicator and (2) High IAFM Vol. & Liq. Indicator. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and (1) the High IAFM Equity/Debt Indicator and (2) High IAFM Vol. & Liq. Indicator. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice, after controlling for High IAFM Vol. & Liq. Indicator's interactions with sentiment and Tobin's Q. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q, after controlling for High IAFM Vol. & Liq. Indicator's interactions with Treasury yield and Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| High IAFM Equity/Debt Indicator X Year-End Q | 0.0588* | 0.222*** | 0.0680** | 0.184** |
| | (1.933) | (2.780) | (2.156) | (2.079) |
| High IAFM Vol. & Liq. Indicator X Year-End Q | 0.0768*** | 0.306*** | 0.0722*** | 0.294*** |
| | (3.063) | (3.847) | (2.885) | (3.716) |
| High IAFM Equity/Debt Indicator | -0.177** | -0.344 | -0.177** | -0.369 |
| | (-2.151) | (-1.457) | (-1.992) | (-1.396) |
| High IAFM Vol. & Liq. Indicator | -0.188*** | -0.620*** | -0.181*** | -0.595*** |
| | (-2.721) | (-2.770) | (-2.598) | (-2.655) |
| Year-End Q | 0.343*** | 0.840*** | 0.345*** | 0.859*** |
| | (10.53) | (10.28) | (10.67) | (10.36) |
| Observations | 35,885 | 35,919 | 35,885 | 35,919 |
| Adj. $R^2$ | 0.680 | 0.290 | 0.680 | 0.290 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| High IAFM Equity/Debt Indicator X NFD | 0.0541*** | 0.0736** | 0.0720*** | 0.343*** |
| | (3.169) | (2.511) | (2.811) | (10.72) |
| High IAFM Vol. & Liq. Indicator X NFD | 0.111*** | 0.275*** | 0.107*** | 0.237*** |
| | (5.046) | (7.837) | (4.806) | (6.734) |
| High IAFM Equity/Debt Indicator | -0.0153*** | 0.00218 | -0.00303 | -0.00691 |
| | (-2.837) | (0.338) | (-0.526) | (-1.100) |
| High IAFM Vol. & Liq. Indicator | -0.0131** | -0.0114** | -0.0136** | -0.00928 |
| | (-2.466) | (-1.984) | (-2.544) | (-1.619) |
| NFD | 0.202*** | 0.457*** | 0.205*** | 0.414*** |
| | (10.65) | (12.42) | (10.56) | (12.82) |
| Observations | 33,073 | 34,651 | 33,073 | 34,651 |
| Adj. $R^2$ | 0.428 | 0.264 | 0.428 | 0.270 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| High IAFM Equity Indicator X NFD X Δ in Equity Market Sentiment | 0.00887 | |
| | (0.722) | |
| High IAFM Vol. & Liq. Indicator X NFD X Δ in Equity Market Sentiment | -0.00855 | |
| | (-0.644) | |
| High IAFM Equity Indicator X NFD X Equity Market Sentiment | | 0.170*** |
| | | (3.617) |
| High IAFM Vol. & Liq. Indicator X NFD X Equity Market Sentiment | | 0.0341 |
| | | (0.778) |
| High IAFM Equity Indicator X NFD X Year-End Q | 0.0112* | 0.0115* |
| | (1.679) | (1.725) |
| High IAFM Vol. & Liq. Indicator X NFD X Year-End Q | 0.0285*** | 0.0287*** |
| | (3.422) | (3.429) |
| Observations | | 14,586 |
| Adj. $R^2$ | | 0.580 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| High IAFM Debt Indicator X NFD X Δ in Interest Rate | 0.0850** |
| | (1.971) |
| High IAFM Vol. & Liq. Indicator X NFD X Δ in Interest Rate | 0.0163 |
| | (0.316) |
| High IAFM Equity Indicator X NFD X Year-End Q | 0.00768 |
| | (1.127) |
| High IAFM Vol. & Liq. Indicator X NFD X Year-End Q | 0.0279*** |
| | (3.276) |
| Observations | 14,586 |
| Adj. $R^2$ | 0.582 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA16. Incremental Explanatory Power of Manager Effects for IAFM Measures**
This table presents the *incremental* $R^2$ (%) from adding a specific set of fixed effects to firm-year level regressions. Compared to Table 3, the focus of this table is on the additional explanatory power of manager (i.e., directorid in BoardEx) fixed effects for IAFM measures. IAFM Equity (Column (1)) and IAFM Debt (Column (2)) are TF-IDF-based measures that capture the frequency of equity-related and debt-related phrases, respectively, in earnings call transcripts. All measures are averaged across all quarterly earnings calls within each calendar year. The sample period is 2007-2023.

