MANAGERIAL ATTENTION TO FINANCIAL MARKETS: EVIDENCE FROM MANAGERS' OWN DISCUSSION

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A long literature argues (or assumes) that corporate managers pay close attention to financial markets, yet attention itself is difficult to observe directly. I develop a novel, direct measure of managerial attention to financial markets using managers' own discussion on market conditions during earnings calls covering nearly all U.S. public firms from 2007–2024. Attention varies widely across industries, across firms, and within firms over time. Managers who pay greater attention to markets exhibit higher investment-price sensitivity. Attention also enhances managers' ability to access external capital when financing needs arise, at least through enabling them to respond more effectively to changing market conditions. These results are robust after controlling for contemporaneous market conditions and cost of capital. Ultimately, managerial attention is a first-order behavioral mechanism through which financial markets exert real effects. (JEL: C55, G14, G32, G41; Keywords**:** Attention to Financial Markets, Big Data, Earnings Calls, Machine Learning, Market Feedback Effects, Market Timing, Real Effects of Financial Markets)

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I. INTRODUCTION

Many foundational theories—including price feedback theory (Bond, Edmans, and Goldstein, 2012) and market-timing theory (Baker and Wurgler, 2002)—predict that when managers actively monitor financial markets, they can incorporate information embedded in prices into real corporate decisions. Stock prices may reveal information about investment opportunities, while conditions in equity and debt markets convey signals about firms' cost of capital and financing capacity. If managers attend to and process these signals, financial markets should exert real effects on corporate investment and financing policies.

A large empirical literature studies these predictions by examining correlations between market prices and corporate actions. Numerous studies document that investment is more sensitive to stock prices when prices are assumed to be more informative, such as when insider trading is constrained or when firms draw on complementary information sources such as financial media (e.g., Chen, Goldstein, and Jiang, 2007; Edmans, Jayaraman, and Schneemeier, 2017; Kwan, Lin, Liu, and Gurun, 2024). Related work shows that firms issue equity or debt more aggressively during favorable market conditions, consistent with market-timing behavior (e.g., Baker and Wurgler, 2002; Ma, 2019). Much of this literature, however, only *infers* the role of managerial learning—or, more broadly, the real effects of financial markets—from changes in corporate policies across settings where the information content of prices is presumed to vary, rather than from *direct* evidence on managers' engagement with market signals (see, e.g., Gelsomin and Hutton, 2023).[1]

[1] As a result, the same empirical patterns are observationally consistent with alternative channels, including unobserved factors influencing both prices and corporate decision, as well as investor influence that operates through private engagement with management while the same investors simultaneously affect stock prices through their trading activity. Similarly, correlations between security issuance and market conditions

This challenge reflects a broader measurement problem. The real effects of financial markets operate through two jointly necessary channels: i) the usefulness of market signals and ii) managers' attention to those signals. While existing research has devoted substantial effort to measuring and refining the first channel, the second has remained largely unobserved. Without a direct measure of managerial attention, empirical tests cannot disentangle learning from markets from correlations driven by omitted variables. This limitation is particularly important when attention is a scarce cognitive resource (Kahneman (1973)), and managers have limited attention (e.g., Yermack, 2014; Neyland, 2020; Ben-Rephael, Carlin, Da, and Israelsen, 2025). In such settings, the risk of false positive inference—misattributing observed correlations between market conditions and corporate policies to the real effects of financial markets—becomes especially pronounced.

In this paper, I address this missing behavioral channel by developing a novel and *direct measure* of managerial attention to financial markets—the *Index of Attention to Financial Markets* (IAFM)—constructed from managers' own discussions of market conditions during earnings calls. This measure allows me to examine whether managers who pay more attention to financial markets behave differently from those who pay less attention, and whether these behavioral differences align with theoretical predictions. The underlying idea is simple: if financial markets have real effects, managers should respond more strongly to market signals when they devote more attention to them.

Earnings calls provide an ideal setting for capturing such attention because these quarterly events combine structured presentations with spontaneous Q&A sessions, revealing

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may reflect unobservable firm characteristics—such as governance quality, endogenous financing margins, or managerial biases—rather than active market timing (e.g., Jung, Kim, and Stulz, 1996; Hennessy and Whited, 2005; Malmendier, Tate, and Yan, 2011).

both strategic priorities and top-of-mind concerns. Since earnings calls are time-constrained, managers must allocate their limited speaking time selectively. Greater discussion of financial market conditions therefore plausibly indicates higher attention allocation to such information—an assumption I validate through extensive testing. The near-universal use of earnings calls by public firms also enables a systematic and scalable measurement approach across a large panel (109,191 firm-year observations, 2007–2024).

To operationalize attention, I begin with a set of seed words that are unambiguously related to financial markets—such as "*stock price"*, "*stock return"*, and "*stock market"* for equity markets, and "*interest rate"*, "*bond yield"*, and "*credit spread"* for debt markets. Using these seeds as anchors, I apply a machine-learning–based keyword discovery method (Mikolov et al. 2013; specifically, *word2vec*) to learn the broader vocabulary managers use when discussing market conditions. Using this expanded dictionary, I score each earnings call based on the intensity of financial-market language, scaled by its relative rarity across firms and time (*tf-idf*). Aggregating these scores to the firm-year level produces two distinct measures: equity-market attention, capturing monitoring of stock-market signals emphasized in price-feedback and market-timing theories, and debt-market attention, capturing monitoring of financing conditions that convey information about firms' cost of capital and investment opportunities (e.g., Graham, Leary, and Roberts 2015; Davis and Gondhi 2024).

I validate that the IAFM captures meaningful variation in attention, in line with economic intuition. Attention varies across industries in ways that reflect the degree to which firms' business models are intertwined with financial markets: industries that are more capital-intensive and whose key inputs or outputs are directly priced in traded financial instruments—such as Finance, Utilities, Energy, and Real Estate—exhibit the highest

attention to both equity and debt markets. Managers' personal incentives also shape attention in predictable ways: both wealth-performance sensitivity and direct ownership display an inverted U-shaped relationship with IAFM, suggesting that incentive alignment initially raises financial market attention but that entrenchment effects dampen it at high ownership levels. Furthermore, firms led by finance-expert CEOs devote significantly greater attention to financial markets, consistent with the idea that specialized financial expertise enhances market awareness. Finally, the two IAFM dimensions respond to changing market conditions in dimension-specific ways: equity-market attention raises after firm-specific stock outperformance (but falls when equity signals are noisier), whereas debt-market attention rises with tighter financing conditions—higher interest rates and firm bond yields.

Beyond the validation exercises, a striking empirical finding is the substantial heterogeneity in how much managers attend to financial markets. Attention varies within firms over time (about 43% of total variation), across firms (about 34%), across industries (about 15%), and along industry-by-year and year dimensions (about 8% combined). This pattern challenges the implicit assumption in many representative-agent theoretical models—that all managers should devote a similar level of attention to market signals. Instead, it implies that differences in managerial attention are a first-order driver of why market prices affect real decisions more strongly for some firms than others. By documenting and quantifying this dispersion, the paper offers new behavioral micro-foundations for heterogeneity in the real effects of financial markets.

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 1.93%, while a 10% increase in debt market attention increases this sensitivity by 2.68%. The effect is most pronounced in situations where managers are particularly likely to learn from market signals and able to act on them: when insider trading is limited, when product-market competition is high, when firms have greater financial capacity to adjust investment, and when attention carries a positive tone. The attention-induced investment responses also predict stronger subsequent operating performance and positive stock-market reactions without return reversals. These results provide direct evidence, based on revealed managerial behavior, for the feedback theory.

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. A 10% increase in equity market attention is associated with a 1.5% higher likelihood of issuing equity in response to financing deficits, while a 10% increase in debt market attention corresponds to a 9.52% higher likelihood of issuing debt. Thus, managers who actively monitor financial market conditions appear to develop expertise in assessing cost of capital dynamics. Importantly, each form of attention also predicts issuance in the "other" market: a 10% increase in equity-market attention is associated with a 2.02% higher likelihood of issuing debt, while a 10% increase in debt-market attention corresponds to a 3.43% higher likelihood of issuing equity. These patterns cannot be explained by managers simply disclosing, or signaling, intended financing plans

during calls; if that were the case, attention to the "other" market should exhibit no—or even negative—predictive power. Rather, the evidence is more consistent with the idea that attention captures distinct informational advantages that may help managers identify and seize financing opportunities across multiple markets.

To further test this hypothesis, I examine whether attention alters the responsiveness of financing choices to *market-specific* conditions. I restrict the sample to firms that issue from a single source in a given year, thereby holding financing needs roughly constant and reducing concerns that attention merely proxies for capital demand. The results show that equity-market attention enhances responsiveness to equity conditions—firms are more likely to issue equity over debt when firm valuations or equity market sentiment are high—while debt-market attention sharpens responsiveness to debt conditions—firms are more likely to shift toward equity when interest rates rise. This dimension-specific responsiveness suggests that attention allows managers to time financing decisions more effectively by choosing the relatively cheaper source of capital. It provides *direct* empirical evidence from observed managerial attention in support of market-timing theory and Ma (2019), showing that firms' ability to exploit financing windows and cross-arbitrage their own securities hinges on how much attention managers actually devote to monitoring financial markets.[2]

Since attention enhances both investment–price sensitivity and firms' financing capabilities, the investment–price sensitivity could operate through two channels: the business-opportunities channel of price feedback theory, or the financing channel of market

[2] I also find that, if anything, managerial attention is negatively correlated with the perceived cost of capital and associated with a narrower gap between perceived and actual cost of capital. This suggests a candidate behavioral mechanism for the "excess dispersion" documented by Gormsen and Huber (2024): attentive managers update their perceptions using price signals, while inattentive managers may overestimate financing costs possibly because of a greater perceived ambiguity or uncertainty about those costs.

timing. To isolate the first, I restrict the sample to firm-years in which firms do not raise external capital. Equity-market attention continues to amplify investment–price sensitivity in this subsample, with magnitudes close to those in the full sample. Debt-market attention does so when entered alone but loses significance once both measures enter jointly—consistent with equity, the residual claim on firm value, being more information-sensitive to future prospects than debt. The business-opportunities channel therefore contributes to attention-induced investment–price sensitivity, in addition to the financing channel.

The results are robust to alternative implementations of IAFM. First, I construct attention separately from the management presentation and the Q&A section; both components deliver significant effects.[3] Second, the findings hold when I replace TF-IDF with raw term frequency, when I replace the continuous measure with binary indicators, and when I restrict the dictionary to the 25 seed words per dimension.

A potential concern is that the observed link between managerial attention and corporate policies merely reflects mechanical transmission of market conditions into firms' cost of capital, rather than managers actively processing market information—an "attention-as-sideshow" story. However, my focus throughout is on the IAFM × market-variable interactions, which capture whether high- and low-attention managers respond differently to the same market signal—Tobin's Q, equity sentiment, or interest rates—after already directly controlling for the baseline effects of those market variables. The findings also hold when I

[3] I also find that the effects based on Q&A-derived measures are, on average, economically larger. This helps address an alternative explanation where managers have already formulated investment and financing decisions independent of financial market conditions but subsequently reference market conditions in earnings calls primarily to provide *post-hoc* rationalization to investors. If this "*post-hoc rationalization*" or "*reverse-causality*" explanation was driving the results, we would expect stronger effects in the more carefully scripted presentations, where managers exert greater control over the narrative. Instead, the larger effects are observed in the relatively unscripted Q&A discussions.

add firm-level equity returns and return volatility as additional controls across both the investment and financing specifications. The findings are also robust to controlling for IAFM Vol. & Liq., a separate TF-IDF measure of managerial attention to market-wide higher-order turbulence—volatility spikes, liquidity dry-ups, and systemic disruptions—that firm-level returns and return volatility may not fully capture. Moreover, attention exerts an incremental behavioral effect even when a primary-market channel operates: attentive managers are more likely to shift from debt to equity when interest rates rise and to expand investment when bond yields fall, even after accounting for the direct effects of these price changes.

Bertrand and Schoar (2003) show that individual managers account for a substantial share of the variation in corporate investment and financing policies. A natural follow-up is whether IAFM similarly reflects individual managerial styles. A variance decomposition shows that manager fixed effects contribute an incremental 4% of the variation in IAFM Equity and 8% in IAFM Debt, beyond firm and three-digit industry-by-year effects—indicating that individual executives bring distinctive attention patterns to financial markets. I next ask whether these patterns travel with the manager and shape policies at new firms. I construct each CEO's pre-tenure IAFM—the average of IAFM scores across prior C-suite positions at other firms, measured at appointment—and find that higher pre-tenure IAFM predicts greater investment–price sensitivity, stronger financing responsiveness, and sharper equity-versus-debt timing at the new firm.

These results extend the behavioral finance and imprinting literature on how managers' prior experiences shape corporate decisions—most directly Custódio and Metzger (2014)—by showing that attention patterns developed at prior firms transfer with the manager. Pre-tenure IAFM also tightens identification: because it is fixed at appointment and originates

at other firms, it cannot be shaped by the focal firm's future policies or by contemporaneous shocks. What it does not fully resolve, however, is endogenous CEO-firm matching: boards may select CEOs whose attention patterns already align with the firm's future policy needs. *At the very least*, though, the persistence of pre-tenure attention effects suggests that managerial attention is a necessary implementation mechanism: even when a firm should respond to market signals, executing that response requires managers who monitor them.[4]

As a complementary exercise, I extend the IAFM framework to a third dimension of managerial attention: IAFM Other Assets, a TF-IDF measure of managers' discussion of commodity, currency, and derivatives markets. Across the Fama-French 12 industries, Energy firms exhibit the highest levels of this attention throughout 2007–2024, with peaks around the 2009 commodity rebound, the 2015 oil-price collapse, and the 2020–2022 COVID period. I then apply the measure to a setting where this dimension of attention is most likely to matter: the energy sector, whose investment decisions are directly shaped by commodity prices (Gilje and Taillard, 2017; Shi and Zhang, 2024). Energy firms with higher IAFM Other Assets adjust investment more sensitively to changes in Brent crude oil prices, while non-Energy firms show no such pattern. This dimension-specific response reinforces the interpretation that managerial attention operates through economically relevant information channels, rather than merely reflecting a generic stance toward financial markets.

This paper revisits a fundamental but largely untested assumption underlying much of corporate finance theory: that managers actively pay attention to financial markets. The real effects of financial markets fundamentally depend on two necessary channels—(1) the

[4] It is inconsistent with the alternative "*no-attention-needed*" or "*no-real-effects*" view, under which a firm would pursue exactly the same policies regardless of whether managers are attentive to financial markets because market prices then contain no additional information beyond fundamentals already known to the firm.

usefulness of market signals and (2) managers' attention to financial markets. Foundational theories such as price feedback (as summarized in Bond, Edmans, and Goldstein 2012) and market timing (Baker and Wurgler 2002) have developed rich predictions about the first channel, while implicitly treating the second as given. Similarly, a large empirical literature has inferred the real effects of financial markets from correlations between prices and corporate policies, without direct evidence on whether managers actually monitor or process market information. This paper directly measures that missing behavioral channel—managerial attention to financial markets—and documents substantial heterogeneity in attention across firms, industries, and time.

Building on this behavioral foundation, the paper provides a new lens for testing and refining central theories of corporate finance. Bond, Edmans, and Goldstein argue that the real effects of financial markets originate from the informational role of prices.[5] Yet, while prior empirical studies have documented correlations between price informativeness and investment–price sensitivity, the causal mechanisms have remained largely theoretical because managerial attention—the necessary behavioral link—has been unobservable. This paper provides direct evidence, based on revealed managerial behavior, that market prices affect investment decisions specifically when managers pay attention to them. By decomposing attention into equity, debt, and other market dimensions (e.g., commodities,

[5] 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. 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), Kwan, Lin, and Liu (2024), and Cao, Goldstein, He, and Zhao (2025) among many others.

volatility, liquidity), I also show that managers extract and act on distinct information from different market signals, each shaping corporate decisions through different mechanisms.

This revealed-behavior approach complements Goldstein, Liu, and Yang's (2026; GLY hereafter) survey evidence that Chinese listed firms monitor their own stock prices. Survey-based and text-based approaches offer different lenses on the same question. In the GLY survey, the majority of respondents are board secretaries or other firm staff rather than CEOs or CFOs; my text-based measure instead captures what CEOs and CFOs themselves say in their own words during quarterly earnings calls. The approach further differs in four respects: (i) it is multidimensional, spanning equity, debt, liquidity and volatility, commodities, and other markets; (ii) it offers quarterly dynamics over sixteen years rather than a point-in-time snapshot; (iii) it captures managers' unscripted engagement with financial-market topics during live Q&A exchanges, where analysts routinely raise issues that managers would not volunteer themselves and managers must respond on their feet—conditions a written survey, which affords ample time for rehearsed answers, cannot replicate; and (iv) it is readily scalable to firms in any country that holds earnings calls, and is applied here to US listed firms, whereas the GLY survey is specific to Chinese listed firms, whose distinctive institutional features may limit generalizability.[6][7] Together, these features support

[6] GLY field their survey in two waves (2019 and 2022) but restrict the regression analysis to the 2022 wave, using it to explain firm behavior from 2012–2021, even though managerial attitudes and personnel may have shifted materially over that window. This design also potentially introduces survivorship bias, as only firms still active in 2022 are observed. The survey is further distributed through the China Securities Regulatory Commission (CSRC); although GLY pledge confidentiality, distribution through the regulator implies a response rate near 100% and may still create incentives for respondents to over- or under-report their attention to financial markets in ways that align with perceived regulatory expectations. Finally, firms may ex post justify past strategies—after seeing their investments align with stock-price movements, managers might claim they had been "learning from markets," making survey responses endogenous to past outcomes.

a sharper test of how managerial attention mediates the link between market signals and real corporate decisions.

This paper also refines the empirical foundations of market-timing and capital-structure research (e.g., Baker and Wurgler 2002; Henderson, Jegadeesh, and Weisbach 2006; Huang and Ritter 2009). Previous studies inferred timing behavior from issuance outcomes relative to valuation proxies, which are easily confounded by unobservable factors such as governance quality, endogenous financing margin, or managerial bias (e.g., Jung, Kim, and Stulz, 1996; Hennessy and Whited, 2005; Malmendier, Tate, and Yan, 2011). By directly observing whether managers monitor market conditions, I isolate the behavioral precondition for market timing: recognizing and acting on financing windows. In doing so, I complement the pioneering survey evidence of Graham and Harvey (2001), showing that managers not only claim to consider market timing, but that variation in their actual attention to financial markets systematically explains when and how they exploit financing opportunities.

Finally, the paper contributes to the behavioral finance literature by providing the first comprehensive documentation of managerial attention to financial markets. Decades of research have examined how investors allocate attention and how it shapes asset pricing outcomes (e.g., Peng and Xiong 2006; Barber and Odean 2008; Da, Engelberg, and Gao 2011; Chen, Tang, Yao, and Zhou 2022), yet the attention patterns of managers—the decision-makers who ultimately translate market signals into corporate policies—have remained unmeasured and largely theoretical.

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[7] These features include heavy retail-investor participation, restrictions on short-selling and share tradability, partial state ownership, and weaker investor-protection and corporate-governance institutions. See Allen, Qian, and Qian (2005) and Carpenter, Lu, and Whitelaw (2021).

My paper is organized as follows. Section II describes the data. Section III outlines the methodology for constructing the IAFM measure. Section IV validates IAFM. Sections V and VI examine the implications of IAFM for investment and financing policies, respectively. Section VII presents robustness checks. Section VIII concludes.

II. 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. CEO career histories, used to identify finance-expert CEOs and to construct manager-level fixed effects, are drawn from BoardEx. Insider trading data come from the Thomson Reuters Insider Filing database. Bond yield data are obtained from WRDS Bond Returns. Product-market competition measures are from Hoberg and Phillips's Text-Based Network Industries (TNIC) database. Fama–French 12 industry definitions are from Kenneth French's data library.