| Dep. Var.: IAFM Dimension: | (1) Equity | (2) Debt |
|---|---|---|
| Year FE | 0.28% | 0.64% |
| Industry FE | 38.12% | 44.77% |
| Industry X Year FE | 3.2% | 2.9% |
| Firm FE | 30.4% | 33.9% |
| Manager FE | 5.7% | 3.2% |
| Residual Variation | 22.3% | 14.6% |
| Sum | 100% | 100% |

**Table IA17. Imprinting Effect of CEO's Past Employment History on Attention**

This table reports regression results investigating how CEO's past C-Suite employment experience predicts firm-level attention to financial markets. The dependent variable is the tf-idf measure of IAFM Equity for Columns (1), (3), and (5), and IAFM Debt for Columns (2), (4) and (6). The key independent variable is the log-transformed Pre-Tenure IAFM, defined as the equally weighted average of IAFM scores during the CEO's prior C-suite roles (including both current and previous firms) before the start of the current CEO tenure. This variable is constructed at the manager-tenure level, meaning it varies across different CEO tenures rather than being fixed across a CEO's entire career. Control variables include end-of-year Tobin's Q, firm size (ln(Assets)), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. I additionally control for the gender, tenure, age, and squared age of the CEO. 3-digit industry-by-year fixed effects are included for Columns (1)-(6), and Columns (5) and (6) additionally include firm effects. All independent variables are lagged by one year. The sample period is 2007-2023. Due to the availability of IAFM measures beginning in 2007, the sample is implicitly restricted to CEOs who held C-suite positions at firms with non-missing IAFM data after 2007 and subsequently transitioned to a new role. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

| Dep. Var.: Ln(1+IAFM) | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Dimension: | Equity | Debt | Equity | Debt | Equity | Debt |
| Ln(1+ Pre-Tenure IAFM) | 0.444*** | 0.0952*** | 0.443*** | 0.0951*** | 0.284*** | 0.0429*** |
| | (42.87) | (12.18) | (42.75) | (12.21) | (12.04) | (2.781) |
| Female CEO | | | -0.0355* | -0.0369** | 0.000180 | -0.0768** |
| | | | (-1.773) | (-2.169) | (0.00476) | (-2.260) |
| CEO Tenure | | | 0.00201** | 0.00242*** | 0.00250 | -0.00252* |
| | | | (2.189) | (3.505) | (1.366) | (-1.802) |
| CEO Age | | | -0.0128 | 0.00188 | -0.0301** | 0.00371 |
| | | | (-1.545) | (0.327) | (-2.313) | (0.412) |
| CEO Age Squared | | | 0.000105 | -1.98e-05 | 0.000250** | -1.09e-05 |
| | | | (1.451) | (-0.388) | (2.240) | (-0.138) |
| Observations | 15,579 | 15,579 | 15,572 | 15,572 | 15,075 | 15,075 |
| Adj. $R^2$ | 0.287 | 0.273 | 0.287 | 0.274 | 0.437 | 0.473 |
| Firm FE | No | No | No | No | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes | Yes | Yes |

**Table IA18. Imprinting Effect of CEO's Past Employment History on Corporate Policies**
This table presents regression results examining the economic implications of CEO turnover, specifically focusing on cases where a CEO with prior experience in low-attention firms or roles is replaced by a CEO with prior experience in high-attention environments. A CEO's pre-tenure attention level is proxied by the equally weighted average of IAFM scores from all prior C-suite positions (including both current and past firms) before the start of the current CEO tenure. This measure is constructed at the manager-tenure level, allowing it to vary across different CEO tenures rather than being fixed for each CEO across their entire career. Then, I classify CEOs as having high (low) prior attention if their historical IAFM score falls within the top (bottom) two quintiles of the distribution across all manager-tenure observations in the sample. I remove manager-tenure observations falling within the middle quintile. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the High Pre-Tenure IAFM Indicator. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the High Pre-Tenure IAFM Indicator. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Due to the availability of IAFM measures beginning in 2007, the sample is implicitly restricted to CEOs who held C-suite positions at firms with non-missing IAFM data after 2007 and subsequently transitioned to a new role. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| High Pre-Tenure IAFM Indicator X Year-End Q | 0.174** | 0.211 | -0.0234 | -0.0615 |
| | (2.094) | (1.124) | (-0.344) | (-0.333) |
| High Pre-Tenure IAFM Indicator | -0.405* | -0.370 | -0.00888 | 0.766 |
| | (-1.750) | (-0.525) | (-0.0436) | (1.243) |
| Year-End Q | 0.347*** | 1.070*** | 0.395*** | 1.118*** |
| | (8.566) | (8.063) | (7.452) | (9.840) |
| Observations | 15,165 | 15,175 | 15,046 | 15,059 |
| Adj. $R^2$ | 0.709 | 0.321 | 0.705 | 0.325 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| High Pre-Tenure IAFM Indicator X NFD | 0.0389 | 0.137*** | 0.183*** | 0.606*** |
| | (1.331) | (3.012) | (5.191) | (10.78) |
| High Pre-Tenure IAFM Indicator | 0.00126 | 0.137*** | 0.0126 | 0.0137 |
| | (0.0612) | (-0.394) | (0.551) | (0.608) |
| NFD | 0.202*** | 0.452*** | 0.169*** | 0.362*** |
| | (7.391) | (9.048) | (8.030) | (9.468) |
| Observations | 13,973 | 14,637 | 13,812 | 14,487 |
| Adj. $R^2$ | 0.440 | 0.258 | 0.438 | 0.277 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| High Pre-Tenure IAFM Equity Indicator X NFD X Δ in Equity Market Sentiment | 0.0263* | |
| | (1.779) | |
| High Pre-Tenure l IAFM Equity Indicator X NFD X Equity Market Sentiment | | 0.0993 |
| | | (1.427) |
| High Pre-Tenure IAFM Equity Indicator X NFD X Year-End Q | 0.0297*** | 0.0279*** |
| | (3.571) | (3.380) |
| Observations | 5,582 | 5,582 |
| Adj. $R^2$ | 0.609 | 0.609 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| High Pre-Tenure IAFM Debt Indicator X NFD X Δ in Interest Rate | -0.139 |
| | (-1.476) |
| High Pre-Tenure IAFM Equity Indicator X NFD X Year-End Q | 0.0174** |
| | (2.022) |
| Observations | 4,290 |
| Adj. $R^2$ | 0.631 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA19. Imprinting Effect of CEO's Past Employment History on Corporate Policies: Evidence from "Exogenous" CEO Turnovers**

This table presents regression results examining the economic implications of CEO "exogenous" turnover, specifically focusing on cases where a CEO with prior experience in low-attention firms or roles has reached a retirement age and is replaced by a CEO with prior experience in high-attention environments. A CEO's pre-tenure attention level is proxied by the equally weighted average of IAFM scores from all prior C-suite positions (including both current and past firms) before the start of the current CEO tenure. This measure is constructed at the manager-tenure level, allowing it to vary across different CEO tenures rather than being fixed for each CEO across their entire career. Then, I classify CEOs as having high (low) prior attention if their historical IAFM score falls within the top (bottom) two quintiles of the distribution across all manager-tenure observations in the sample. I remove manager-tenure observations falling within the middle quintile. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and the High Pre-Tenure IAFM Indicator. In Panel B, I examine the implications for financing policies. The dependent variable is net equity issue indicator for Columns (1) and (3), and net debt issue indicator for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and the High Pre-Tenure IAFM Indicator. Panel C tests whether equity market attention interacts with equity market sentiment and Tobin's Q to predict financing choice. Panel D examines whether debt market attention interacts with Treasury yields, while equity market attention interacts with Tobin's Q. The sample in Panels C and D includes firm-year observations where firms raised external financing from a single source (either equity or debt only). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2023. Due to the availability of IAFM measures beginning in 2007, the sample is implicitly restricted to CEOs who held C-suite positions at firms with non-missing IAFM data after 2007 and subsequently transitioned to a new role. The sample is further restricted to firms in which the incoming CEO succeeded a predecessor who reached retirement age. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | CAPX (%) | INVT (%) | CAPX (%) | INVT (%) |
| High Pre-Tenure IAFM Indicator X Year-End Q | 0.736*** | 0.509 | 0.495** | 1.116 |
| | (3.841) | (0.789) | (2.003) | (1.122) |
| High Pre-Tenure IAFM Indicator | -1.605*** | -1.539 | 0.0225 | 2.178 |
| | (-2.959) | (-0.772) | (0.0363) | (1.033) |
| Year-End Q | 0.0202 | 1.430*** | 0.442*** | 1.540*** |
| | (0.134) | (2.651) | (3.819) | (6.023) |
| Observations | 940 | 943 | 948 | 951 |
| Adj. $R^2$ | 0.758 | 0.344 | 0.723 | 0.211 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel B: Whether Tapping External Financing by Source