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 356,906 English-language calls from 2007 through 2024.[8] 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 109,191 firm-year observations across 15,334 distinct firms. Conditioning

[8] Out of 356,906 earnings calls, 344,936 include both the manager presentation and Q&A sections, 11,718 include only the manager presentation, and 252 include only the Q&A section.

on the availability of Compustat fundamentals data, the final sample comprises 65,084 firm-year observations across 7,992 firms with non-missing fundamentals data.

III. QUANTIFYING ATTENTION TO THE FINANCIAL MARKET

III.A. 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 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) 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.[9]

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 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 generate dense, low-dimensional vectors representing word meanings.[10]

III.B. 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.

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[9] 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.

[10] 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. 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 (version 4.3.3, available at https://github.com/RaRe-Technologies/gensim). 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.

I measure equity-market attention because, as discussed earlier, several theories including feedback effect (Bond et al., 2012) and market timing theory (Baker and Wurgler, 2002) primarily 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 I about here]

Table I 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 (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.

III.C. Constructing the IAFM Dictionary

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 stage is important for improving the accuracy and reliability of subsequent word embedding models

[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.

by standardizing linguistic features and capturing multi-word expressions that carry unified meanings. Detailed preprocessing procedures are described in Online Appendix A.

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. Then, for each IAFM dimension, I compute a centroid vector by averaging all seed word vectors and then calculate the cosine similarity between this centroid and each unique word in the earnings call corpus.[12] From these calculations, I select the top 500 words with the highest positive cosine similarity as candidates for that dimension's 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 to the dimension where it has the highest cosine similarity to the average seed word vector.

Online Appendix B Table I Panel A lists the top 50 most representative words for each IAFM dimension. The high similarity scores across both dimensions—ranging from 0.85 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 low 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.

[12] To illustrate mathematically: for the equity-market dimension with 25 seed words, let the vector representation for each seed word $i$be $V^i = [x_1^i, x_2^i, \dots, x_{300}^i]$. The centroid vector is computed by averaging all seed word vectors within the dimension: $\bar{V}^{equity} = \frac{1}{25}\sum_{i=1}^{25}[x_1^i, x_2^i, \dots, x_{300}^i]$.

III.D. 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.[13]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.

[13] 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: $IAFM(d, dim) = \sum_{w \in \{dim \cap d\}} tf(w,d) \times idf(w)$.

Online Appendix B Table I Panel B shows distinctive patterns in the frequency of financial market-related terminology across the two IAFM dimensions. In the Equity dimension, “equity” (25.43%) and “valuation” (11.64%) 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” (26.87%) and “bond” (13.75%) commanding the highest contributions, followed by “interest_rate_environment” (4.83%) and “treasury” (3.99%), highlighting firms' attention to borrowing costs and fixed income markets.

[Insert Table II about here]

Table II Panel A demonstrates significant heterogeneity in firm-level attention to financial markets across the sample of 7,992 U.S. public firms from 2007 to 2024. The IAFM Equity measure exhibits significant variation (mean of 3.4 with standard deviation of 4.87), while IAFM Debt shows even greater relative dispersion (mean of 2.61 with standard deviation of 5.63). 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 3.4 to 2.15 (a 37% decrease), and IAFM Debt declines even more dramatically from 2.61 to 0.94 (a 64% 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.

III.E. Variance Decomposition of IAFM Measures

Table III 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, within-firm variation over time accounts for the largest portion (45%), followed by firm fixed effects (33%) and industry fixed effects (16.66%). Year fixed effects and industry-by-year interaction effects contribute relatively little (0.34% and 5%, respectively). The pattern is similar for IAFM Debt, with within-firm variation over time explaining 41%, firm fixed effects accounting for 35%, and industry fixed effects representing 14.4%. Again, year fixed effects (2.6%) and industry-by-year interaction effects (7%) contribute comparatively little.

[Insert Table III about here]

The pronounced dispersion in IAFM measures shows that managerial attention to financial markets is far from homogeneous. In contrast to canonical corporate-finance and price-feedback models that rely on a representative-manager assumption—implicitly treating all managers as monitoring market signals with equal intensity—the evidence reveals heterogeneity along two dimensions. Persistent firm-level differences reflect stable traits such as corporate culture, governance, and business strategy, alongside shared industry characteristics such as business models, competitive environments, and regulatory frameworks. Within-firm variation over time, the largest component, captures time-varying firm-specific factors such as leadership changes, strategic initiatives, and idiosyncratic events. This combination positions heterogeneous managerial attention as a fundamental micro-

foundation for why seemingly identical market signals can produce divergent real responses—both across firms and within the same firm over time.

IV. VALIDATION OF THE IAFM MEASURE

Section IV evaluates whether IAFM captures latent managerial attention to financial markets. The validation exercises are guided by four ideas. First, if IAFM reflects economically meaningful attention, it should vary systematically across industries in line with differences in firms' exposure to financial markets (Section IV.A.). Second, attention should covary with managers' incentives to monitor market information, as proxied by managerial ownership (Section IV.B.). Third, attention should be higher among managers with greater financial expertise, such as finance-expert CEOs (Section IV.C.). Finally, if IAFM captures active monitoring rather than static traits, it should respond to movements in equity and debt market conditions when those signals are most salient (Section IV.D.). Together, these tests assess whether IAFM behaves as a coherent, behavior-based measure of managerial attention.

IV.A. Industry Variation in Attention to Financial Markets

If IAFM captures economically meaningful attention, it should vary systematically across industries in line with differences in firms' exposure to financial markets. A natural source of such variation is the degree to which an industry's business model is intertwined with financial markets—that is, the extent to which key inputs, outputs, or asset values are priced in traded financial instruments, making managers' awareness of market conditions directly relevant to core business decisions. Table IV presents the industry distribution of

IAFM measures across the twelve Fama-French industries and provides a first test of this prediction.

[Insert Table IV about here]

Panel A reveals substantial cross-industry heterogeneity in equity market attention that aligns closely with these priors. Finance firms (Fama-French Industry 11) exhibit the highest mean IAFM Equity (8.62), more than twice the sample average of 3.4 in Table II, consistent with their core business of intermediating market transactions and managing financial assets. Utilities rank second (mean = 4.78), reflecting both their heavy reliance on capital markets to fund long-lived infrastructure and the fact that regulatory rate-setting frameworks often link allowed returns to equity cost-of-capital benchmarks. Energy firms rank third (mean = 3.72), consistent with operating in a capital-intensive sector whose asset valuations are tightly linked to commodity prices that are themselves determined in actively traded financial markets. More broadly, the industries near the top of the distribution—including construction, building materials, and transportation (Industry 12, mean = 3.31)—tend to be capital-intensive, with business inputs or outputs whose prices are set or benchmarked in organized financial markets (e.g., building materials, energy, metals). Because key elements of their operating environments are "financialized" in this way, equity and debt market valuations of these firms are particularly sensitive to broad financial market conditions, giving managers a direct reason to monitor those markets closely. [14] At the lower end, Healthcare (Industry 10), Business Equipment (Industry 6), and Consumer Nondurables

[14] This financialization logic extends beyond equity and debt markets. In Section VII.H., I construct a complementary index of attention to other financial markets—commodities, energy, and foreign exchange. The results there confirm that the industries with the highest IAFM scores are precisely those whose firms pay the closest attention to those adjacent markets, consistent with the broader view that financialized business models elevate attention to the full spectrum of financial market conditions.

(Industry 1) exhibit substantially lower equity market attention—consistent with business models driven more by internal funding, internal innovation, product development, or relatively stable demand patterns, where short-term equity market fluctuations are less informative about operating fundamentals.

Panel B shows a similarly structured pattern for debt market attention. Finance firms again rank highest (mean IAFM Debt = 9.98), reflecting their dependence on borrowing, lending, and interest rate management. Utilities follow (mean = 2.12), consistent with their characteristically high leverage and sensitivity to borrowing costs. Capital-intensive industries such as construction, transportation, and building materials (Industry 12, mean = 1.68) also show elevated debt market attention, reflecting heavy reliance on credit markets to fund large-scale projects. The industries that rank highest on debt market attention thus largely overlap with those that rank highest on equity market attention, reinforcing the interpretation that it is the overall degree of financialization---the extent to which a firm's business environment is priced in financial markets---that drives attention to both equity and debt markets. In contrast, Healthcare and Business Equipment again rank lowest, consistent with lower leverage ratios and greater reliance on internal funds.

Online Appendix B Figure I provides further support by tracing how attention evolves around major market events. Around the 2008 financial crisis, Finance firms' equity market attention rose by roughly 30%, while debt market attention more than doubled in Business Equipment (+159%) and Health (+147%) and nearly doubled in Utilities (+91%). In 2015, coinciding with the oil price collapse, Utilities' equity attention rose 38% year-on-year, its largest annual increase over the sample period. In 2018, coinciding with the escalation of US–China trade tensions, the largest equity-attention increases occurred in sectors commonly

identified as exposed to tariff and supply-chain risk—Chemicals (+41%), Energy (+35%), Utilities (+28%), and Telecommunications (+26%). In 2020, around the onset of the COVID-19 pandemic, movements were concentrated in debt markets, with Energy firms' debt attention rising 58% year-on-year alongside broad-based increases in Chemicals, Consumer Non-Durables, Retail, and Utilities. Throughout the sample, the most financialized industries—Finance and Utilities—maintained the highest baseline levels of attention to both equity and debt markets.

IV.B. 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.[15] This measure captures the

[15] 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.

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. Similarly, utilities face extensive regulatory constraints that may suppress the financial market attention. Definitions of variables can be found in Online Appendix B Table II.

[Insert Table V about here]

Table V shows that incentive measures exhibit concave 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 5.12% increase in equity market attention, with the effect attenuated at higher levels. 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 an approximately 7.8% increase in attention to equity markets , with the effect 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 equity markets increases. However, at higher incentive levels, equity market attention begins to decline, potentially reflecting entrenchment effects or reduced reliance on market signals when managers possess significant control rights.[16]

Among control variables, I find that larger firms allocate more 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. Highly leveraged firms reallocate attention away from equity and toward debt markets—a one-standard-deviation increase in leverage shifts equity attention down 2–3% and debt attention up 7%—reflecting the greater refinancing and covenant risk they potentially face. Cash holdings are positively associated with debt market attention but show no significant relationship with equity market attention.

IV.C. 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.

[16] In untabulated analyses, I find consistent results when IAFM is measured using only manager-spoken words in earnings calls.

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 II, about 33% of CEOs are finance experts in my sample.[17] 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 VI about here]

Table VI 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 9.9% increase in equity market attention and a 3.8% increase in debt market attention. These effects remain robust when controlling for additional CEO characteristics (Columns (3)-(4)), with coefficients of 9.8% and 4.2% 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 6.6% increase in equity market attention and a 3.3% increase in debt market attention.

[17] 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 2024, whereas theirs spans 1993 to 2007.

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.

These findings provide an external validity check for my IAFM measures, in line with theoretical expectations that financial expertise should translate into greater attention to financial market conditions. In untabulated results, I find consistent evidence when measuring IAFM using only manager-spoken words in earnings calls.

IV.D. Equity and Debt Market Conditions

I further validate the IAFM measures by examining whether firms dynamically reallocate attention in response to changing market conditions. If IAFM captures meaningful managerial attention, it should respond systematically—and dimension-specifically—to relevant market signals. Online Appendix B Table III reports these tests: Panel A examines equity-market signals at both the firm and market-wide levels, Panel B examines interest-rate changes and levels, and Panel C examines firm-level bond-yield variation.

Firm-specific equity performance strongly predicts attention to equity markets. Regressions of log IAFM on lagged firm-level returns and volatility in Panel A show that a 10-percentage-point increase in annual firm returns is associated with a 0.35% increase in equity-market attention, with a minor spillover effect on debt-market attention (0.13%). In contrast, firm-specific equity volatility is negatively related to equity-market attention: a 1-percentage-point increase in annualized firm-level volatility is associated with a 2.35% decline in equity-market attention, consistent with managers placing less weight on equity

prices as signals when they become noisier. Firm-level volatility has no significant effect on debt-market attention.

Panel A also shows that equity-market attention increases when market-wide returns are low: a 10-percentage-point increase in market-wide annual returns is associated with a 0.54% decline in equity-market attention. This suggests that managers focus more on equity markets during broad downturns, consistent with a defensive posture aimed at monitoring adverse external conditions and addressing investor concerns. This contrasts with the positive relationship observed for firm-level returns, which indicates that managers discuss equity valuations more when their firms outperform. Market-wide equity returns have no significant effect on debt-market attention, while market-wide equity volatility decreases equity-market attention and increases debt-market attention, consistent with market-wide equity volatility drawing managerial focus toward debt markets, perhaps because they are relatively more stable.

Panel B shows that both the annual change in the 7-year Treasury yield and its level are associated with higher debt-market attention, with no corresponding effect on equity-market attention.[18] A 100-basis-point increase in the level of the 7-year yield is associated with a 3.88% increase in debt-market attention. Interest-rate volatility shows a more mixed pattern: in the change specification, attention to both markets declines when rate movements are volatile, whereas in the level specification, higher rate volatility is associated with greater

[18] I use the 7-year U.S. Treasury yield as the representative interest rate because it aligns with the maturity pattern of publicly traded corporate bonds (median firm-level time to maturity is 6.5 years; mean is 7.8 years). ONLINE APPENDIX B Tables IV and V documents robustness to alternative maturities (6-month, 1-year, 5-year, and 10-year).

debt-market attention. This suggests that managers pay closer attention to debt markets when rates are both elevated and volatile, periods during which financing costs are most salient.

Cross-sectional differences in firms' cost of debt further validate the IAFM measures. Panel C shows that firms with higher bond yields devote more attention to debt markets and less to equity markets, consistent with managers focusing attention on the financial dimensions most relevant to their financing constraints. Without industry-by-year fixed effects (Columns (1)–(4)), a 100-basis-point increase in the bond yield is associated with a 3.03% increase in debt-market attention, and decomposing the yield shows that credit spreads, term spreads, and the 3-month Treasury yield each positively predict debt-market attention. With industry-by-year fixed effects (Columns (5)–(8)), The debt-side coefficient remains positive, albeit no longer statistically significant, while higher bond yields are significantly negatively associated with equity-market attention. These patterns are consistent with managers focusing attention on the financial dimensions most relevant to their financing constraints.

Taken together, these results show that the IAFM captures economically intuitive reallocation of managerial attention in response to changing market conditions.

V. ROLE OF ATTENTION IN SHAPING 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.

V.A. Unconditional Effect of Attention 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:

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

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 × the capital expenditure (Compustat CAPX) divided by lagged total assets (Compustat AT), and the second measure equals 100 × 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. $\alpha_{t,j}$ and η_i represent industry-by-year and firm fixed effects, respectively. $Q_{i,t-1}$ is the (normalized) price and is measured by firm i in year $t-1$. $Ln\left(1 + IAFM_{i,t-1}\right)$ 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.[19] The

[19] It is worth noting that I do not control for market conditions (e.g., stock returns or volatility) in the baseline investment–price-sensitivity regressions because the goal in Section V is to estimate the *total effect* of financial markets *operating through managerial attention*. Conceptually, the estimand is a treatment-on-the-treated effect: the difference in investment–price sensitivity between managers who pay attention to financial markets and those who do not. If market conditions influence investment–price sensitivity through shaping

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 VII about here]

Table VII 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 coefficients between IAFM and Tobin's Q are positive and statistically significant (0.056 for equity and 0.083 for debt). This effect is economically meaningful: a 10% increase in equity-market attention enhances investment-price sensitivity by 1.93%, while a 10% increase in debt-market attention enhances this sensitivity by 2.68%.[20] These findings indicate that firms paying greater attention to financial markets are more responsive to price signals when making investments, consistent with the feedback theory of market prices. The cross-sectional specifications (Columns (1)–(2)) show that the interaction between IAFM Debt and Tobin's Q remains positive and significant, while the interaction between IAFM Equity and Tobin's Q is positive yet statistically insignificant, suggesting that the equity-

managers' attention, then controlling for those market variables would introduce a classic "bad-control" problem: it would partial out precisely the channel through which financial markets are supposed to operate in my framework, thereby underestimating the true total effect of financial markets. Section VII.A. then decomposes this total effect into the primary-market channel and the secondary-market (managerial learning) channel. Omitting market conditions would only be problematic if those variables *directly* affect investment–price sensitivity through affecting financing capacity with managerial attention being a *pure* passive sideshow. I address this alternative "*attention-as-sideshow*" view in Section VII.C., and show that this view is unlikely to explain the results.

[20] These percentages are calculated relative to baseline sensitivities. For equity attention: 10% × 0.056 / 0.29 = 1.93%. For debt attention: 10% × 0.083 / 0.31 = 2.68%.

attention effect is driven more by within-firm variation.[21] Panel B extends this analysis to total investment (INVT). The interactions between IAFM and Tobin's Q remain positive and significant, with effects even more pronounced than those for capital expenditures.

Additionally, while the economically relevant effect of attention lies in the interaction with market signals, the negative unconditional effect of IAFM on investment (i.e., β_2) reflects the behavior of attentive managers during periods of unfavorable market conditions, when closer monitoring is likely associated with more cautious investment decisions.[22]

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.

V.B. 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 four key dimensions of heterogeneity: insider trading intensity, competitive pressure, financial capability, and managerial sentiment, and additionally assess whether the resulting attention-induced investment–price sensitivity translates into value-enhancing real and market outcomes.

First, building on Bond, Edmans, and Goldstein (2012) and Edmans, Jayaraman, and Schneemeier (2017), I hypothesize that the influence of IAFM on investment-price sensitivity will be most pronounced when insider trading is limited, as prices then convey more

[21] For debt attention in the cross-sectional specification, the coefficient of 0.11 represents a 4.23% increase over the baseline sensitivity of 0.26 for a 10% increase in IAFM Debt (10% × 0.11 / 0.26 = 4.23%).

[22] Because $\frac{\partial I_{i,t}}{\partial Ln(1+IAFM_{i,t-1})} = \beta_2 + \beta_3 Q_{i,t-1}$, β_2 can viewed as the attention effect when $Q_{i,t-1}$ is zero.

information beyond what managers already know. Online Appendix B Table VI supports this prediction: the interaction between IAFM and Tobin's Q is positive and significant only for firms with no insider trading.

Second, firms in more competitive environments face tighter resource constraints and thus stronger incentives to allocate capital efficiently (e.g., Hart, 1983). Consistent with this intuition, Online Appendix B Table VII shows that the effect of IAFM on investment–price sensitivity is significant only among firms in highly competitive product markets, based on Hoberg and Phillips (2016).

Third, economic theory suggests that firms' use of stock price information depends on their ability to act on the information embedded in prices. Using a size-based measure and a composite constraint indicator, Online Appendix B Tables VIII and IX show that the effect of IAFM on investment–price sensitivity is most pronounced among the least financially constrained firms. The evidence is consistent with Chen, Goldstein, and Jiang (2007), which argues that investment–price sensitivity reflects both learning from stock prices and firms' capacity to adjust investment in response to those signals.

Fourth, I exploit tone in financial-market discussions. Online Appendix B Table X separates attention into positive- and negative-sentiment components, measured as the share of sentences that jointly reference financial-market terms and positive or negative words following Loughran and McDonald (2011). The specifications also control for overall earnings-call sentiment and its interaction with Tobin's Q. The results show that the interaction between attention and Tobin's Q is positive and significant under positive tone for both equity- and debt-market attention, but smaller and insignificant under negative tone.

This asymmetry is consistent with managers responding more strongly to financial-market signals they perceive as favorable.