| Proxy for IAFM: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Dep. Var.: | Equity Financing Indicator | Debt Financing Indicator | Equity Financing Indicator | Debt Financing Indicator |
| High Pre-Tenure IAFM Indicator X NFD | 0.204 | 0.427*** | 0.0176 | 0.443*** |
| | (1.370) | (3.101) | (0.147) | (2.885) |
| High Pre-Tenure IAFM Indicator | 0.0847 | -0.0858 | 0.00357 | 0.165 |
| | (0.939) | (-1.054) | (0.0333) | (1.619) |
| NFD | 0.254*** | 0.357*** | 0.225*** | 0.165* |
| | (3.145) | (4.176) | (2.772) | (1.768) |
| Observations | 843 | 910 | 812 | 915 |
| Adj. $R^2$ | 0.406 | 0.201 | 0.376 | 0.198 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |

Panel C: External Financing Source, Conditional on Equity Market Sentiment

| Dep. Var.: Equity Issue vs Debt Issue | (1) | (2) |
|---|---|---|
| High Pre-Tenure IAFM Equity Indicator X NFD X Δ in Equity Market Sentiment | 0.00302 | |
| | (0.0398) | |
| High Pre-Tenure IAFM Equity Indicator X NFD X Equity Market Sentiment | | -0.0446 |
| | | (-0.0924) |
| High Pre-Tenure IAFM Equity Indicator X NFD X Year-End Q | 0.194 | 0.199 |
| | (1.624) | (1.369) |
| Observations | 286 | 286 |
| Adj. $R^2$ | 0.613 | 0.609 |
| Firm FE | Yes | Yes |
| Industry-by-Year FE | Yes | Yes |

Panel D: External Financing Source, Conditional on Interest Rate Changes

| Dep. Var.: Equity Issue vs Debt Issue | (1) |
|---|---|
| High Pre-Tenure IAFM Debt Indicator X NFD X Δ in Interest Rate | -0.143 |
| | (-0.653) |
| High Pre-Tenure IAFM Equity Indicator X NFD X Year-End Q | 0.162 |
| | (1.595) |
| Observations | 184 |
| Adj. $R^2$ | 0.614 |
| Firm FE | Yes |
| Industry-by-Year FE | Yes |

**Table IA20. Seed Words and Expanded Dictionary for IAFM Other Assets**

Panel A lists the 25 seed words used to construct the expanded dictionaries for IAFM Other Assets. IAFM Other Assets is a TF-IDF-based measure designed to capture phrases related to the commodity, currency, and derivatives markets. Panel B presents the 50 most representative words for IAFM Other Assets, ranked by descending similarity to the seed words in the first two columns, and the 50 most frequent words ranked by tf-idf in the latter two columns, with percentages indicating each word's contribution to the total tf-idf score for this dimension across all transcripts. Panel C displays the firm-level IAFM Other Assets measure across the 12 Fama-French Industries, classified using four-digit SIC codes, with industries ranked by their average firm-year IAFM scores. These scores are based on the TF-IDF approach applied to the frequency of financial-market-related phrases in quarterly earnings calls, aggregated to the firm-year level. The sample period covers 2007–2023. Variable definitions are provided in Table A.1. Panel D tests whether changes in fuel prices predict firm-level attention to financial assets excluding equity and debt. The key independent variables are the annual change in the Producer Price Index for Fuels and Related Products and Power and the annualized volatility of monthly changes in the index. Control variables match those used in Table 7 Panel B. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Seed words

| Other Assets |
|---|
| basis_risk |
| cboe |
| commodity_market |
| commodity_price |
| currency_market |
| currency_risk |
| derivative_market |
| foreign_exchange_rate |
| forward_market |
| forward_price |
| future_market |
| future_price |
| fx_market |
| fx_price |
| fx_risk |
| gold_price |
| oil_price |
| option_market |
| option_price |
| prop_month |
| prop_price |
| spot_market |
| spot_price |
| stock_option |
| swap_agreement |