Finally, to assess whether the stronger investment–price sensitivity induced by managerial attention is value-enhancing, I examine both real operating outcomes and market reactions. As shown in Online Appendix B Table XI Panel A, higher attention is associated with stronger subsequent operating performance, measured by return on assets, when firms adjust investment more sensitively to market valuations. From a market-based perspective, Panel B shows that earnings-call announcements by high-attention firms generate significant positive abnormal returns in the first week following the earnings call.[23] Importantly, I find no evidence of return reversals over the subsequent two months, suggesting that these market reactions are unlikely to be driven by temporary mispricing. Taken together, the evidence indicates that attention-induced investment–price sensitivity reflects the incorporation of economically relevant information rather than short-lived valuation effects.

V.C. Complementary Role of Debt Market Attention

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

[23] Specifically, Panel B Columns (1) and (2) examine abnormal returns around earnings calls over a [−45,+45] day event window, controlling for 3-digit industry-by-year and firm fixed effects. First Week equals one for days [0,+4], while Post equals one for days [+5,+45].Abnormal returns are measured relative to a CAPM benchmark, with factor loadings estimated over the [−250,−75] trading-day window preceding the earnings call. The coefficients of interest are the positive interaction between log-transformed IAFM, year-end Tobin's Q, and First Week, and the statistically insignificant interaction between log-transformed IAFM, year-end Tobin's Q, and Post. Columns (3) and (4) replace industry-by-year fixed effects with calendar-date fixed effects while retaining firm fixed effects; the results are qualitatively unchanged.

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 why debt-market attention also enhances the sensitivity of investment to stock prices. Two channels may be at work. First, debt and equity market attention may be highly correlated, capturing the same underlying construct. Second, debt-market attention may convey distinct yet complementary information—either about business opportunities arising from firms' own traded bond prices (Davis and Gondhi 2024), or about financing conditions such as borrowing costs, interest rate trends, or monetary policy shifts that shape firms' capacity to fund new investments.

When both IAFM measures are included simultaneously in the investment-price regression (Online Appendix B Table XII), both interaction terms remain positive and statistically significant, with the coefficient on debt-market attention exceeding that on equity-market attention, indicating that debt-market attention is not simply a proxy for equity-market attention.[24] Consistent with the view that debt-market attention reflects complementary financing information, its effect on investment-price sensitivity concentrates among high-leverage firms for total investment.[25]

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[24] Comparing coefficients with Table VII, the coefficient on Ln(1+IAFM Debt) × Q decreases from 0.083 in Table VII Column (4) to 0.073 in Online Appendix B Table XII Panel A Column (1), implying that approximately 12% of the effect can be attributed to correlation with equity-market attention, while the remaining 88% supports the complementary information hypothesis.

[25] For low-leverage firms, the coefficients on equity-market attention × Q are 0.070 for CAPX and 0.14 for total investment, while debt-market attention × Q shows no significant effect. For high-leverage firms, the coefficient on debt-market attention × Q is 0.21 for total investment and 0.047 for CAPX, with statistical

I also test whether attentive managers also respond to their own bond prices (which may reflect either business opportunities (Davis and Gondhi 2024) or financing costs). In the restricted sample of firms with publicly traded bonds (Online Appendix B Table XIII), the interaction between IAFM Debt and bond yield is negative, albeit not statistically significant possibly due to a smaller sample size, indicating that attentive managers curtail investment more sharply when their own borrowing costs are high.[26] In Section VII.A., I examine whether the distinct information that debt-market attention reflects relates to business opportunities or to the firm's cost of capital.

VI. ROLE OF ATTENTION IN SHAPING FINANCING POLICIES

While Section V examines whether financial markets provide incremental information that managers use in investment decisions, this section turns to the second role that financial markets play for firms: facilitating access to, and timing of, external capital. The analysis serves two purposes.

First, it provides direct evidence on how managerial attention shapes firms' financing policies in response to changing market conditions—a dimension of corporate behavior adjacent to, but broader than, market-timing theory (Baker and Wurgler (2002); Ma (2019)). The tests below ask whether attentive managers are more effective at accessing external capital when financing needs arise, and whether they tilt more aggressively toward the cheaper source of financing when equity valuations or interest rates move in their favor.

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significance only for total investment; equity-market attention × Q remains significant at least for total investment.

[26] In the same table, I further decompose bond yields into credit spreads, term spreads, and the 3-month Treasury rate, and find that the interaction between credit spread and debt attention is consistently negative.

Second, this section offers a candidate mechanism for a puzzle raised by the recent literature on firms' perceived cost of capital. Gormsen and Huber (2024) document that firms' perceived cost of capital systematically exceeds the true cost of capital implied by asset prices, and that the magnitude of this wedge varies persistently across firms in ways that cannot be justified by variation in the true cost of capital—the "excess dispersion." Online Appendix B Table XIV shows that this dispersion is systematically related to managerial attention: firms with greater IAFM perceive a lower cost of capital than firms with less attention, while the cross-sectional correlation with the actual implied cost of capital is positive. Attention is therefore associated with a narrower gap between perceived and actual cost of capital.

VI.A. Does Attention Facilitate Firms' Ability to Raise Capital?

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:

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

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 in industry j. 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 continue to control for same variables as in Equation (1). $\alpha_{t,j}$ and η_i denote industry-by-year and firm fixed effects, respectively. ω_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 VIII about here]

Table VIII demonstrates that attention to financial markets enhances firms' responsiveness to financing needs by facilitating access to capital. I begin by examining the cross-sectional patterns in Columns (1)-(3), which include only industry-by-year fixed effects and reveal how differences in attention across firms relate to financing behavior.

Panel A shows that firms with higher attention to equity markets are significantly more responsive in accessing equity financing when needs arise. In Column (1), the interaction coefficient between IAFM Equity and NFD (0.051) indicates that firms with 10% higher equity market attention show a 1.50% increase in equity financing responsiveness relative to the baseline NFD effect (0.34). Column (2) shows an even stronger pattern for debt market attention, with a 10% increase in IAFM Debt associated with a 3.43% increase in

responsiveness (=10%×0.12/0.35). Panel B provides parallel evidence for debt financing. In Column (1), a 10% increase in equity-market attention raises responsiveness by 2.02%. In Column (2), a 10% increase in debt-market attention leads to a 9.52% (=10%×0.40/0.42) increase in debt-financing responsiveness relative to baseline.

When both attention measures are included simultaneously in Column (3) of each panel, both remain statistically significant. The fact that debt (equity) attention also predicts equity (debt) issuance indicates that the effect cannot be explained solely by managers disclosing intended financing plans during calls; if that were the case, attention to the "other" market would exhibit no—or even negative—predictive power. Instead, it is more consistent with the idea that equity- and debt-market attention capture distinct informational advantages, enabling managers to more accurately gauge the *relative* cost of capital and assess conditions in each market. I formally test this mechanism hypothesis in Section VI.B.. Columns (4)–(6), which add firm fixed effects, reveal qualitatively similar patterns with somewhat smaller magnitudes, suggesting that the results are not driven by time-invariant firm characteristics.

VI.B. Does Attention Facilitate Firms' Ability to Respond to Market Conditions?

Building on the evidence in Section VI.A., I now test whether equity- and debt-market attention capture distinct informational advantages by shaping firms' responsiveness to *market-specific* conditions. To minimize the concern that attention simply reflects capital demand, rather than reflecting a capability that reduces financing frictions (e.g., search frictions, timing frictions) in a given market, I restrict the sample to firm-year observations in which firms raised external funds from a single source—issuing either net equity or net debt,

but not both. By holding total external financing needs roughly constant, this restriction allows the financing source to be interpreted primarily as a managerial choice.

Accordingly, equity-market attention should amplify responsiveness to equity-market conditions, while debt-market attention should amplify responsiveness to debt-market conditions. Evidence of such dimension-specific responsiveness would provide more granular support for the mechanism through which attention facilitates access to financial markets—specifically, by enhancing managers' ability to time financing decisions more effectively. To test this prediction, I estimate the following:

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

where the dependent variable, $Equity\ vs\ Debt_{i,t}$, equals one for equity financing and zero for debt financing. Compared to Equation (2), I add a market-conditional term $Market\ Condition_{i,t}$, which captures episodes when equity markets are temporarily more favorable than debt markets (proxies include firm-specific valuation (Tobin's Q), equity market sentiment, or interest rate changes). I also include interactions among $Ln\left(1 + IAFM_{i,t-1}\right)$, $NFD_{i,t}$, and $Market\ Condition_{i,t}$. The focus is on ω_6, which reflects how attention alters the responsiveness of financing choices to equity-favorable conditions.

Online Appendix B Table XV Panel A 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).[27] These two conditions are chosen because they directly capture episodes when equity financing is temporarily advantageous relative to debt. 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 specifications using both changes and levels of equity market sentiment.

Consistent with this market timing view, the three-way interaction between IAFM Equity, NFD, and Tobin's Q is positive and statistically significant in both columns, indicating that a firm with 10% higher equity market attention exhibits a 13.64% (=10%×0.015/0.011) stronger tilt toward equity issuance over debt issuance under high-valuation, high-financing-need conditions than a baseline firm would. The three-way interaction with equity market sentiment is also positive and significant, using both changes and levels, indicating a parallel timing response when aggregate sentiment is buoyant.[28]

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. In Column (1), the baseline NFD ×

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

[28] The corresponding baseline interactions NFD × Δ Sentiment and NFD × Sentiment are negative, suggesting that equity-market attention is what drives this timing response. One possible reading is that recognizing sentiment-driven valuation spikes as equity issuance windows requires active monitoring of equity market levels; without it, firms default to debt through pre-arranged credit facilities regardless of prevailing market sentiment.

Δ Interest Rate coefficient is slightly negative and marginally significant, indicating that firms without debt-market attention do not tilt toward equity when rates rise. The three-way interaction between IAFM Debt, NFD, and Δ Interest Rate, however, is positive and statistically significant, suggesting that debt-market attention shifts this pattern in the opposite direction: attentive firms with a financing need are more inclined to favor equity when rates rise, consistent with correctly reading higher rates as a signal to avoid now-more-expensive debt.[29] In Column (2), the corresponding interaction with interest rate levels is also positive albeit statistically insignificant. Together, these results are consistent with debt-market attention helping firms reallocate issuance toward the cheaper source of funds when borrowing costs shift, particularly in response to rate changes. [30]

Overall, these results indicate that attention to equity and debt markets facilitates firms' access to external capital at least through enabling managers to better identify and exploit market-specific opportunities, offering direct empirical support for the market-timing theory and Ma (2019).[31] They also provide a possible behavioral mechanism for the "excess dispersion" in perceived cost of capital documented in Gormsen and Huber (2024): attentive managers learn from financial-market signals and reduce perceived uncertainty or ambiguity about financing costs, while inattentive managers may tend to overestimate those costs.

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[29] One possible reading is that non-attentive managers default to debt—often drawn from pre-arranged credit facilities with less deliberation than equity issuance requires—regardless of rate conditions, while rising rates may further discourage equity issuance by compressing equity valuations.

[30] Although reacting to changes in interest rates is not exactly the same as the market timing described in Baker and Wurgler (2002), which refers to firms' response to equity overvaluation episodes, I interpret it as a form of market timing. The rationale is that interest rate changes are generally temporary, so managers must still "time" their financing by issuing equity—the relatively cheaper source—when debt becomes more expensive due to rising rates.

[31] To the extent that periods of strong equity performance often coincide with lower, time-varying adverse selection cost, my results can also be viewed as consistent with pecking order theory (Myers and Majluf 1984).

VII. ROBUSTNESS CHECKS

VII.A. Channels of Attention-Induced Investment–Price Sensitivity: Business Opportunities versus Financing Conditions

In Section V, I documented that managers who pay more attention to financial markets exhibit stronger investment–price sensitivity. This enhanced sensitivity could operate through two distinct channels: the business-opportunities channel of price feedback theory, under which attentive managers extract information from prices about investment opportunities they do not otherwise observe (Bond, Edmans, and Goldstein, 2012; Chen, Goldstein, and Jiang, 2007), or the financing channel, under which attentive managers time issuance to favorable valuations and deploy the proceeds into investment (Baker and Wurgler, 2002; Ma, 2019). Since Section VI establishes that attention also enhances firms' financing capabilities, it becomes important to disentangle the two mechanisms.

To isolate the business-opportunities channel, Online Appendix B Table XVI restricts the sample to firm-years with non-positive contemporaneous net external financing (NEF), where managers are not raising external capital and the financing channel is therefore largely inactive. The underlying logic is straightforward: if the Section V results were driven by the financing channel alone, investment–price sensitivity should disappear when firms are not actively tapping external capital markets. This provides a conservative test of the business-opportunities channel, since it excludes the firm-years most actively integrating financial-market information across both investment and financing decisions.

In Columns (1)–(4), IAFM Equity × Year-End Q and IAFM Debt × Year-End Q are each positive and significant when entered separately, with magnitudes close to those in

Section V. In the joint specification (Columns (5)–(6)), the equity interaction retains its significance while the debt interaction, though similar in magnitude, no longer is. This is consistent with equity—the residual claim on firm value—being more information-sensitive to future prospects than debt: equity attention may therefore more directly capture the business-opportunities channel, partly absorbing what debt attention reflects. Both dimensions of attention nonetheless contribute to the channel, with equity attention playing the more prominent role.

Taken together, these results support the interpretation that the business-opportunities channel contributes to the investment–price sensitivity documented in Section V. Even when external financing is shut off, attention—particularly equity-market attention—continues to amplify this sensitivity, indicating that managerial learning from prices plays a meaningful role alongside attention's predictive power for financing policies documented in Section VI.

VII.B. Alternative Implementations of IAFM

The construction of IAFM involves several methodological choices, and I verify that the main results are robust to a range of plausible alternatives.

Management presentation versus Q&A. Managerial attention in earnings calls may arise in scripted opening remarks or in spontaneous Q&A responses. I construct IAFM separately from each.[32] Online Appendix B Tables XVII and XVIII show that both sources yield statistically significant effects across most specifications, with Q&A-based attention producing slightly larger economic magnitudes. This helps mitigate two alternative

[32] Cao, Jiang, Yang, and Zhang (2023) document that managerial speeches in earnings calls are more strategically scripted when firms expect higher machine readership, which further supports the interpretation that Q&A responses arise more spontaneously than prepared remarks.

interpretations. First, if managers were merely referencing market conditions *post hoc* to rationalize decisions already formed, the effect should be stronger in the more scripted presentation—which it is not. Second, Q&A-based attention might partly reflect analyst pressure rather than managerial cognition; significant results from the presentation-based measure, where executives speak in their own words, help address this concern.

Term frequency without IDF weighting. A potential concern with TF-IDF is that the IDF component may disproportionately weight terms that are infrequent in the overall corpus, introducing cross-sectional and temporal noise. Online Appendix B Figure II and Table XIX show that constructing IAFM using only term frequency, without IDF weighting, yields similar time-series patterns and regression results.

Binary indicators. I also replace the log-transformed continuous measure with binary indicators equal to one if IAFM falls in the top two quintiles of the within-year distribution. Online Appendix B Table XX shows that the key findings remain intact under this alternative specification.

Seed words only. To assess whether the word2vec expansion is necessary for the main results, I re-estimate the analyses using only the original 25 seed words per dimension. Online Appendix B Figure III and Table XXI show that the industry-time patterns and the core regression findings continue to support the main conclusions, with somewhat attenuated magnitudes—suggesting that the word2vec expansion primarily enhances statistical power rather than generating the core economic relationships.

VII.C. Attention versus a Passive Sideshow

An alternative interpretation is that IAFM passively co-moves with the cost of capital or other market conditions rather than actively shaping how managers process information. Under this "attention-as-sideshow" view, attention is a by-product of market environments and carries no incremental information beyond the market variables themselves.

This view yields a testable prediction. The baseline specifications in Sections V and VI focus on the IAFM × market-variable interactions, which compare how high- and low-attention managers respond to the same market condition—Tobin's Q, equity market sentiment, or interest rates. Under the sideshow view, no such differential response should exist: if IAFM merely tracked these conditions, two managers facing identical market signals would react identically, and the interactions should be absorbed once the market variables enter the regression as direct controls. Yet the IAFM × market-variable interactions remain positive and statistically significant. Attention therefore actively shapes how managers interpret and act on market signals rather than passively reflecting them.

Two related concerns warrant further scrutiny. First, past stock performance—shown in Online Appendix B Table III to positively predict future attention—may be driving the main results. Importantly, omitting past returns from the baseline regressions is problematic only if those returns directly affect corporate policies while attention serves purely as a passive sideshow. If instead market conditions influence policies through attention, then controlling for past stock performance would introduce a "bad-control" problem by partialing out the very channel through which financial markets operate. Nevertheless, Online Appendix B Table XXII explicitly adds firm-level equity returns and return volatility, together with their interactions with Tobin's Q (or NFD, equity market sentiment, interest-

rate changes), alongside IAFM across all main specifications. The principal IAFM coefficients retain consistent signs and broadly similar magnitudes.[33]

Second, attention may still reflect passive exposure to higher-order, market-wide turbulence—broad volatility spikes, liquidity dry-ups, and systemic disruptions—that firm-level equity returns and return volatility cannot fully capture. To address this, I separately construct IAFM Vol. & Liq., a TF-IDF measure capturing managerial discussion of market volatility, liquidity, and disruptions. In Online Appendix B Table XXIII, I retain firm-level equity returns as a control but replace firm-level return volatility with IAFM Vol. & Liq., alongside IAFM Equity/Debt across the main specifications. My main IAFM findings remain qualitatively unchanged.

VII.D. CEO Effects in Attention to Financial Markets

Bertrand and Schoar (2003) show that individual managers account for a substantial share of variation in corporate investment, financing, and organizational policies. This motivates a natural follow-up question: to what extent does IAFM similarly reflect individual managerial styles? Online Appendix B Table XXIV decomposes the variance in IAFM Equity and IAFM Debt and shows that manager fixed effects contribute an incremental 4% and 8%, respectively, beyond firm and industry-by-year effects—indicating that individual executives indeed bring distinctive attention patterns to financial markets.

To test whether this manager-specific component shapes corporate decisions, Online Appendix B Table XXV uses each CEO's *pre-tenure* IAFM—the average of IAFM scores

[33] Section VII.A also helps address this concern by restricting the sample to firms that do not tap external capital markets, thereby shutting down the primary-market channel through which past returns might mechanically affect investment

across the CEO's prior C-suite positions at *other* firms, measured before the current tenure begins. All specifications include three-digit industry-by-year fixed effects. Higher pre-tenure IAFM Equity and IAFM Debt both predict greater investment-price sensitivity (Panel A); pre-tenure IAFM Debt predicts a stronger response of equity and debt issuance to financing needs (Panel B); and the Q-conditional equity-versus-debt timing channel remains significant in Panels C and D. The equity-tap result in Panel B and the sentiment- and interest-rate-conditional timing triples in Panels C and D are statistically insignificant, likely reflecting the small sample: pre-tenure IAFM requires observing managers in multiple senior positions, with IAFM data available only since 2007.

These findings extend the behavioral finance and imprinting literature on how managers' prior experiences shape corporate decisions—most directly Custódio and Metzger (2014), who show that CEOs' prior financial work experience shapes firms' financial policies—by demonstrating that managers' financial-market attention patterns developed at prior firms transfer with them and continue to influence policies at the new firm.

Beyond this contribution, pre-tenure IAFM also addresses two identification concerns left open by the lagged IAFM used in the main analysis. It mitigates residual reverse causality—a CEO may ramp up attention in anticipation of imminent decisions, and a one-period lag may not break this link if planning horizons span multiple quarters—as well as simultaneity from contemporaneous shocks that jointly move attention and policy at the focal firm. Because pre-tenure IAFM is fixed at appointment and originates at *other* firms, it cannot be shaped by the focal firm's contemporaneous or future decisions, nor by shocks hitting the focal firm during the CEO's tenure.

What pre-tenure IAFM does not fully resolve, however, is endogenous CEO-firm matching: boards may select CEOs whose attention patterns align with the firm's prevailing strategy or future policy needs. Nevertheless, *at the very least* the persistence of pre-tenure CEO attention effects—particularly for investment-price sensitivity and debt-market financing—suggests that managerial attention serves as a *necessary* implementation mechanism. While a firm's industry and lifecycle may determine that it should respond to market signals or time financing decisions around market conditions, actually executing these strategies requires managers who actively monitor market information. Without adequate attention to financial markets, firms may struggle to implement otherwise value-maximizing policies, creating a gap between optimal and realized strategies. These results are inconsistent with the alternative "*no-attention-needed*" or "*no-real-effects*" view, under which managers would pursue identical policies regardless of whether they attend to market prices, because financial markets play no real role in the decision-making process (e.g., prices merely reflect fundamentals already known to the firm).

VII.E. IAFM Other Assets and Investment Decisions in the Energy Sector

The main analyses focus on attention to equity and debt markets, whose signals—equity valuations, interest rates, and credit conditions—are broadly relevant across firms. As a complementary exercise, I extend the IAFM framework to a third dimension of managerial attention: attention to “other assets,’ capturing managers' discussion of commodity, currency, and derivatives markets.

I construct IAFM Other Assets using the same TF-IDF methodology as the main IAFM measures, with a 25-word seed dictionary spanning commodities, currencies, and

derivatives.[34] Online Appendix B Figure IV plots the industry-by-year mean of IAFM Other Assets across the Fama-French 12 industries: the Energy industry stands far above all others throughout 2007–2024, with sharp peaks around the 2009 commodity rebound, the 2015 oil-price collapse, and the 2020–2022 COVID and post-COVID period.[35] Notably, Finance firms—which exhibit by far the highest IAFM Equity and IAFM Debt—score modestly on IAFM Other Assets, indicating that the measure picks up genuine commodity/FX/derivatives attention rather than generic financial-market vocabulary.

I then apply IAFM Other Assets to a setting where this dimension of attention is most likely to matter: the energy sector, whose investment decisions are directly shaped by commodity prices (Gilje and Taillard, 2017; Shi and Zhang, 2024). I regress CAPX and INVT on the interaction between lagged IAFM Other Assets and lagged annual changes in Brent crude oil prices, separately for Energy (Fama-French industry 4) and non-Energy firms (Online Appendix B Table XXVI Panel D). The specification includes firm and three-digit industry-by-year fixed effects, the latter absorbing the oil-price change itself. The interaction therefore identifies whether, within the same firm and conditional on the same oil-price change, higher attention is associated with a stronger investment response. For Energy firms, the interaction is positive and significant (1.01 for CAPX; 2.78 for INVT); for non-Energy firms, it is indistinguishable from zero. The null for non-Energy firms is inconsistent with the

[34] The full seed list is reported in Online Appendix B Table XXVI Panel A. Seeds include commodity terms (e.g., *commodity_price*, *crude_oil*, *gold_price*, *oil_price*), currency terms (e.g., *fx_market*, *fx_price*, *foreign_exchange_rate*), and derivatives terms (e.g., *forward_price*, *future_market*, *option_price*, *swap_agreement*). Panel B reports the top 50 representative and top 50 frequent words after dictionary expansion; Panel C reports cross-industry summary statistics.

[35] Energy averages 12.06 over 2007–2024, with peak readings of 16.99 (2009), 16.98 (2015), and a sustained 13–14 plateau over 2020–2022. Utilities forms a clear second tier (mean of about 8), reflecting fuel-input exposure, followed by Chemicals (about 5). Healthcare, Business Equipment, and Telecom industries average below one, consistent with their negligible commodity, currency, and derivatives exposure.

alternative that IAFM Other Assets simply proxies for general managerial sophistication or for general firm-level investment flexibility.[36] Overall, the Energy result provides an out-of-sample test in a market setting distinct from the main analysis: attention to relevant price signals shapes how those signals translate into investment policies.

VIII. CONCLUSION

This paper studies a missing behavioral mechanism behind the real effects of financial markets: managerial attention. While existing theories emphasize the informational role of prices, they implicitly assume that managers monitor and process market signals. By directly measuring managerial attention to financial markets using managers' own discussions during earnings calls, this paper makes that channel observable.

I develop a novel measure—the Index of Attention to Financial Markets (IAFM)—and document substantial heterogeneity in attention across firms, industries, and time. This dispersion implies that the link between financial markets and corporate policies is not uniform but mediated by the degree of managerial attentiveness. As such, heterogeneity in attention itself becomes a first-order source of heterogeneity in the real effects of financial markets—explaining why even seemingly identical market signals can elicit vastly different corporate responses across firms.

I then show that attention indeed serves as an important behavioral channel through which market information influences corporate decisions. Firms whose managers pay higher attention to financial markets exhibit greater investment-price sensitivity. Moreover, attention

[36] Either interpretation would predict a positive interaction in both Energy and non-Energy subsamples, since a sophisticated or flexible firm would adjust investment more strongly to any macroeconomic signal—not only to oil-price changes in the commodity-exposed Energy sector.

shapes financing decisions. Attentive managers are more likely to tap external capital when financing needs arise, and—conditional on issuing—allocate across debt and equity in a manner that reflects prevailing market conditions. Overall, the results show that financial markets affect real decisions not only because prices are useful (or informative), but because managers pay attention to them. By making managerial attention observable, this paper provides a new behavioral foundation for price feedback and market timing and helps explain heterogeneity in corporate investment and financing behavior.

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TABLE I
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

Notes. This table 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.

TABLE II
SUMMARY STATISTICS

	Mean	STD	25%	Median	75%	N
Panel A: IAFM Measures for All U.S. Public Firms						
IAFM Equity	3.4	4.87	0.39	1.62	4.18	65084
IAFM Debt	2.61	5.63	0	.49	2.27	65084
Panel B: IAFM Measures for U.S. Public Firms Excluding Financial Firms and Utilities						
IAFM Equity	2.15	3.08	0.27	1.16	2.79	51186
IAFM Debt	.94	1.98	0	0	1.13	51186
Panel C: Non-IAFM Firm Characteristics, Excluding Financial Firms and Utilities						
Year-End Tobin's Q	2.41	2.46	1.17	1.64	2.63	48478
Total Assets ($'mil)	7715.97	25326.64	265.51	1046.39	4065	46634
Cash (%)	22.96	24.18	4.93	13.46	33.04	46633
Leverage (%)	25.44	22.79	5.03	21.96	38.76	46438
Sales Growth (%)	14.84	50.16	-3.24	6.92	20.25	43235
Dividend Yield (%)	1.46	8.87	0	0	1.2	51186
Inst. Ownership (%)	46.96	39.07	0	52.96	85.46	51186
WPS (X 10^3)	0.02	0.08	0	0	0.01	17270
Mgr. Ownership	0.02	0.05	0	0	0.01	21335
Finance-Expert CEO	0.33	0.47	0	0	1	42669
Bond Yield	0.05	0.04	0.03	0.05	0.06	7932
CAPX (%)	4.84	6.09	1.3	2.84	5.8	46580
INVT (%)	4.67	12.13	-0.04	2.37	7.21	46618
Net Equity Issue Indicator	0.42	0.49	0	0	1	43226
Net Debt Issue Indicator	0.33	0.47	0	0	1	45208
Equity Issue vs Debt Issue	0.58	0.49	0	1	1	20927
NFD	0.09	0.33	-0.04	0	0.08	46510
Insider Trading Indicator	0.49	0.50	0	0	1	49554
Insider Trading Intensity	2.22	6.39	0.14	0.52	1.73	24466
HHI(Product Market Sales)	.28	0.27	0.09	0.18	0.38	42566
Size Distress Indicator	.29	0.46	0	0	1	46634
Composite Distress Indicator	.31	0.46	0	0	1	49554

Notes. This table reports summary statistics for firm-level IAFM measures and other characteristics. Panel A includes 7,992 unique U.S. public firms over the period 2007 to 2024, whereas the sample for Panel B exclude financial firms and utilities, covering 6,476 firms. 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. Online Appendix Table II provides detailed variable definitions.

TABLE III
VARIANCE DECOMPOSITION OF IAFM MEASURES

Dep. Var.: IAFM Dimension:	(1) Equity	(2) Debt
Year FE	0.34%	2.6%
Industry FE	16.66%	14.4%
Industry × Year FE	5%	7%
Firm FE	33%	35%
Residual Firm × Year Variation	45%	41%
Sum	100%	100%

Notes. 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 2007-2024.

TABLE IV
INDUSTRY DISTRIBUTION OF IAFM EQUITY AND IAFM DEBT

Panel A: IAFM Equity				
Industry (12 Fama-French Industries)	Mean	STD	Median	N
11 (Finance)	8.62	7.23	6.56	11758
8 (Utilities)	4.78	3.98	3.93	1797
4 (Oil, Gas, and Coal Extraction and Products)	3.72	4.15	2.40	3226
12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment)	3.31	4.40	1.81	8840
7 (Telephone and Television Transmission)	2.96	3.45	1.92	1880
5 (Chemicals and Allied Products)	2.34	2.68	1.55	1586
2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances)	2.27	2.96	1.40	1503
3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing)	1.95	2.53	1.19	5447
9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops))	1.89	2.53	1.10	5463
1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys)	1.82	2.23	1.16	2580
6 (Business Equipment: Computers, Software, and Electronic Equipment)	1.61	2.32	0.85	12364
10 (Healthcare, Medical Equipment, and Drugs)	1.37	2.26	0.54	8640
Panel B: IAFM Debt				
Industry (12 Fama-French Industries)	Mean	STD	Median	N
11 (Finance)	9.98	9.51	6.90	11758
8 (Utilities)	2.13	2.96	1.17	1797
12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment)	1.68	2.99	0.66	8840
7 (Telephone and Television Transmission)	1.42	2.03	0.67	1880
3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing)	1.14	1.88	0.49	5447
5 (Chemicals and Allied Products)	1.05	1.56	0.39	1586
9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops))	1.02	1.90	0.28	5463
4 (Oil, Gas, and Coal Extraction and Products)	1.01	1.68	0.39	3226
1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys)	0.94	1.80	0.28	2580
2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances)	0.94	1.59	0.28	1503
6 (Business Equipment: Computers, Software, and Electronic Equipment)	0.62	1.67	0.00	12364
10 (Healthcare, Medical Equipment, and Drugs)	0.38	0.99	0.00	8640

Notes. 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. The sample period is 2007-2024. Variable definitions are provided in Online Appendix Table II.

TABLE V
MANAGERIAL EQUITY OWNERSHIP

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Dimension:	Equity	Debt	Equity	Debt
WPS (× 10^3)	0.64**	0.0062		
	(1.98)	(0.026)		
WPS (× 10^3)^2	-0.96*	-0.28		
	(-1.90)	(-0.79)		
Mgr. Ownership			1.56***	0.60
			(2.95)	(1.34)
Mgr. Ownership^2			-4.93**	-3.58**
			(-2.37)	(-2.24)
Year-End Q	-0.018***	0.0093**	-0.017***	0.00078
	(-2.83)	(2.07)	(-3.41)	(0.27)
Ln(Total Assets)	0.065***	0.060***	0.065***	0.057***
	(3.88)	(4.36)	(4.82)	(5.10)
Cash	0.00078	0.0012**	0.00068	0.00097**
	(1.18)	(2.39)	(1.27)	(2.11)
Leverage	-0.0014***	0.0032***	-0.00091**	0.0030***
	(-2.71)	(7.36)	(-2.25)	(8.01)
Sales Growth	0.00022	-0.00022*	0.00017	-0.00020*
	(1.17)	(-1.68)	(1.18)	(-1.84)
Dividend Yield	0.0014	0.0012	0.000064	0.0011
	(1.05)	(1.03)	(0.039)	(0.92)
Inst. Ownership	0.00016	-0.00033	-0.000070	-0.00021
	(0.48)	(-1.27)	(-0.26)	(-0.95)
Observations	15,148	15,148	19,128	19,128
Adj. R^2	0.342	0.451	0.365	0.465
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. 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 2008-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE VI
FINANCE-EXPERT CEOs

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)	(5)	(6)
Dimension:	Equity	Debt	Equity	Debt	Equity	Debt
Finance-Expert CEO	0.099***	0.038***	0.098***	0.042***	0.066***	0.033***
	(11.2)	(6.14)	(11.0)	(6.73)	(5.35)	(3.51)
Female CEO			-0.039**	-0.034***	-0.016	-0.049***
			(-2.40)	(-3.07)	(-0.64)	(-2.77)
CEO Tenure			-0.00019	0.0022***	0.0012	0.00091
			(-0.29)	(5.17)	(1.14)	(1.24)
CEO Age			-0.000018	0.0049	0.00061	0.0022
			(-0.0037)	(1.33)	(0.082)	(0.43)
CEO Age Squared			3.0e-06	-0.000040	-5.0e-06	-0.000022
			(0.073)	(-1.26)	(-0.078)	(-0.47)
Observations	35,626	35,626	35,561	35,561	34,974	34,974
Adj. R^2	0.145	0.283	0.145	0.285	0.380	0.468
Firm FE	No	No	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes. 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. Controls follow Table V. 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 2007-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE VII
INVESTMENT-PRICE SENSITIVITY

Proxy for IAFM:	(1) Equity	(2) Debt	(3) Equity	(4) Debt
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM) × Year-End Q	0.029	0.11***	0.056***	0.083***
	(1.26)	(2.99)	(3.30)	(2.61)
Ln(1+IAFM)	-0.26***	-0.44***	-0.19***	-0.25***
	(-4.05)	(-4.88)	(-3.77)	(-3.28)
Year-End Q	0.27***	0.26***	0.29***	0.31***
	(10.7)	(12.9)	(10.8)	(11.8)
Observations	39,465	39,465	38,765	38,765
Adj. R^2	0.407	0.407	0.686	0.686
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM) × Year-End Q	0.080*	0.15*	0.16***	0.25***
	(1.68)	(1.95)	(3.03)	(2.84)
Ln(1+IAFM)	-0.37***	-0.27	-0.39***	-0.72***
	(-2.69)	(-1.25)	(-2.65)	(-2.96)
Year-End Q	0.54***	0.56***	0.76***	0.80***
	(10.1)	(11.6)	(10.0)	(10.4)
Observations	39,497	39,497	38,805	38,805
Adj. R^2	0.169	0.169	0.300	0.300
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. 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. Controls follow Table V. 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 2008-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE VIII
FINANCING POLICIES: WHETHER TAPPING EXTERNAL FINANCING BY SOURCE

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) × NFD	0.051***		0.034***	0.057***		0.046***
	(3.87)		(2.69)	(4.47)		(3.53)
Ln(1+IAFM Equity)	-0.044***		-0.043***	-0.021***		-0.020***
	(-11.4)		(-11.0)	(-4.86)		(-4.88)
Ln(1+IAFM Debt) × NFD		0.12***	0.11***		0.098***	0.082***
		(4.58)	(4.35)		(3.84)	(3.16)
Ln(1+IAFM Debt)		-0.014***	-0.0058		0.00022	0.0027
		(-2.97)	(-1.20)		(0.040)	(0.48)
NFD	0.34***	0.35***	0.32***	0.21***	0.23***	0.20***
	(15.1)	(17.7)	(14.1)	(10.9)	(12.3)	(9.96)
Observations	36,530	36,530	36,530	35,801	35,801	35,801
Adj. R^2	0.232	0.230	0.233	0.432	0.432	0.433
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) × NFD	0.089***		0.036*	0.10***		0.055**
	(4.67)		(1.78)	(4.99)		(2.53)
Ln(1+IAFM Equity)	0.0069*		0.0090**	0.0040		0.0065
	(1.77)		(2.32)	(0.88)		(1.43)
Ln(1+IAFM Debt) × NFD		0.40***	0.39***		0.41***	0.39***
		(7.07)	(6.91)		(8.20)	(7.75)
Ln(1+IAFM Debt)		-0.0046	-0.0063		-0.010*	-0.010*
		(-0.97)	(-1.33)		(-1.69)	(-1.73)
NFD	0.44***	0.42***	0.39***	0.46***	0.44***	0.41***
	(13.5)	(15.1)	(12.3)	(12.5)	(14.1)	(11.3)
Observations	38,192	38,192	38,192	37,481	37,481	37,481
Adj. R^2	0.188	0.197	0.197	0.258	0.266	0.266
Firm FE	No	No	No	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes. 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. Controls follow Table V. 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 2008-2024. Standard errors are clustered at the sector -by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

ONLINE APPENDIX A
PREPROCESSING AND PARSING, AND LEARNING PHRASES

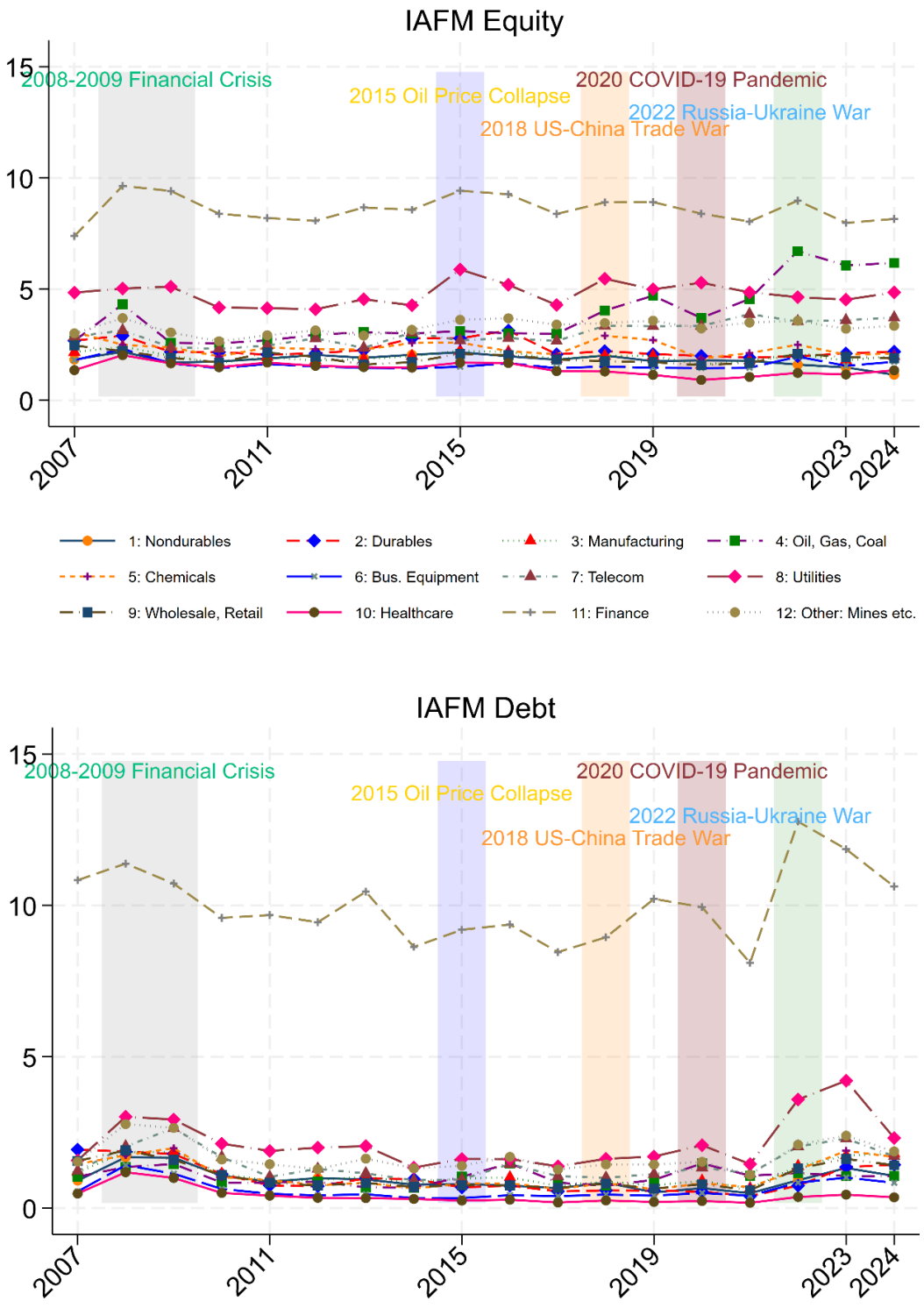
First, I segment all earnings call transcripts into their constituent sentences and discrete lexical tokens. Second, to reduce inflectional forms and derivationally related forms of words to a common base form, I apply lemmatization. This process converts various word forms to their lemma, ensuring that 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," "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.