Panel B: Fifty most representative words and fifty most frequently occurring words by tf-idf contribution for IAFM Other Assets

| Fifty most representative words | | | | Fifty most frequently occurring words | | | |
|---|---|---|---|---|---|---|---|
| Word | Sim. | Word | Sim. | Word | % | Word | % |
| commodity_market | 0.75 | future_price | 0.67 | hedge | 18.44% | oil_market | 0.73% |
| future_market | 0.74 | g7_currency | 0.67 | commodity | 8.63% | aluminum_price | 0.69% |
| spot_price | 0.73 | basket_hedge | 0.67 | oil_price | 8.35% | unhedged | 0.64% |
| oil_and_chemical_price | 0.72 | oil_barrel_price | 0.67 | commodity_price | 6.89% | oil_and_gas_price | 0.64% |
| prop_price | 0.71 | steel_cost_volatility | 0.67 | gas_price | 6.07% | scrap_price | 0.62% |
| $_3.50_per_million_btu | 0.70 | peso_price | 0.67 | hedging | 3.37% | nickel_price | 0.57% |
| cross_-_rate | 0.70 | oil_future_curve | 0.66 | market_price | 3.30% | sugar_price | 0.57% |
| petroleum_product_pricing | 0.69 | ngl_-_to_-_crude_relationship | 0.66 | fuel_price | 3.17% | cboe | 0.55% |
| euro_-_ruble_exchange_rate | 0.69 | market_commodity | 0.66 | spot_market | 3.11% | zinc_price | 0.48% |
| steel_price_market | 0.69 | uranium_market_price | 0.66 | gold_price | 2.98% | spot_pricing | 0.47% |
| ruble_-_dollar | 0.69 | ruble_/_dollar_rate | 0.66 | energy_price | 2.63% | brent_price | 0.46% |
| aeco_basis | 0.69 | gas_future_price | 0.66 | spot_price | 2.31% | gas_pricing | 0.44% |
| exchange_interest_rate | 0.69 | northeast_asia_index | 0.66 | steel_price | 2.11% | crude_price | 0.34% |
| bond_future_market | 0.69 | spot_market | 0.66 | lme | 1.80% | currency_risk | 0.34% |
| exchange_rate_standpoint | 0.68 | freight_future | 0.66 | power_price | 1.78% | lng_price | 0.34% |
| commodity_price | 0.68 | spread_swap | 0.66 | spot_rate | 1.71% | future_market | 0.33% |
| peso_dollar_exchange_rate | 0.68 | fertilizer_commodity_price | 0.66 | copper_price | 1.66% | backwardation | 0.33% |
| sterling_dollar | 0.68 | oil_price | 0.66 | coal_price | 1.53% | forward_curve | 0.32% |
| derivative_price | 0.68 | forward_curve | 0.66 | stock_option | 1.38% | currency_market | 0.28% |
| forward_rate | 0.68 | mortgage_underperformance | 0.66 | gas_market | 1.06% | co2_price | 0.25% |
| acetyl_pricing | 0.68 | grain_and_energy_market | 0.66 | commodity_market | 1.03% | rin_price | 0.25% |
| spot_zinc_price | 0.67 | hedge_generation | 0.66 | electricity_price | 0.97% | basis_risk | 0.22% |
| diesel_future | 0.67 | prop_month | 0.66 | nymex | 0.80% | fx_market | 0.21% |
| spot_reference_price | 0.67 | power_price | 0.66 | iron_ore_price | 0.78% | derivative_market | 0.21% |
| peso_-_dollar | 0.67 | energy_price | 0.65 | commodity_pricing | 0.74% | spot_market_price | 0.20% |

Panel C: Summary Statistics by Fama-French Industries

| Industry (12 Fama-French Industries) | Mean | STD | Median | N |
|---|---|---|---|---|
| 4 (Oil, Gas, and Coal Extraction and Products) | 12.77 | 9.29 | 10.74 | 3074 |
| 8 (Utilities) | 8.15 | 9.37 | 4.37 | 1671 |
| 5 (Chemicals and Allied Products) | 5.02 | 5.99 | 2.91 | 1501 |
| 12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment) | 4.12 | 6.88 | 0.93 | 8257 |
| 3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing) | 3.79 | 5.62 | 1.73 | 5107 |
| 1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys) | 3.67 | 5.54 | 1.36 | 2405 |
| 2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances) | 2.50 | 3.67 | 1.14 | 1410 |
| 9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops)) | 2.41 | 4.07 | 0.72 | 5155 |
| 11 (Finance) | 1.85 | 3.98 | 0.45 | 10992 |
| 6 (Business Equipment: Computers, Software, and Electronic Equipment) | 0.77 | 1.99 | 0.00 | 11517 |
| 7 (Telephone and Television Transmission) | 0.63 | 1.46 | 0.00 | 1800 |
| 10 (Healthcare, Medical Equipment, and Drugs) | 0.38 | 1.09 | 0.00 | 7931 |
| Overall: | 2.83 | 5.63 | 0.48 | 60820 |