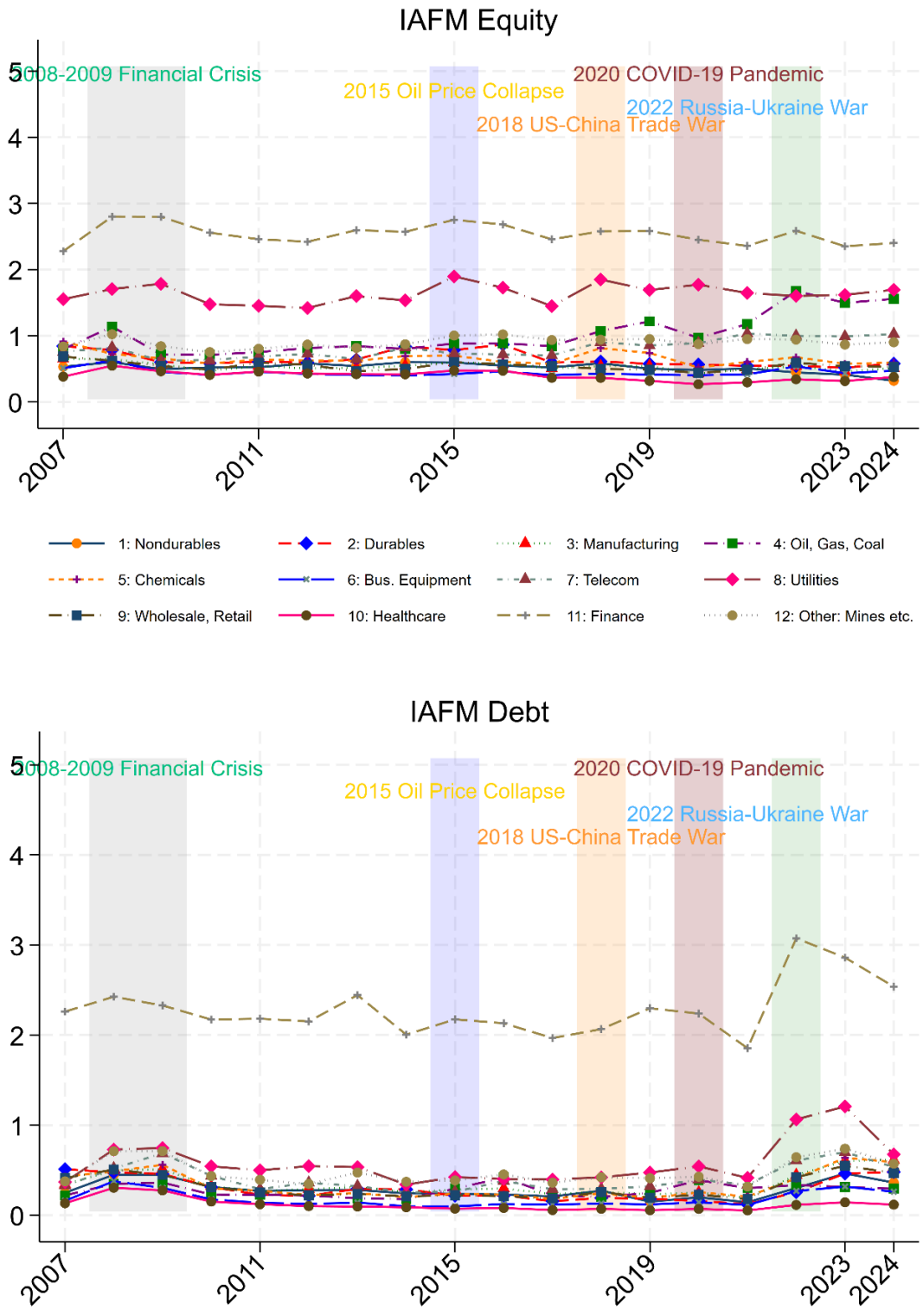
ONLINE APPENDIX B

FIGURE I
IAFM MEASURES ACROSS 12 FAMA-FRENCH INDUSTRIES OVER TIME



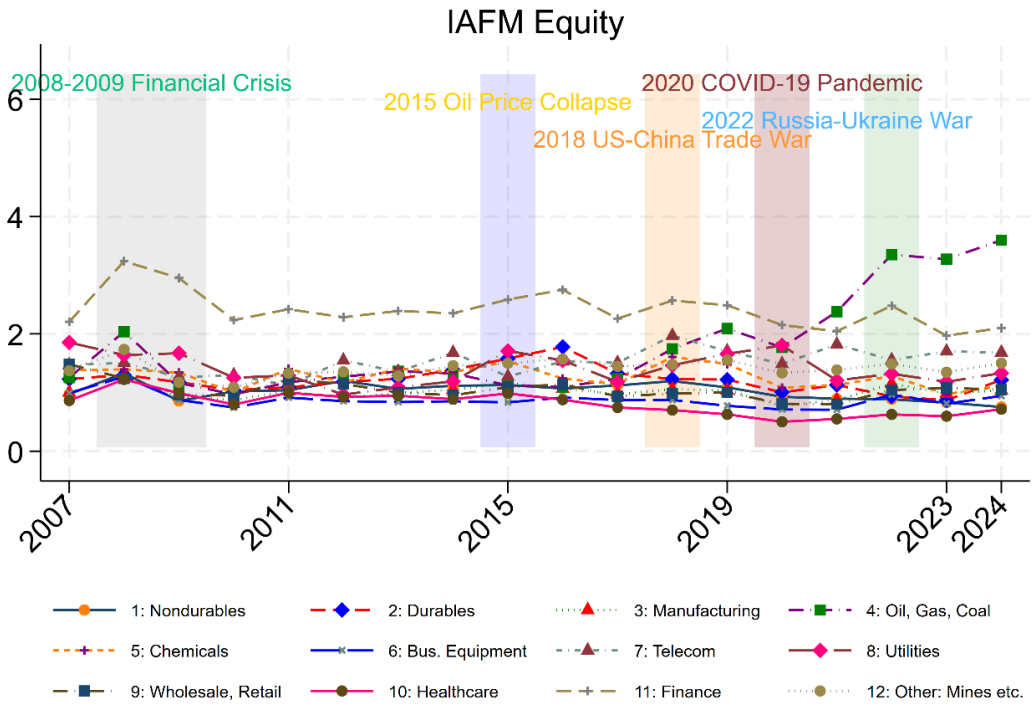
Notes. This figure shows the two tf-idf IAFM measures (IAFM Equity and IAFM Debt) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from 2007 to 2024.

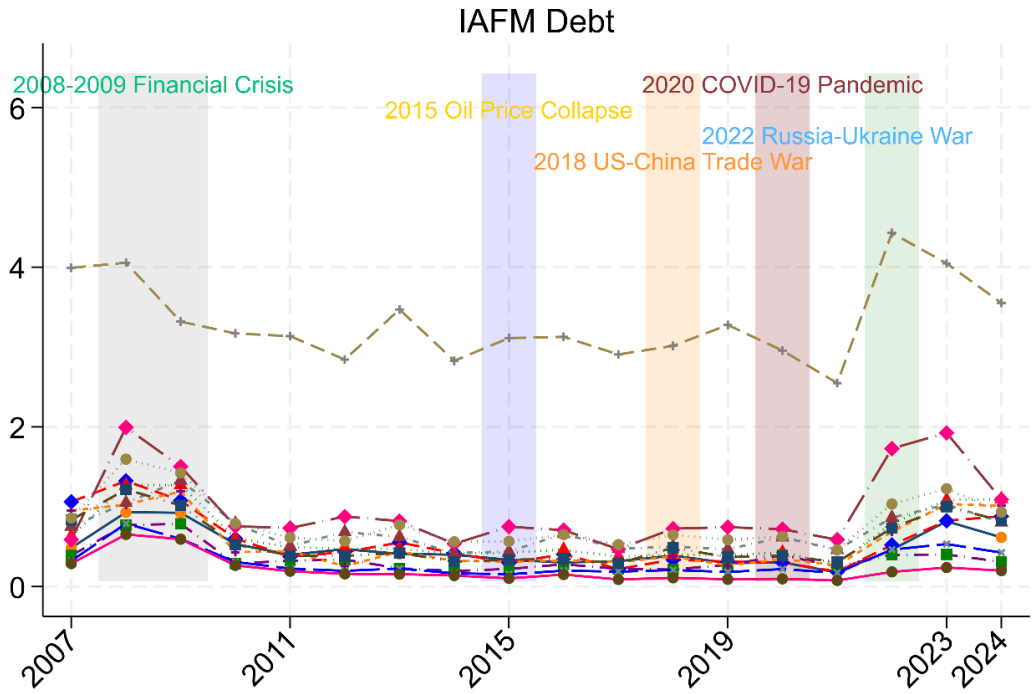
FIGURE II
TF-ONLY IAFM MEASURES ACROSS 12 FAMA-FRENCH INDUSTRIES OVER TIME



Notes. 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 2024.

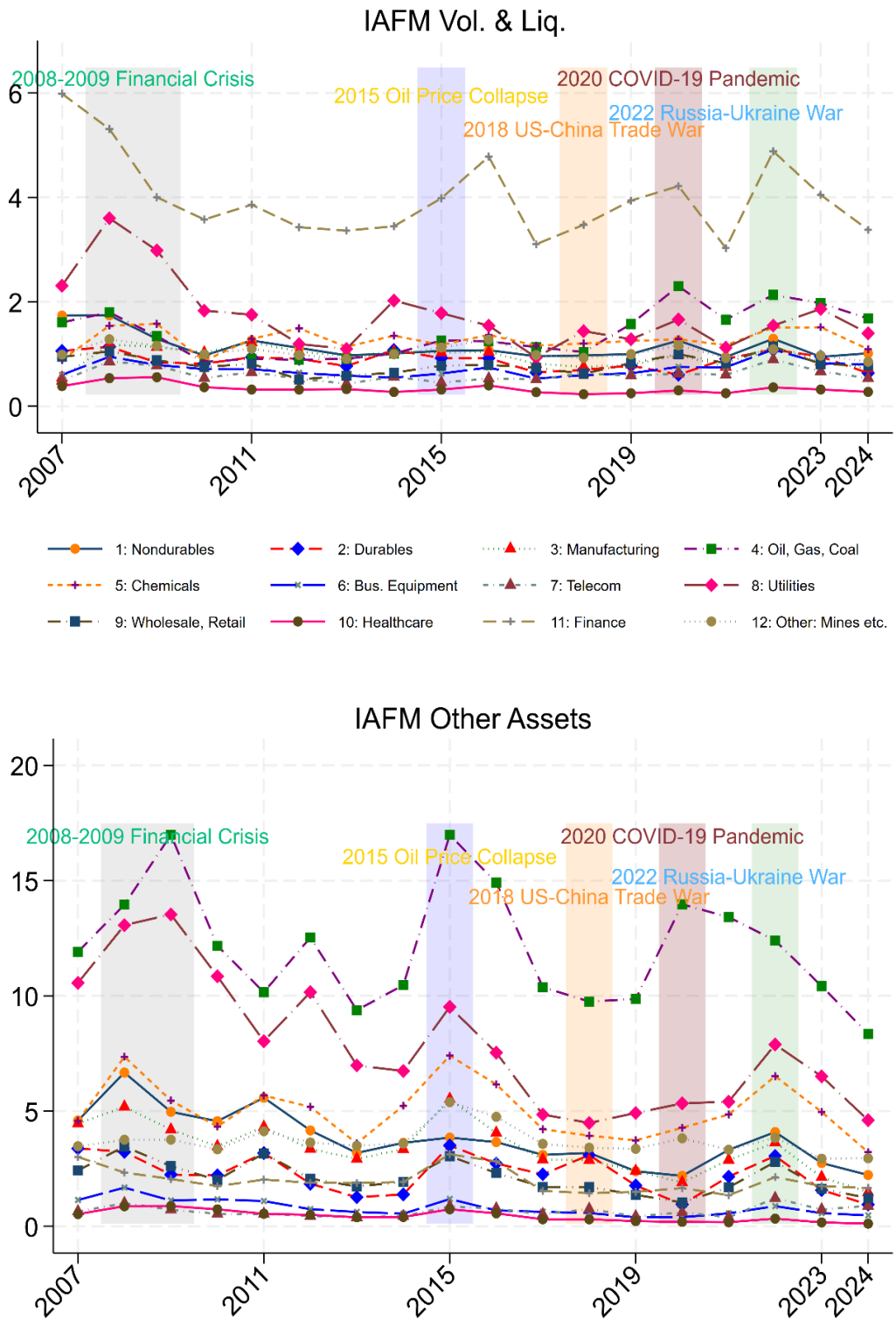
FIGURE III
SEED-WORDS-ONLY IAFM MEASURES ACROSS 12 FAMA-FRENCH INDUSTRIES OVER TIME





Notes. 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 2024.

FIGURE IV
IAFM VOL. & LIQ. AND IAFM OTHER ACROSS 12 FAMA-FRENCH INDUSTRIES OVER TIME



Notes. 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 2024.

TABLE I
EXPANDED DICTIONARY

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

Equity				Debt			
Word	Sim	Word	Sim	Word	Sim	Word	Sim
share_price	0.85	tower_stock	0.67	credit_spread	0.83	aa_bond	0.69
stock_price	0.85	gray_stock	0.67	bond_yield	0.82	bond_spread	0.69
equity_price	0.78	dividend_yield_basis	0.67	government_bond	0.79	agency_mbs	0.69
market_valuation	0.76	net_-_net_working_capital	0.66	treasury_yield	0.77	government_bond_yield	0.69
equity_valuation	0.75	undervalue	0.66	bond_market	0.76	income_instrument	0.69
stock_market	0.73	stock_trade	0.66	yield_curve	0.75	interest_rate_market	0.68
valuation	0.73	dividend_yield	0.66	interest_rate	0.74	term_bond_yield	0.68
stock_valuation	0.72	price_-_to_-_book_basis	0.65	year_treasury	0.74	spread_widening	0.68
price_-_to_-_book_ratio	0.72	nav_valuation	0.65	bond_portfolio	0.74	agency_rmbs_price	0.68
market_timberland_value	0.71	share_price_level	0.65	swap_rate	0.73	loan_credit_spread	0.68
equity_value	0.70	unit_trading_price	0.65	treasury_rate	0.73	term_rate	0.68
market_capitalization	0.70	trading_price	0.65	spread_widen	0.73	repo	0.68
unit_price_trade	0.69	stock_exchange_value	0.65	bond_price	0.72	loan_market	0.68
share_price_performance	0.69	equity_share_price	0.65	t_-_bill	0.72	interest_rate_type	0.68
share_value	0.69	calculated_intrinsic	0.65	term_interest_rate	0.71	agency_mortgage_valuation	0.68
intrinsic_value	0.68	unit_price_trading	0.65	treasury_bill	0.71	interest_rate_environment	0.68
market_cap	0.68	stock_performance	0.65	sovereign_bond	0.71	curve_control	0.68
share_price_trade	0.68	stock_price_trade	0.65	swap_yield	0.71	mortgage_basis_risk	0.68
valuation_level	0.68	equity_trading_price	0.65	mortgage_spread	0.70	income_market	0.68
price_-_to_-_book_value_ratio	0.67	equity_trading_level	0.65	treasury_bond	0.70	yield_name	0.68
stock_value	0.67	market_value	0.64	market_interest_rate	0.70	investment_-_grade_spread	0.68
stock_price_performance	0.67	company_share_price	0.64	government_security	0.69	interest_rate_volatility	0.68
equity_market	0.67	market_multiple	0.64	risk_bond	0.69	repo_haircut	0.68
book_value_multiple	0.67	price_-_to_-_tangible_book	0.64	widening_credit_spread	0.69	income_liquidity	0.68
dryships_share	0.67	stock_outperformance	0.64	government_yield	0.69	ig_bond	0.67

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

Equity				Debt			
Word	%	Word	%	Word	%	Word	%
equity	25.43%	trading_price	0.25%	interest_rate	26.87%	market_interest_rate	0.61%
valuation	11.64%	share_price_performance	0.24%	bond	13.75%	loan_market	0.59%
shareholder_value	7.77%	stock_performance	0.22%	interest_rate_environment	4.83%	income_market	0.55%
book_value	7.48%	stock_trading	0.22%	rate_environment	4.10%	agency_mbs	0.52%
share_price	5.55%	stock_undervalue	0.22%	treasury	3.99%	year_treasury	0.51%
nav	4.83%	valuation_multiple	0.21%	funding_cost	3.23%	bond_yield	0.51%
stock_price	4.77%	stock_trade	0.20%	credit_market	2.54%	yield_market	0.47%
shareholder_return	3.65%	trading_level	0.19%	yield_curve	1.77%	risk_asset	0.47%
asset_value	3.48%	equity_valuation	0.19%	repo	1.72%	year_bond	0.45%
market_value	3.26%	valuation_perspective	0.18%	debt_market	1.68%	month_libor	0.42%
equity_market	2.93%	equity_price	0.18%	credit_spread	1.54%	yield_bond	0.38%
market_cap	1.89%	valuation_level	0.17%	term_rate	1.47%	interest_rate_level	0.38%
stock_market	1.53%	undervalued	0.16%	bond_market	1.46%	income_security	0.37%
dividend_yield	1.32%	market_multiple	0.15%	borrowing_cost	1.37%	interest_rate_movement	0.37%
enterprise_value	1.26%	valuation_gap	0.14%	bond_portfolio	1.15%	interest_rate_volatility	0.37%
undervalue	1.19%	trading_value	0.12%	asset_yield	1.08%	benchmark_rate	0.36%
intrinsic_value	0.89%	equity_performance	0.11%	cmbs	1.08%	covered_bond	0.35%
market_capitalization	0.80%	stock_price_performance	0.11%	term_interest_rate	1.05%	reference_rate	0.34%
equity_value	0.70%	stock_value	0.11%	interest_rate_risk	1.01%	municipal_bond	0.32%
market_valuation	0.56%	price_target	0.11%	income_portfolio	0.89%	reinvestment_yield	0.32%
asset_price	0.53%	share_price_appreciation	0.11%	spread_widen	0.82%	swap_rate	0.31%
closing_price	0.52%	p_/_e	0.10%	libor	0.75%	interest_environment	0.28%
equity_return	0.31%	stock_valuation	0.10%	government_bond	0.73%	market_yield	0.27%
share_value	0.29%	share_market	0.10%	money_market_fund	0.66%	interest_rate_scenario	0.25%
market_reaction	0.26%	share_price_development	0.09%	debt_security	0.65%	income_investment	0.24%

Notes. Panel A lists the 50 most representative words for each IAFM dimension, ranked by descending similarity to the corresponding seed words. Panel B 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.

TABLE II
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 × 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 × cash and Short-term investment (Compustat CHE) scaled by assets (Compustat AT), lagged by one year.
Leverage (%)	100 × 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 × $(\text{SALE}_{t-1} - \text{SALE}_{t-2})/ \text{SALE}_{t-2}$) where SALE_{t-1} denotes the Compustat SALE in year t-1.
Dividend Yield (%)	100 × 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 × shares outstanding from CRSP) and the book value of preferred stock (Compustat PSTK), lagged by one year.
Inst. Ownership (%)	100 × total shares held by all institutional investors scaled by total shares outstanding.
CAPX (%)	100 × the capital expenditure (Compustat CAPX) divided by lagged total assets (Compustat AT).
INVT (%)	100 × 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).
Credit Spread	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. I then compute the monthly firm-level credit spread as the outstanding-amount-weighted average of bond-level spread spreads.
Term Spread	The term spread is first computed for each bond as the difference between the matched-maturity Treasury yield and the three-month Treasury bill rate. I then compute the monthly firm-level term spread as the outstanding-amount-weighted average of bond-level term spreads.
ROA (%)	100 × net income (Compustat NI) divided by lagged total assets (Compustat AT).
AR (%)	The abnormal return in percent for stock i on day d in year t, computed relative to a CAPM benchmark. Factor loadings for CAPM are estimated over the $[-250, -75]$ window prior to the earnings call.
Net Equity Issue Indicator	Equity issuance is 100 × 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 × 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
Insider Trading Intensity	1000 × 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 the Board). Insider Trading Indicator equals to 1 if Insider Trading Intensity is positive and 0 otherwise.
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).
Size Distress Indicator	Size Distress Indicator equals to one if the firm's total assets fall within the bottom tercile as of last calendar year end, and zero otherwise.
Composite Distress Indicator	The composite indicator of financial constraint is constructed based on five proxies of financial constraints: dividend, credit ratings, firm size, 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 has neither a short-term (spsticrm) nor 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. A firm is distressed by size if the firm's total assets fall within the bottom tercile in a year, and zero otherwise. For the Kaplan-Zingales, Hadlock-Pierce, and Whited- Wu indices, firms are categorized as financially constrained if they fall within the top tercile 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.

TABLE III
EQUITY AND DEBT MARKETS PERFORMANCE

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Dimension:	Equity	Debt	Equity	Debt
Panel A: Firm-Level Equity Performance				
Firm-Level 1-Year Equity Return	0.035***	0.013*		
	(3.72)	(1.66)		
Firm-Level Equity Return Volatility	-2.35***	-0.24		
	(-4.68)	(-0.57)		
Market-Wide 1-Year Equity Return			-0.054**	0.0060
			(-2.27)	(0.25)
Market-Wide Return Volatility			-1.43**	8.55***
			(-1.98)	(6.74)
Observations	28,712	28,712	42,286	42,286
Adj. R^2	0.420	0.461	0.400	0.416
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	No	No

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Dimension:	Equity	Debt	Equity	Debt
Panel B: Interest Rate Movements				
Δ in Interest Rate	-0.0024	0.052***		
	(-0.29)	(5.15)		
Volatility(Δ in Interest Rate)	-0.32***	-0.53***		
	(-2.96)	(-3.58)		
Interest Rate			0.65	3.88***
			(1.17)	(5.18)
Volatility(Interest Rate)			-7.29***	26.1***
			(-3.07)	(7.98)
Observations	42,286	42,286	42,286	42,286
Adj. R^2	0.400	0.412	0.400	0.422
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	No	No	No	No

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dimension:	Equity	Equity	Debt	Debt	Equity	Equity	Debt	Debt
Panel C: Bond Yield								
Bond Yield	0.044		3.03***		-0.97***		0.44	
	(0.16)		(8.96)		(-2.62)		(1.15)	
Credit Spread		0.20		2.92***		-0.54		0.70*
		(0.67)		(8.47)		(-1.43)		(1.81)
Term Spread		0.94		2.24**		-1.23		-2.56
		(0.63)		(1.97)		(-0.58)		(-1.31)
3-Month Treasury Yield		0.20		4.59***				
		(0.21)		(5.44)				
Observations	7,452	7,388	7,452	7,388	6,599	6,533	6,599	6,533
Adj. R^2	0.354	0.357	0.356	0.360	0.390	0.393	0.452	0.454
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	No	No	No	No	Yes	Yes	Yes	Yes

Notes. This table reports regression results investigating whether equity and debt markets performance predict firm-level attention to financial markets. In Panels A and B, the dependent variable is IAFM Equity in Columns (1) and (3), and IAFM Debt in Columns (2) and (4). Panel A uses equity-based predictors: firm-level return and return volatility in Columns (1)–(2), and market-wide return and volatility in Columns (3)–(4), all measured over the prior calendar year. Panel B uses interest rate measures: the level of the 7-year U.S. Treasury yield and its volatility in Columns (1)–(2), and the annual change in the yield and its volatility in Columns (3)–(4). The annual change is defined relative to the prior year-end yield, and volatility is the standard deviation of daily yield changes. Panel C restricts to firms with at least one publicly traded bond. The dependent variable is IAFM Equity in Columns (1)–(2) and (5)–(6), and IAFM Debt in Columns (3)–(4) and (7)–(8). Key predictors include firm-level bond yield and its volatility in Columns (1), (3), (5), and (7), and its components—credit spread, term spread, and the 3-month Treasury bill rate—in Columns (2), (4), (6), and (8). Bond yields and spreads are measured at year-end using the last available monthly observation. Controls follow Table V. Returns, return volatility, interest rate level/change, interest rate level/change volatility, spreads and yields 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 in all specifications. Industry-by-year fixed effects are included in Panel A, Columns (1)–(2), and in Panel C, Columns (5)–(8), but not in other specifications. The sample period is 2007-2024. Standard errors are clustered at the sector -by-year level. T-statistics are reported in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

TABLE IV
DO CHANGES IN TREASURY YIELDS WITH ALTERNATIVE MATURITIES PREDICT IAFM?

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	-0.0017*	0.0092***						
	(-1.77)	(10.7)						
Volatility(Δ in 6-Month Treasury Yield)	0.061**	-0.10***						
	(2.23)	(-3.10)						
Δ in 1-Year Treasury Yield			-0.00052	0.019***				
			(-0.24)	(10.0)				
Volatility(Δ in 1-Year Treasury Yield)			-0.0065	-0.087				
			(-0.11)	(-1.17)				
Δ in 5-Year Treasury Yield					0.0071	0.044***		
					(1.06)	(6.61)		
Volatility(Δ in 5-Year Treasury Yield)					-0.18**	-0.50***		
					(-2.14)	(-4.33)		
Δ in 10-Year Treasury Yield							-0.013	0.064***
							(-1.36)	(4.97)
Volatility(Δ in 10-Year Treasury Yield							-0.51***	-0.41**
							(-3.92)	(-2.22)
Observations	42,286	42,286	42,286	42,286	42,286	42,286	42,286	42,286
Adj. R^2	0.400	0.415	0.400	0.414	0.400	0.413	0.400	0.411
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	No	No	No	No	No	No	No	No

Notes. This table reports regressions examining whether changes in Treasury yields predict firm-level attention to financial markets. The dependent variable is IAFM Equity in Columns (1), (3), (5), and (7), and IAFM Debt in Columns (2), (4), (6), and (8). Key independent variables are the annual change and volatility of Treasury yields at four maturities (6-month, 1-year, 5-year, and 10-year). The annual change is defined relative to the prior year-end yield, and volatility is the standard deviation of daily yield changes. Controls follow Table V. All variables are lagged by one year. Interest rate changes and volatilities are expressed in levels (1 = 100%). Firm fixed effects are included. The sample spans 2007–2024. Standard errors are clustered at the sector-by-year level; t-statistics are in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels.

TABLE V
DO TREASURY YIELDS WITH ALTERNATIVE MATURITIES PREDICT IAFM?

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dimension:	Equity	Debt	Equity	Debt	Equity	Debt	Equity	Debt
6-Month Treasury Yield	0.36	0.62						
	(0.99)	(1.27)						
Volatility(6-Month Treasury Yield)	-0.97	19.4***						
	(-0.61)	(8.41)						
1-Year Treasury Yield			0.29	0.19				
			(0.76)	(0.37)				
Volatility(1-Year Treasury Yield)			-0.45	24.4***				
			(-0.24)	(9.18)				
5-Year Treasury Yield					0.62	3.24***		
					(1.24)	(5.01)		
Volatility(5-Year Treasury Yield)					-4.07*	32.7***		
					(-1.67)	(9.91)		
10-Year Treasury Yield							0.71	4.66***
							(1.13)	(5.29)
Volatility(10-Year Treasury Yield							-9.89***	19.9***
							(-3.89)	(5.38)
Observations	42,286	42,286	42,286	42,286	42,286	42,286	42,286	42,286
Adj. R^2	0.400	0.426	0.400	0.428	0.400	0.427	0.400	0.419
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	No	No	No	No	No	No	No	No

Notes. This table reports regressions examining whether changes in Treasury yields predict firm-level attention to financial markets. The dependent variable is IAFM Equity in Columns (1), (3), (5), and (7), and IAFM Debt in Columns (2), (4), (6), and (8). Key independent variables are the annual change and volatility of Treasury yields across four maturities (6-month, 1-year, 5-year, and 10-year). The annual change is defined relative to the prior year-end yield, and volatility is the standard deviation of daily yield changes. Controls follow Table V. Interest rate changes and volatilities are expressed in levels (1 = 100%). All explanatory variables are lagged by one year. Firm fixed effects are included. The sample spans 2007–2024. Standard errors are clustered at the sector-by-year level; t-statistics are reported in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels.

TABLE VI
ROLE OF INSIDER INFORMATION

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) × Year-End Q	0.067***	0.029	0.049	0.16***	-0.018	-0.028
	(2.84)	(0.91)	(1.26)	(3.00)	(-0.38)	(-0.56)
Ln(1+IAFM)	-0.25***	-0.11	-0.070	-0.31**	0.028	-0.065
	(-3.16)	(-1.06)	(-0.59)	(-2.22)	(0.22)	(-0.45)
Year-End Q	0.27***	0.27***	0.23***	0.28***	0.29***	0.26***
	(7.40)	(7.01)	(5.49)	(8.70)	(7.59)	(6.26)
Observations	17,253	9,131	7,618	17,253	9,131	7,618
Adj. R^2	0.658	0.772	0.728	0.658	0.772	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) × Year-End Q	0.17**	0.12	0.039	0.27**	0.11	0.065
	(2.19)	(1.25)	(0.35)	(2.38)	(0.67)	(0.45)
Ln(1+IAFM)	-0.25	-0.69**	-0.056	-0.70*	-0.52	-0.44
	(-1.05)	(-2.27)	(-0.16)	(-1.81)	(-1.29)	(-0.85)
Year-End Q	0.60***	0.71***	0.72***	0.66***	0.76***	0.73***
	(6.19)	(6.29)	(5.91)	(6.42)	(6.82)	(6.53)
Observations	17,280	9,137	7,625	17,280	9,137	7,625
Adj. R^2	0.245	0.382	0.382	0.245	0.382	0.382
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes. 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. Controls follow Table V. 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

TABLE VII
ROLE OF PRODUCT-MARKET COMPETITION

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) × Year-End Q	0.018	0.074**	-0.038	0.080
	(0.54)	(2.58)	(-1.05)	(1.52)
Ln(1+IAFM)	-0.12	-0.24***	-0.063	-0.29*
	(-1.63)	(-2.72)	(-0.75)	(-1.84)
Year-End Q	0.38***	0.29***	0.40***	0.32***
	(8.45)	(8.84)	(8.37)	(10.0)
Observations	16,541	15,788	16,541	15,788
Adj. R^2	0.653	0.739	0.653	0.739
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel D: Dep. Var.: INVT (%)				
Ln(1+IAFM) × Year-End Q	0.086	0.21*	-0.053	0.30*
	(1.05)	(1.90)	(-0.45)	(1.79)
Ln(1+IAFM)	-0.26	-0.55*	-0.16	-0.82
	(-1.12)	(-1.84)	(-0.54)	(-1.57)
Year-End Q	1.10***	0.74***	1.18***	0.81***
	(7.70)	(7.32)	(8.26)	(8.20)
Observations	16,553	15,806	16,553	15,806
Adj. R^2	0.264	0.344	0.264	0.344
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. 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. Controls follow Table V. 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 2008-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE VIII
ROLE OF FINANCIAL CONSTRAINTS (FIRM SIZE)

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Financial Constraints:	Uncon.	Con.	Uncon.	Con.
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM) × Year-End Q	0.077***	0.017	0.098***	0.023
	(3.35)	(0.58)	(2.96)	(0.26)
Ln(1+IAFM)	-0.21***	-0.053	-0.27***	-0.15
	(-3.25)	(-0.50)	(-3.45)	(-0.65)
Year-End Q	0.25***	0.26***	0.27***	0.27***
	(7.80)	(6.97)	(8.44)	(7.80)
Observations	30,767	6,923	30,767	6,923
Adj. R^2	0.721	0.577	0.721	0.577
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM) × Year-End Q	0.24***	-0.026	0.27***	0.21
	(3.72)	(-0.24)	(2.88)	(0.71)
Ln(1+IAFM)	-0.55***	0.34	-0.76***	-0.43
	(-3.23)	(0.90)	(-2.95)	(-0.55)
Year-End Q	0.59***	0.84***	0.66***	0.81***
	(7.76)	(6.89)	(8.42)	(5.97)
Observations	30,799	6,936	30,799	6,936
Adj. R^2	0.325	0.250	0.325	0.250
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. 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. Controls follow Table V. Columns (1) and (3) present results for firms classified as financially unconstrained (firm size above the bottom tercile as of the last year end), while Columns (2) and (4) focus on financially constrained firms (firm size in the bottom tercile as of the last year end). 3-digit industry-by-year fixed effects and firm effects are included. sample period is 2008-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE IX
ROLE OF FINANCIAL CONSTRAINTS (A COMPOSITE CONSTRAINT MEASURE)

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Financial Constraints:	Uncon.	Con.	Uncon.	Con.
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM) × Year-End Q	0.075***	0.022	0.098***	0.076
	(3.35)	(0.74)	(2.96)	(0.80)
Ln(1+IAFM)	-0.23***	-0.064	-0.28***	-0.42*
	(-3.78)	(-0.56)	(-3.54)	(-1.81)
Year-End Q	0.25***	0.25***	0.27***	0.25***
	(7.68)	(6.39)	(8.94)	(7.36)
Observations	30,632	6,856	30,632	6,856
Adj. R^2	0.718	0.603	0.718	0.604
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM) × Year-End Q	0.24***	-0.048	0.28***	0.17
	(3.76)	(-0.39)	(2.96)	(0.55)
Ln(1+IAFM)	-0.55***	0.38	-0.76***	-0.75
	(-3.33)	(0.98)	(-2.99)	(-0.92)
Year-End Q	0.59***	0.81***	0.65***	0.76***
	(7.01)	(6.38)	(8.15)	(5.49)
Observations	30,658	6,865	30,658	6,865
Adj. R^2	0.320	0.278	0.320	0.278
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. This table reports regressions of IAFM on investment–price sensitivity, conditional on firms' financial constraints, measured using a composite index. The dependent variable is CAPX in Panel A and INVT in Panel B. The key independent variable is the interaction between log IAFM and year-end Tobin's Q in all specifications. Columns (1)–(2) use tf-idf IAFM Equity; Columns (3)–(4) use tf-idf IAFM Debt. Controls follow Table V. Columns (1) and (3) report results for financially unconstrained firms; Columns (2) and (4) for constrained firms. The composite constraint measure combines six proxies: dividend payout, credit ratings, firm size, the Kaplan–Zingales (1997), Hadlock–Pierce (2010), and Whited–Wu (2006) indices. Firms are classified as constrained if they do not pay dividends, lack S&P credit ratings, fall in the bottom size tercile, or are in the top tercile of the KZ, HP, or WW indices. A firm is defined as constrained if a majority of these five lagged proxies indicate constraint. All regressions include firm and 3-digit industry-by-year fixed effects. The sample period is 2008–2024. Standard errors are clustered at the sector-by-year level. t-statistics are in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE X
ROLE OF SENTIMENT

Proxy for IAFM:	Equity		Debt		Equity		Debt	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var.:	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)
Positive-Sentiment IAFM × Year-End Q	0.014*	0.10***	0.052***	0.097*	0.013*	0.10***	0.052***	0.092
	(1.76)	(3.90)	(2.69)	(1.70)	(1.70)	(3.79)	(2.66)	(1.57)
Negative-Sentiment IAFM × Year-End Q	0.014	0.016	0.017	0.092	0.014	0.017	0.015	0.091
	(1.56)	(0.62)	(0.90)	(1.50)	(1.56)	(0.63)	(0.78)	(1.46)
Observations	38,765	38,805	38,765	38,805	38,765	38,805	38,765	38,805
Adj. R^2	0.688	0.304	0.688	0.304	0.688	0.304	0.688	0.304
Positive-Sentiment Earnings Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Negative-Sentiment Earnings Call	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Positive-Sentiment Earnings Call × Year-End Q	No	No	No	No	Yes	Yes	Yes	Yes
Negative-Sentiment Earnings Call × Year-End Q	No	No	No	No	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes. This table reports regressions examining how managerial attention to financial markets (IAFM) affects investment–price sensitivity, conditional on the sentiment associated with that attention. The dependent variable is CAPX in Columns (1), (3), (5), and (7), and INVT in Columns (2), (4), (6), and (8). The key independent variables are interaction terms between year-end Tobin's Q and Positive-Sentiment IAFM and Negative-Sentiment IAFM. Positive (Negative)-Sentiment IAFM captures the likelihood that managerial attention carries positive (negative) sentiment, measured as the proportion of sentences in an earnings call that simultaneously mention financial market-related keywords and contain positive (negative) words as defined by Loughran and McDonald (2011). Columns (1)–(2) and (5)-(6) use the tf-idf measure of IAFM Equity, while Columns (3)–(4) and (7)-(8) use the tf-idf measure of IAFM Debt. Controls follow Table V. In Columns (1)-(4), I control for the overall sentiment level of the earnings call, whereas in Columns (5)-(8), I additionally control for the interaction terms between the overall sentiment level of the earnings and year-end Tobin's Q. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2024. Standard errors are clustered at the sector-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.