Panel D: Relationship Between Fuel Price Changes and IAFM Other Assets

| Dep. Var.: Ln(1+IAFM) | (1) |
|---|---|
| Dimension: | Other Assets |
| Δ(Fuel Price) | 0.0419** |
| | (2.330) |
| Δ(Fuel Price) Volatility | 0.189 |
| | (1.627) |
| Observations | 39,349 |
| Adj. $R^2$ | 0.728 |
| Firm FE | Yes |
| Industry-by-Year FE | No |

**Table IA21. Evidence in the Energy Sector**

This table reports regression results examining the effect of IAFM on investment-price sensitivity, conditional on whether firms operate in the Energy sector. The dependent variable is CAPX in Panel A and INVT in Panel B. The key independent variables are the interaction between log-transformed IAFM Equity/Debt measures and year-end Tobin's Q, and the interaction between the log-transformed IAFM Other Assets measure and the lagged annual change in fuel prices. Annual changes in fuel price are measured using annual changes in the Producer Price Index for Fuels and Related Products and Power divided by the previous year end's index, and is expressed in real units, instead of percent changes (e.g, 1 unit = 100% change). In Columns (1) and (2), IAFM Equity/Debt is proxied by the tf-idf measure of IAFM Equity, while in Columns (3) and (4), it is proxied by the tf-idf measure of IAFM Debt. Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, sales growth, dividend yield, and institutional ownership. Columns (1) and (3) present results for Energy sector firms (Fama-French Industry 4), while Columns (2) and (4) focus on non-Energy firms. All regressions include firm fixed effects and 3-digit industry-by-year fixed effects. The sample period spans 2008 to 2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is indicated by *** $p<0.01$, ** $p<0.05$, and * $p<0.1$.

| Proxy for IAFM Equity/Debt: | Equity | | Debt | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Fama-French Industry: | Non-Energy | Energy | Non-Energy | Energy |
| Panel A: Dep. Var.: CAPX (%) | | | | |
| Ln(1+IAFM Other Assets) X Δ(Fuel Price) | 0.163 | 1.499** | 0.162 | 1.493** |
| | (1.563) | (2.161) | (1.550) | (2.148) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.0497** | -0.293 | 0.0951*** | -0.369 |
| | (2.356) | (-1.558) | (2.801) | (-1.480) |
| Ln(1+IAFM Other Assets) | 0.0509 | -0.111 | 0.0566 | -0.129 |
| | (1.033) | (-0.324) | (1.143) | (-0.366) |
| Ln(1+IAFM Equity/Debt) | -0.119** | 0.303 | -0.281*** | 0.165 |
| | (-2.052) | (0.795) | (-3.513) | (0.236) |
| Year-End Q | 0.330*** | 2.072*** | 0.341*** | 1.818*** |
| | (10.57) | (5.024) | (11.31) | (5.265) |
| Observations | 33,681 | 2,204 | 33,681 | 2,204 |
| Adj. $R^2$ | 0.611 | 0.669 | 0.611 | 0.669 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |
| Panel B: Dep. Var.: INVT (%) | | | | |
| Ln(1+IAFM Other Assets) X Δ(Fuel Price) | 0.236 | 2.535* | 0.232 | 2.559* |
| | (0.840) | (1.852) | (0.830) | (1.853) |
| Ln(1+IAFM Equity/Debt) X Year-End Q | 0.219*** | -0.138 | 0.241** | -0.0813 |
| | (3.374) | (-0.291) | (2.215) | (-0.125) |
| Ln(1+IAFM Other Assets) | 0.0918 | -0.812 | 0.112 | -0.677 |
| | (0.647) | (-1.209) | (0.789) | (-1.071) |
| Ln(1+IAFM Equity/Debt) | -0.431** | 0.907 | -0.695** | -0.554 |
| | (-2.371) | (0.862) | (-2.512) | (-0.313) |
| Year-End Q | 0.815*** | 3.770*** | 0.894*** | 3.613*** |
| | (10.54) | (3.247) | (11.71) | (3.514) |
| Observations | 33,715 | 2,204 | 33,715 | 2,204 |
| Adj. $R^2$ | 0.261 | 0.367 | 0.261 | 0.367 |
| Firm FE | Yes | Yes | Yes | Yes |
| Industry-by-Year FE | Yes | Yes | Yes | Yes |