TABLE XI
VALUE IMPLICATIONS OF ATTENTION-INDUCED INVESTMENT-PRICE SENSITIVITY

Panel A: Operating Performance (ROA)

Dep. Var.: ROA (%)	(1)	(2)	(3)	(4)
Proxy for IAFM:	Equity	Debt	Equity	Debt
Ln(1+IAFM) × Year-End Q	0.28**	1.15***	0.24*	0.55***
	(2.20)	(8.14)	(1.86)	(5.17)
Ln(1+IAFM)	-1.19***	-1.83***	-0.51**	-1.21***
	(-4.54)	(-5.66)	(-1.97)	(-5.33)
Year-End Q	0.67***	0.58***	0.78***	0.81***
	(4.72)	(4.86)	(4.71)	(5.67)
Observations	39,501	39,501	38,807	38,807
Adj. R^2	0.326	0.328	0.667	0.667
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Panel B: Market Reactions to Earnings Calls

Dep. Var.: AR (%)	(1)	(2)	(3)	(4)
Proxy for IAFM:	Equity	Debt	Equity	Debt
First Week × Ln(1+IAFM) × Year-End Q	0.00976**	0.0077*	0.00898**	0.00669
	(2.49)	(1.85)	(2.06)	(1.4)
Post × Ln(1+IAFM) × Year-End Q	-0.000612	-0.00062	-0.000487	-8.04e-06
	(-0.593)	(-0.529)	(-0.572)	(-0.00757)
Observations	9,426,115	9,426,115	9,426,115	9,426,115
Adj. R^2	0.00058	0.000579	0.0279	0.0279
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	No	No
Calendar Date FE	No	No	Yes	Yes

Notes. Panel A examines real outcomes using operating performance (ROA). Columns (1)–(2) include 3-digit industry-by-year fixed effects; Columns (3)–(4) additionally include firm fixed effects. Panel B studies market reactions via abnormal returns over the [−45, +45] window around earnings calls, estimated as: $AR_{i,d,t} = \beta_1 Ln(1 + IAFM_{i,t-1}) \times Q_{i,t-1} \times FirstWeek_{i,t,d} + \beta_2 Ln(1 + IAFM_{i,t-1}) \times Q_{i,t-1} \times Post_{i,d,t} + \beta_3 Ln(1 + IAFM_{i,t-1}) \times Q_{i,t-1} + \beta_4 Ln(1 + IAFM_{i,t-1}) \times FirstWeek_{i,t,d} + \beta_5 Ln(1 + IAFM_{i,t-1}) \times Post_{i,d,t} + \beta_6 Q_{i,t-1} \times FirstWeek_{i,t,d} + \beta_7 Q_{i,t-1} \times Post_{i,d,t} + \beta_8 Q_{i,t-1} + \beta_9 Ln(1 + IAFM_{i,t-1}) + \beta_{10} FirstWeek_{i,t} + \beta_{11} Post_{i,t} + \alpha_{t,j} + \eta_i + \gamma CONTROL_{i,t-1} + \epsilon_{i,d,t}$, where $AR_{i,t}$ is the abnormal return in percent for stock i on day d in year t. $FirstWeek_{i,t,d}$ equals one for the [0, +4] window covering the earnings call date and the subsequent four trading days, and zero otherwise. $Post_{i,d,t}$ equals one for the [+5, +45] window and zero otherwise. All other variables follow the same definition as Equation (1). Abnormal returns are computed relative to a CAPM benchmark. Factor loadings are estimated over the [−250, −75] window prior to the earnings call. Columns (1)–(2) include 3-digit industry-by-year and firm fixed effects; Columns (3)–(4) include calendar date and firm fixed effects. Across panels, Columns (1) and (3) use IAFM Equity; Columns (2) and (4) use IAFM Debt. Controls follow Table V. The sample period is 2008–2024. Standard errors are clustered at the sector-by-year level. t-statistics are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

TABLE XII
COMPLEMENTARY ROLE OF DEBT MARKET ATTENTION FOR INVESTMENT-PRICE SENSITIVITY

	(1)	(2)	(3)
	Full Sample	Low Leverage	High Leverage
Panel A: Dep. Var.: CAPX (%)			
Ln(1+IAFM Equity) × Year-End Q	0.048***	0.070***	0.038
	(2.91)	(3.06)	(1.37)
Ln(1+IAFM Debt) × Year-End Q	0.073**	0.095	0.047
	(2.30)	(1.44)	(1.36)
Ln(1+IAFM Equity)	-0.17***	-0.23***	-0.097
	(-3.36)	(-2.71)	(-1.29)
Ln(1+IAFM Debt)	-0.22***	-0.26*	-0.18*
	(-2.90)	(-1.76)	(-1.92)
Year-End Q	0.28***	0.25***	0.30***
	(10.4)	(8.59)	(6.63)
Observations	38,765	15,763	21,144
Adj. R^2	0.687	0.687	0.703
Firm FE	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)			
Ln(1+IAFM Equity) × Year-End Q	0.13***	0.14**	0.16*
	(2.58)	(2.15)	(1.75)
Ln(1+IAFM Debt) × Year-End Q	0.22**	0.11	0.21**
	(2.48)	(0.87)	(2.04)
Ln(1+IAFM Equity)	-0.33**	-0.43*	-0.30
	(-2.16)	(-1.84)	(-1.23)
Ln(1+IAFM Debt)	-0.66***	-0.041	-0.77***
	(-2.65)	(-0.11)	(-2.65)
Year-End Q	0.73***	0.73***	0.61***
	(9.48)	(8.79)	(4.85)
Observations	38,805	15,795	21,156
Adj. R^2	0.300	0.366	0.277
Firm FE	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes

Notes. This table presents regression results examining the complementary role of IAFM Debt in shaping investment-price sensitivity. The dependent variable is CAPX in Panel A, and INVT in Panels B. 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. Controls follow Table V. Across panels, 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. All regressions include 3-digit industry-by-year and firm fixed effects. The sample period is 2008–2024. Standard errors are clustered at the sector by-year level, and t-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE XIII
BOND YIELD SENSITIVITY OF INVESTMENTS

	(1)	(2)	(3)	(4)
Dep. Var.:	CAPX (%)	CAPX (%)	INVT (%)	INVT (%)
Ln(1+IAFM Equity) × Year-End Q	0.058	0.058	0.31*	0.32*
	(1.10)	(1.10)	(1.70)	(1.73)
Ln(1+IAFM Debt) × Bond Yield	-1.81		-14.1	
	(-0.45)		(-1.42)	
Ln(1+IAFM Debt) × Credit Spread		-1.88		-15.5
		(-0.46)		(-1.49)
Ln(1+IAFM Debt) × Term Spread		8.57		-27.1
		(0.75)		(-0.90)
Ln(1+IAFM Debt) × 3-Month Treasury Yield		1.32		-30.4
		(0.17)		(-1.64)
Ln(1+IAFM Equity)	-0.19	-0.19	-0.94*	-0.96**
	(-1.55)	(-1.49)	(-1.94)	(-1.98)
Ln(1+IAFM Debt)	-0.10	-0.25	0.070	0.42
	(-0.51)	(-1.04)	(0.13)	(0.66)
Year-End Q	0.22***	0.058	0.84***	0.87***
	(3.51)	(1.10)	(4.08)	(4.06)
Bond Yield	-15.9***		-40.7***	
	(-3.19)		(-3.15)	
Credit Spread		-16.7***		-43.5***
		(-3.11)		(-3.11)
Term Spread		-6.21		62.5
		(-0.47)		(1.21)
Observations	6,252	6,196	6,255	6,199
Adj. R^2	0.815	0.815	0.333	0.334
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. This table presents regression results examining the effect of IAFM on the bond yield sensitivity of investments. The dependent variable is CAPX for Columns (1)-(2) and INVT for Columns (3)-(4). In Columns (1) and (3), 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. In Columns (2) and (4), bond yield is replaced by its three components: 1) credit spread, 2) term spread, and 3) treasury yield. For end-of-year firm-level bond yield, spread, and treasury yield, I use the last available monthly observation in each calendar year. Spreads and yields are expressed in actual number (e.g., 1 unit = 100% change) for easier interpretability, not in percentage form. Controls follow Table V. 3-digit industry-by-year fixed effects and firm effects are included. The sample period is 2008-2024. Standard errors are clustered at the sector-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

TABLE XIV
DOES IAFM CORRELATE WITH PERCEIVED COST OF CAPITAL?

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Proxy for IAFM:	Equity	Debt	Equity	Debt
Perceived Cost of Capital	-6.28***	-1.52**	-5.40***	-1.57*
	(-7.18)	(-2.46)	(-5.39)	(-1.86)
Implied Cost of Capital			1.14***	0.29**
			(7.93)	(2.22)
Interest Expense			0.032	0.036**
			(1.51)	(2.00)
Observations	25,550	25,550	18,750	18,750
Adj. R^2	0.149	0.287	0.163	0.263
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. This table reports cross-sectional regressions relating IAFM to the perceived cost of capital measure of Gormsen and Huber (2024). The dependent variable is the log-transformed TF-IDF measure of IAFM Equity in Columns (1) and (3) and of IAFM Debt in Columns (2) and (4). The key independent variable is the perceived cost of capital, constructed from managerial disclosures as in Gormsen and Huber (2024). Columns (3) and (4) additionally control for two proxies of the actual cost of capital: the implied cost of equity, constructed, following Eskildsen, Ibert, Jensen, and Pedersen (2024), as the average of four accounting-based estimates commonly used in the literature (Gebhardt, Lee, and Swaminathan (2001); Claus and Thomas (2001); Easton (2004); Ohlson and Juettner-Nauroth (2005)); and the implied cost of debt, proxied by the ratio of total interest expense to total debt from Compustat. Controls follow Table V. Three-digit industry-by-year fixed effects are included. All independent variables are lagged by one year. The analysis focuses on cross-sectional variation because Gormsen and Huber (2024) show that the excess dispersion in perceived cost of capital — the variation that cannot be justified by variation in the true cost of capital — arises from persistent differences across firms rather than within-firm time variation. Sample period: 2007–2022. Standard errors are clustered at the three-digit industry-by-year level; t-statistics in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$.

TABLE XV
FINANCING POLICIES: EXTERNAL FINANCING INTENSITY BY SOURCE, CONDITIONAL ON FIRM-LEVEL VALUATION, EQUITY MARKET SENTIMENT, AND INTEREST RATES

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) × NFD × Δ in Equity Market Sentiment	0.016**	
	(2.44)	
Ln(1+IAFM Equity) × Δ in Equity Market Sentiment	0.0011	
	(0.44)	
NFD × Δ in Equity Market Sentiment	-0.0052	
	(-0.70)	
Ln(1+IAFM Equity) × NFD × Equity Market Sentiment		0.098***
		(3.73)
Ln(1+IAFM Equity) × Equity Market Sentiment		-0.0036
		(-0.39)
NFD × Equity Market Sentiment		-0.051**
		(-1.99)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.015***	0.015***
	(2.84)	(2.91)
Ln(1+IAFM Equity) × NFD	-0.080***	-0.087***
	(-2.81)	(-3.00)
Ln(1+IAFM Equity) × Year-End Q	-0.00072	-0.00058
	(-0.24)	(-0.19)
NFD × Year-End Q	0.011***	0.011***
	(3.58)	(3.52)
Ln(1+IAFM Equity)	-0.014	-0.015
	(-1.31)	(-1.44)
NFD	-0.24***	-0.23***
	(-7.44)	(-7.15)
Year-End Q	-0.0018	-0.0019
	(-0.74)	(-0.80)
Observations	14,618	14,618
Adj. R^2	0.580	0.580
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) × NFD × Δ in Interest Rate	0.091*	
	(1.73)	
Ln(1+IAFM Debt) × Δ in Interest Rate	0.00086	
	(0.083)	
NFD × Δ in Interest Rate	-0.035*	
	(-1.92)	
Ln(1+IAFM Debt) × NFD × Interest Rate		1.75
		(0.43)
Ln(1+IAFM Debt) × Interest Rate		1.18
		(1.60)
NFD × Interest Rate		0.77
		(0.55)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.011**	0.011**
	(2.24)	(2.30)
Ln(1+IAFM Debt) × NFD	-0.29***	-0.32***
	(-7.53)	(-3.22)
Ln(1+IAFM Equity) × NFD	-0.049**	-0.044*
	(-1.98)	(-1.82)
Ln(1+IAFM Equity) × Year-End Q	-0.00020	-0.00022
	(-0.075)	(-0.084)
NFD × Year-End Q	0.0093***	0.0099***
	(3.31)	(3.53)
Ln(1+IAFM Debt)	0.010	-0.017
	(1.36)	(-0.93)
Ln(1+IAFM Equity)	-0.019**	-0.019**
	(-2.01)	(-2.02)
NFD	-0.19***	-0.21***
	(-7.13)	(-5.22)
Year-End Q	-0.0023	-0.0025
	(-1.03)	(-1.10)
Observations	15,619	15,619
Adj. R^2	0.584	0.584
Firm FE	Yes	Yes
Industry-by-Year FE	Yes	Yes

Notes. This table examines how financial market attention (IAFM) affects firms' choice between equity and debt financing, conditional on market conditions and firm characteristics. The dependent variable equals one for net equity issuance with non-positive net debt issuance, and zero for net debt issuance with non-positive net equity issuance. Panel A tests whether equity market attention interacts with equity market sentiment (Baker and Wurgler, 2006, orthogonalized to six macro controls) and firm valuation (Tobin's Q) to predict financing choice. Panel B examines interactions between debt market attention and Treasury yields, alongside equity market attention and Tobin's Q. Annual Treasury yield changes are scaled by the prior year-end yield and expressed in levels (1 = 100%). Controls follow Table V. All specifications include firm and 3-digit industry-by-year fixed effects, with independent variables lagged one year. The sample period is 2008–2024. Standard errors are clustered at

the sector-by-year level. t-statistics are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels

TABLE XVI
ISOLATING THE BUSINESS-OPPORTUNITIES CHANNEL OF ATTENTION-INDUCED INVESTMENT–PRICE SENSITIVITY

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. Var.:	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)
Ln(1+IAFM Equity) × Year-End Q	0.065***	0.14*			0.058**	0.12*
	(2.85)	(1.92)			(2.56)	(1.67)
Ln(1+IAFM Equity)	-0.23***	-0.26			-0.21***	-0.21
	(-3.83)	(-1.34)			(-3.68)	(-1.07)
Ln(1+IAFM Debt) × Year-End Q			0.086*	0.21*	0.075	0.18
			(1.71)	(1.70)	(1.50)	(1.50)
Ln(1+IAFM Debt)			-0.17*	-0.57**	-0.14	-0.52*
			(-1.72)	(-2.07)	(-1.41)	(-1.91)
Year-End Q	0.27***	0.61***	0.29***	0.66***	0.25***	0.58***
	(8.13)	(7.28)	(9.41)	(7.37)	(7.63)	(6.66)
Observations	21,149	21,155	21,149	21,155	21,149	21,155
Adj. R^2	0.687	0.297	0.686	0.297	0.687	0.297
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes. This table isolates the business-opportunities channel of attention-induced investment–price sensitivity by restricting the sample to firm-years with non-positive contemporaneous net external financing (NEF), where the financing channel is largely inactive. Columns (1)–(2) include IAFM Equity × Year-End Q only; Columns (3)–(4) include IAFM Debt × Year-End Q only; Columns (5)–(6) include both interactions jointly. The dependent variable is CAPX (%) in odd columns and INVT (%) in even columns. Controls follow Table V. Firm and three-digit industry-by-year fixed effects are included. Sample period: 2008–2024. Standard errors are clustered at the three-digit industry-by-year level; t-statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE XVII
IMPLICATIONS OF IAFM CONSTRUCTED BASED ON MANAGEMENT PRESENTATION ONLY

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) × Year-End Q	0.033**	0.087*	0.053*	0.16**
	(2.24)	(1.94)	(1.72)	(2.07)
Ln(1+IAFM Equity/Debt)	-0.089**	-0.31**	-0.12*	-0.40**
	(-1.99)	(-2.50)	(-1.67)	(-2.02)
Year-End Q	0.31***	0.80***	0.32***	0.82***
	(11.5)	(10.5)	(12.0)	(10.8)
Observations	38,760	38,800	38,760	38,800
Adj. R^2	0.686	0.299	0.686	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:	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) × NFD	0.032***	0.040**	0.056***	0.27***
	(2.96)	(2.38)	(2.63)	(6.82)
Ln(1+IAFM Equity/Debt)	-0.011***	-0.00022	0.0024	-0.013***
	(-3.18)	(-0.059)	(0.55)	(-2.70)
NFD	0.23***	0.51***	0.24***	0.48***
	(12.5)	(13.5)	(13.3)	(14.5)
Observations	35,797	37,476	35,797	37,476
Adj. R^2	0.432	0.256	0.432	0.261
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) × NFD × Δ in Equity Market Sentiment	0.0052	
	(0.78)	
Ln(1+IAFM Equity) × NFD × Equity Market Sentiment		0.058**
		(2.07)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.011**	0.011**
	(2.48)	(2.38)
Observations	14,617	14,617
Adj. R^2	0.580	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) × NFD × Δ in Interest Rate	0.070
	(1.59)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.0085**
	(2.06)
Observations	15,618
Adj. R^2	0.583
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. 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). Controls follow Table V. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2024. Standard errors are clustered at the sector-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** $p<0.01$, ** $p<0.05$, and * $p<0.1$.

TABLE XVIII
IMPLICATIONS OF IAFM CONSTRUCTED BASED ON Q&As ONLY

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) × Year-End Q	0.037**	0.17***	0.059**	0.19***
	(2.32)	(3.69)	(2.38)	(2.59)
Ln(1+IAFM Equity/Debt)	-0.15***	-0.33**	-0.23***	-0.59***
	(-3.11)	(-2.52)	(-3.78)	(-2.86)
Year-End Q	0.31***	0.78***	0.32***	0.82***
	(11.3)	(10.3)	(12.0)	(10.6)
Observations	38,474	38,511	38,474	38,511
Adj. R^2	0.687	0.300	0.687	0.300
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) Equity Financing	(2) Debt Financing	(3) Equity Financing	(4) Debt Financing
Dep. Var.:	Indicator	Indicator	Indicator	Indicator
Ln(1+IAFM Equity/Debt) × NFD	0.053***	0.13***	0.096***	0.38***
	(4.41)	(6.67)	(4.01)	(9.53)
Ln(1+IAFM Equity/Debt)	-0.015***	0.0029	-0.0024	-0.0062
	(-4.16)	(0.78)	(-0.49)	(-1.20)
NFD	0.22***	0.46***	0.23***	0.47***
	(11.7)	(13.4)	(12.7)	(14.7)
Observations	35,526	37,196	35,526	37,196
Adj. R^2	0.432	0.259	0.432	0.264
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) × NFD × Δ in Equity Market Sentiment	0.022***	
	(2.84)	
Ln(1+IAFM Equity) × NFD × Equity Market Sentiment		0.11***
		(4.19)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.011**	0.013**
	(2.13)	(2.53)
Observations	14,522	14,522
Adj. R^2	0.580	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) × NFD × Δ in Interest Rate	0.068
	(1.46)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.0090*
	(1.82)
Observations	15,513
Adj. R^2	0.583
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. 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). Controls follow Table V. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2024. Standard errors are clustered at the sector-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** $p<0.01$, ** $p<0.05$, and * $p<0.1$.

TABLE XIX
IMPLICATIONS OF IAFM CONSTRUCTED USING TERM-FREQUENCY (TF) APPROACH

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) × Year-End Q	0.092***	0.34***	0.20***	0.60***
	(2.69)	(3.16)	(2.70)	(3.06)
Ln(1+IAFM Equity/Debt)	-0.31***	-0.81***	-0.63***	-2.05***
	(-3.02)	(-2.74)	(-3.75)	(-4.01)
Year-End Q	0.30***	0.76***	0.31***	0.80***
	(11.0)	(10.2)	(11.8)	(10.4)
Observations	38,765	38,805	38,765	38,805
Adj. R^2	0.686	0.300	0.687	0.300
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) Equity Financing	(2) Debt Financing	(3) Equity Financing	(4) Debt Financing
Dep. Var.:	Indicator	Indicator	Indicator	Indicator
Ln(1+IAFM Equity/Debt) × NFD	0.11***	0.19***	0.18***	0.89***
	(4.15)	(4.36)	(3.09)	(5.93)
Ln(1+IAFM Equity/Debt)	-0.036***	0.014	0.0032	-0.027**
	(-4.21)	(1.58)	(0.27)	(-2.21)
NFD	0.22***	0.47***	0.23***	0.45***
	(11.3)	(12.8)	(12.5)	(13.8)
Observations	35,801	37,481	35,801	37,481
Adj. R^2	0.432	0.258	0.432	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) × NFD × Δ in Equity Market Sentiment	0.032**	
	(2.20)	
Ln(1+IAFM Equity) × NFD × Equity Market Sentiment		0.20***
		(3.54)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.031***	0.033***
	(2.80)	(3.06)
Observations	14,618	14,618
Adj. R^2	0.580	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) × NFD × Δ in Interest Rate	0.26**
	(2.16)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.022**
	(2.19)
Observations	15,619
Adj. R^2	0.585
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. 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). Controls follow Table V. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2024. Standard errors are clustered at the sector-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** $p<0.01$, ** $p<0.05$, and * $p<0.1$.

TABLE XX
IMPLICATIONS OF IAFM CONSTRUCTED USING BINARY INDICATORS

Panel A: Investment-Price Sensitivity

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)
High IAFM Indicator × Year-End Q	0.050**	0.11	0.068**	0.24***
	(2.17)	(1.60)	(2.55)	(3.17)
High IAFM Indicator	-0.20***	-0.18	-0.17**	-0.50**
	(-2.96)	(-0.92)	(-2.32)	(-2.18)
Year-End Q	0.31***	0.83***	0.31***	0.80***
	(11.9)	(11.5)	(12.0)	(10.6)
Observations	38,765	38,805	38,765	38,805
Adj. R^2	0.686	0.299	0.686	0.300
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 × NFD	0.065***	0.12***	0.094***	0.38***
	(3.72)	(4.12)	(4.14)	(13.2)
High IAFM Indicator	-0.017***	0.0046	-0.0056	-0.012*
	(-3.29)	(0.74)	(-0.98)	(-1.93)
NFD	0.23***	0.50***	0.23***	0.45***
	(13.1)	(14.1)	(13.1)	(15.1)
Observations	35,801	37,481	35,801	37,481
Adj. R^2	0.432	0.257	0.432	0.264
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 × NFD × Δ in Equity Market Sentiment	0.011	
	(1.03)	
High IAFM Equity Indicator × NFD × Equity Market Sentiment		0.16***
		(3.67)
High IAFM Equity Indicator × NFD × Year-End Q	0.013*	0.012*
	(1.88)	(1.72)
Observations	14,618	14,618
Adj. R^2	0.580	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 × NFD × Δ in Interest Rate	0.073
	(1.58)
High IAFM Equity Indicator × NFD × Year-End Q	0.0072
	(1.12)
Observations	15,619
Adj. R^2	0.583
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. 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 tercile 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). Controls follow Table V. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2024. Standard errors are clustered at the sector-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** $p<0.01$, ** $p<0.05$, and * $p<0.1$.

TABLE XXI
IMPLICATIONS OF IAFM CONSTRUCTED USING SEED WORDS ONLY

Panel A: Investment-Price Sensitivity

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)
High IAFM (Seed) Indicator × Year-End Q	0.044**	0.11	0.076***	0.23***
	(1.96)	(1.61)	(2.61)	(2.84)
High IAFM (Seed) Indicator	-0.18***	-0.23	-0.19**	-0.42*
	(-2.96)	(-1.20)	(-2.51)	(-1.92)
Year-End Q	0.32***	0.82***	0.31***	0.81***
	(11.9)	(11.1)	(12.1)	(10.5)
Observations	38,765	38,805	38,765	38,805
Adj. R^2	0.686	0.299	0.686	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
High IAFM (Seed) Indicator × NFD	0.069***	0.062**	0.073***	0.42***
	(3.78)	(2.39)	(2.83)	(11.5)
High IAFM (Seed) Indicator	-0.022***	-0.000016	-0.0036	-0.015**
	(-4.08)	(-0.0030)	(-0.65)	(-2.29)
NFD	0.23***	0.24***	0.51***	0.46***
	(12.0)	(12.9)	(13.9)	(15.1)
Observations	35,801	35,801	37,481	37,481
Adj. R^2	0.432	0.432	0.256	0.264
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 (Seed) Indicator × NFD × Δ in Equity Market Sentiment	0.022*	
	(1.85)	
High IAFM Equity (Seed) Indicator × NFD × Equity Market Sentiment		0.065
		(1.46)
High IAFM Equity (Seed) Indicator × NFD × Year-End Q	0.013**	0.013**
	(2.07)	(2.11)
Observations	14,618	14,618
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 (Seed) Indicator × NFD × Δ in Interest Rate	0.11**
	(2.29)
High IAFM Equity (Seed) Indicator × NFD × Year-End Q	0.0093
	(1.62)
Observations	15,619
Adj. R^2	0.583
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. This table presents regression results examining the economic implications of attention to financial markets with IAFM measures constructed using the seed words only. I focus on the High IAFM (Seed) Indicators, which equal to one if the corresponding seed-word-based IAFM measure falls within the top tercile 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 (Seed) 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 (Seed) 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). Controls follow Table V. 3-digit industry-by-year fixed effects and firm fixed effects are included across all specifications. The sample period covers 2008–2024. Standard errors are clustered at the sector-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.

TABLE XXII
CONTROLLING FOR FIRM-LEVEL EQUITY RETURNS AND VOLATILITY

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) × Year-End Q	0.043**	0.17***	0.081**	0.20**
	(2.12)	(2.73)	(2.23)	(2.08)
Firm-Level 1-Year Equity Return × Year-End Q	-0.050*	-0.21***	-0.050*	-0.20***
	(-1.95)	(-3.43)	(-1.94)	(-3.37)
Firm-Level Equity Return Volatility × Year-End Q	1.69	7.02**	1.92	-0.67***
	(1.43)	(2.28)	(1.60)	(-2.62)
Ln(1+IAFM Equity/Debt)	-0.13**	-0.37**	-0.21**	7.59**
	(-2.25)	(-2.20)	(-2.48)	(2.47)
Firm-Level 1-Year Equity Return	0.39***	1.89***	0.40***	1.90***
	(4.11)	(7.75)	(4.12)	(7.72)
Firm-Level Equity Return Volatility	-23.0***	-104***	-23.2***	-105***
	(-5.28)	(-7.52)	(-5.31)	(-7.56)
Year-End Q	0.22***	0.45***	0.22***	0.48***
	(5.16)	(3.56)	(5.14)	(3.95)
Observations	26,620	26,630	26,620	26,630
Adj. R^2	0.695	0.299	0.695	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:	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) × NFD	0.066***	0.21***	0.059*	0.36***
	(2.96)	(6.00)	(1.76)	(7.62)
Firm-Level 1-Year Equity Return × NFD	-0.098***	-0.12***	-0.097***	-0.11***
	(-4.79)	(-4.11)	(-4.68)	(-3.29)
Firm-Level Equity Return Volatility × NFD	-2.95***	-12.6***	-2.88***	-11.9***
	(-3.95)	(-12.7)	(-3.76)	(-12.0)
Ln(1+IAFM Equity/Debt)	-0.013***	0.020***	0.0075	0.0026
	(-2.74)	(3.77)	(1.25)	(0.42)
Firm-Level 1-Year Equity Return	0.042***	0.0027	0.042***	0.0027
	(5.76)	(0.37)	(5.73)	(0.38)
Firm-Level Equity Return Volatility	1.17***	-0.43	1.18***	-0.46
	(2.99)	(-1.15)	(3.02)	(-1.26)
NFD	0.44***	1.17***	0.47***	1.19***
	(10.6)	(19.0)	(11.5)	(21.6)
Observations	24,802	25,637	24,802	25,637
Adj. R^2	0.386	0.295	0.386	0.296
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) × NFD × Δ in Equity Market Sentiment	0.022	
	(1.51)	
Firm-Level 1-Year Equity Return × NFD × Δ in Equity Market Sentiment	-0.025	
	(-1.14)	
Firm-Level Equity Return Volatility × NFD × Δ in Equity Market Sentiment	-1.15*	
	(-1.78)	
Ln(1+IAFM Equity) × NFD × Equity Market Sentiment		0.11**
		(2.34)
Firm-Level 1-Year Equity Return × NFD × Equity Market Sentiment		0.014
		(0.19)
Firm-Level Equity Return Volatility × NFD × Equity Market Sentiment		-3.35*
		(-1.87)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.029***	0.031***
	(3.37)	(3.42)
Firm-Level 1-Year Equity Return × NFD × Year-End Q	-0.022***	-0.021***
	(-2.74)	(-2.84)
Firm-Level Equity Return Volatility × NFD × Year-End Q	-0.55**	-0.68***
	(-2.56)	(-2.88)
Observations	9,778	9,778
Adj. R^2	0.550	0.550
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) × NFD × Δ in Interest Rate	0.095
	(1.20)
Firm-Level 1-Year Equity Return × NFD × Δ in Interest Rate	-0.0078
	(-0.17)
Firm-Level Equity Return Volatility × NFD × Δ in Interest Rate	0.29
	(0.21)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.018**
	(2.04)
Firm-Level 1-Year Equity Return × NFD × Year-End Q	-0.021***
	(-2.72)
Firm-Level Equity Return Volatility × NFD × Year-End Q	-0.40*
	(-1.74)
Observations	10,219
Adj. R^2	0.548
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. This table examines how firms' attention to financial markets affects investment and financing decisions after controlling for past stock performance. Panel A analyzes investment–price sensitivity. The dependent variable is capital expenditures (CAPX) in Columns (1) and (3) and total investment (INVT) in Columns (2) and (4). The main independent variables are interaction terms between year-end Tobin's Q and (1) the log-transformed IAFM Equity/Debt measures, (2) firm-level equity returns over the past calendar year, and (3) firm-level equity return volatility over the past calendar year. Panel B examines financing policies. The dependent variable is the net equity issuance indicator in Columns (1) and (3) and the net debt issuance indicator in Columns (2) and (4). The main independent variables are interaction terms between net financing deficit (NFD) and (1) the log-transformed IAFM Equity/Debt measures, (2) firm-level equity returns over the past calendar year, and (3) firm-level equity return volatility over the past calendar year. Panel C tests whether equity-market attention interacts with equity market sentiment and Tobin's Q to predict financing choice, controlling for firm-level equity returns and return volatility and their 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 firm-level equity returns and volatility and their interactions with Treasury yields and Tobin's Q. Panels C and D restrict the sample to firm-year observations in which firms raise external financing from a single source (either equity or debt). All specifications include firm fixed effects and 3-digit industry-by-year fixed effects. Controls follow Table V. The sample period covers 2008–2024. Standard errors are clustered at the sector-by-year level, with t-statistics reported in parentheses. ***, **, and *

TABLE XXIII
ATTENTION TO FINANCIAL-MARKET VOLATILITY AND LIQUIDITY: CONSTRUCTION, VALIDATION, AND IMPLICATIONS FOR CORPORATE POLICIES

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	%
volatility_indicator	0.65	energy_commodity_pricing	0.64	volatility	34.65%	price_fluctuation	0.32%
fx_world	0.65	vxtyn_future	0.64	trading	15.40%	trading_opportunity	0.31%
cash_market_volume	0.65	dispersion_return	0.64	capital_market	11.90%	selloff	0.30%
bond_future_market	0.65	bank_challenge	0.64	market_volatility	4.18%	risk_aversion	0.28%
vix_volatility	0.65	cash_market	0.64	etf	3.74%	rate_volatility	0.28%
equity_trading_activity	0.65	credit_finance_charge	0.64	market_participant	2.47%	illiquidity	0.28%
equity_selloff	0.65	world_stock_market	0.63	trading_volume	2.36%	block_trade	0.27%
velocity_trading	0.65	illiquidity	0.63	order_flow	2.32%	circuit_breaker	0.26%
volatility_inflow	0.65	crypto_stock	0.63	hedge_fund	2.08%	equity_market_volatility	0.22%
equity_and_commodity_market	0.65	factor_rotation	0.63	client_activity	1.76%	dark_pool	0.19%
price_dispersion	0.65	name_stock	0.63	trading_activity	1.73%	volatility_environment	0.18%
etf_option	0.65	titanium_oxide_industry	0.63	market_movement	1.25%	frequency_trader	0.18%
volatility_peak	0.64	equity_and_derivative_market	0.63	price_movement	1.08%	capital_market_volatility	0.16%
jgb_market	0.64	frequency_trading_community	0.63	market_impact	1.08%	volatility_level	0.15%
future_and_option_industry	0.64	trading_limit	0.63	price_volatility	0.96%	option_volume	0.14%
vix_index	0.64	macro_product	0.63	market_maker	0.86%	market_trading	0.12%
cash_bond_market	0.64	cross_-_asset_trading	0.63	market_dislocation	0.82%	trading_venue	0.12%
twitchiness	0.64	yield_outflow	0.63	investor_sentiment	0.58%	crypto_market	0.12%
policy_divergence	0.64	indiscriminate_selling	0.63	extreme_volatility	0.56%	vix_option	0.11%
posit_volume	0.64	grow_stock	0.63	market_turmoil	0.49%	price_swing	0.09%
credit_spread_volatility	0.64	volatility_regime	0.63	cash_market	0.44%	block_trading	0.09%
flash_crash	0.64	investor_nervousness	0.63	liquidity_risk	0.40%	forex_market	0.08%
market_dysfunction	0.64	year_-_end_tax_selling	0.63	market_correction	0.39%	flash_crash	0.07%
margin_fund_size	0.64	momentum_trader	0.63	market_liquidity	0.36%	market_turnover	0.07%
forex_derivative	0.64	term_fix_-_rate_market	0.63	liquidity_provider	0.36%	intraday_volatility	0.06%

Panel C: Summary Statistics by Fama-French Industries

Industry (12 Fama-French Industries)	Mean	STD	Median	N
11 (Finance)	3.90	5.34	1.68	11758
8 (Utilities)	1.70	2.45	0.86	1797
4 (Oil, Gas, and Coal Extraction and Products)	1.34	2.06	0.62	3226
5 (Chemicals and Allied Products)	1.28	1.60	0.76	1586
1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys)	1.13	1.91	0.43	2580
12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment)	1.04	1.77	0.43	8840
3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing)	0.96	1.40	0.62	5447
2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances)	0.86	1.37	0.31	1503
9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops))	0.80	1.55	0.31	5463
6 (Business Equipment: Computers, Software, and Electronic Equipment)	0.72	1.75	0.00	12364
7 (Telephone and Television Transmission)	0.60	1.10	0.00	1880
10 (Healthcare, Medical Equipment, and Drugs)	0.32	0.75	0.00	8640
Overall:	1.4	2.95	0.42	65084

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	-0.0045
	(-0.28)
Market-Wide Return Volatility	2.50***
	(4.03)
Observations	42,286
Adj. R^2	0.386
Firm FE	Yes
Industry-by-Year FE	No

Panel E: 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) × Year-End Q	0.039*	0.16**	0.076**	0.19**
	(1.88)	(2.49)	(2.06)	(1.98)
Firm-Level 1-Year Equity Return × Year-End Q	-0.049*	-0.21***	-0.048*	-0.20***
	(-1.85)	(-3.52)	(-1.82)	(-3.43)
Ln(1+IAFM Vol. & Liq.) × Year-End Q	0.035	0.093	0.031	0.098
	(1.13)	(1.02)	(1.02)	(1.12)
Ln(1+IAFM Equity/Debt)	-0.12**	-0.33*	-0.20**	-0.63**
	(-2.08)	(-1.96)	(-2.32)	(-2.50)
Firm-Level 1-Year Equity Return	0.38***	1.84***	0.38***	1.85***
	(3.94)	(7.49)	(3.96)	(7.46)
Ln(1+IAFM Vol. & Liq.)	-0.063	-0.21	-0.057	-0.20
	(-0.73)	(-0.84)	(-0.66)	(-0.83)
Year-End Q	0.27***	0.68***	0.27***	0.72***
	(8.08)	(6.66)	(8.29)	(6.82)
Observations	26,620	26,630	26,620	26,630
Adj. R^2	0.694	0.295	0.694	0.295
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Panel F: 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) × NFD	0.051**	0.17***	0.045	0.36***
	(2.36)	(4.85)	(1.31)	(6.96)
Firm-Level 1-Year Equity Return × NFD	-0.100***	-0.14***	-0.099***	-0.12***
	(-4.73)	(-3.76)	(-4.62)	(-3.17)
Ln(1+IAFM Vol. & Liq.) × NFD	0.11***	0.33***	0.11***	0.31***
	(3.16)	(5.96)	(3.18)	(5.34)
Ln(1+IAFM Equity/Debt)	-0.014***	0.019***	0.0077	0.0026
	(-2.79)	(3.60)	(1.27)	(0.41)
Firm-Level 1-Year Equity Return	0.042***	-0.0024	0.042***	-0.0021
	(5.74)	(-0.33)	(5.71)	(-0.29)
Ln(1+IAFM Vol. & Liq.)	-0.0012	0.0024	-0.0036	0.0054
	(-0.20)	(0.35)	(-0.58)	(0.79)
NFD	0.31***	0.63***	0.34***	0.66***
	(10.3)	(13.1)	(11.9)	(15.4)
Observations	24,802	25,637	24,802	25,637
Adj. R^2	0.386	0.287	0.385	0.289
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

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

Dep. Var.: Equity Issue vs Debt Issue	(1)	(2)
Ln(1+IAFM Equity) × NFD × Δ in Equity Market Sentiment	0.0039	
	(0.24)	
Firm-Level 1-Year Equity Return × NFD × Δ in Equity Market Sentiment	0.0062	
	(0.27)	
Ln(1+IAFM Vol. & Liq.) × NFD × Δ in Equity Market Sentiment	0.016	
	(0.60)	
Ln(1+IAFM Equity) × NFD × Equity Market Sentiment		0.073
		(1.32)
Firm-Level 1-Year Equity Return × NFD × Equity Market Sentiment		0.041
		(0.50)
Ln(1+IAFM Vol. & Liq.) × NFD × Equity Market Sentiment		0.16*
		(1.73)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.024***	0.024***
	(2.69)	(2.65)
Firm-Level 1-Year Equity Return × NFD × Year-End Q	-0.014**	-0.014**
	(-2.12)	(-2.21)
Ln(1+IAFM Vol. & Liq.) × NFD × Year-End Q	0.086***	0.089***
	(4.31)	(4.99)
Observations	9,778	9,778
Adj. R^2	0.548	0.548
Firm FE	Yes	Yes
Industry-by-Year FE	Yes	Yes

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

Dep. Var.: Equity Issue vs Debt Issue	(1)
Ln(1+IAFM Debt) × NFD × Δ in Interest Rate	0.12
	(1.52)
Firm-Level 1-Year Equity Return × NFD × Δ in Interest Rate	-0.0088
	(-0.18)
Ln(1+IAFM Vol. & Liq.) × NFD × Δ in Interest Rate	-0.016
	(-0.22)
Ln(1+IAFM Equity) × NFD × Year-End Q	0.015*
	(1.69)
Firm-Level 1-Year Equity Return × NFD × Year-End Q	-0.014**
	(-2.18)
Ln(1+IAFM Vol. & Liq.) × NFD × Year-End Q	0.050**
	(2.15)
Observations	10,219
Adj. R^2	0.546
Firm FE	Yes
Industry-by-Year FE	Yes

Notes. This table introduces and examines the role of managerial attention to financial-market volatility and liquidity (IAFM Vol. & Liq.). Panel A presents the 25 seed words used to construct the expanded dictionary for IAFM Vol. & Liq., a TF-IDF-based measure capturing

managerial discussions related to market volatility, liquidity conditions, and financial disruptions. Panel B lists the 50 most representative words (ranked by semantic similarity to the seed words) and the 50 most frequent words (ranked by tf-idf scores), with percentages indicating each word's contribution to the dimension's total tf-idf score across all earnings call transcripts. Panel C reports firm-level IAFM Vol. & Liq. across the 12 Fama–French industries, classified using four-digit SIC codes and ranked by average firm-year attention scores. Panel D examines whether equity market volatility predicts firm-level attention to volatility and liquidity conditions, using the same specification as Online Appendix B Table III Panel A. Panels E–H examine how controlling for attention to market disruptions affects the main investment, financing, and market-timing results. Panel E analyzes investment–price sensitivity, with CAPX as the dependent variable in Columns (1) and (3) and INVT in Columns (2) and (4); the main independent variables are interactions between year-end Tobin's Q and log-transformed IAFM Equity/Debt measures and IAFM Vol. & Liq. Panel F examines financing policies, with the net equity (net debt) issuance indicator as the dependent variable in Columns (1) and (3) (Columns (2) and (4)); key regressors are interactions between net financing deficit (NFD) and log-transformed IAFM Equity/Debt and IAFM Vol. & Liq. Panel G tests whether equity-market attention interacts with equity market sentiment and Tobin's Q to predict financing choice, controlling for the corresponding interactions involving IAFM Vol. & Liq. Panel H examines whether debt-market attention interacts with Treasury yields, while equity-market attention interacts with Tobin's Q, again controlling for interactions involving IAFM Vol. & Liq. Panels G and H restrict the sample to firm-year observations in which firms raise external financing from a single source (equity or debt). All specifications include firm fixed effects and 3-digit industry-by-year fixed effects. Controls follow Table V. IAFM measures are aggregated at the firm-year level by averaging across quarterly earnings calls. The sample period spans 2007–2024 for Panels A–D and 2008–2024 for Panels E–H. Standard errors are clustered at the sector-by-year level, with t-statistics reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are provided in Online Appendix Table II.

TABLE XXIV
INCREMENTAL EXPLANATORY POWER OF MANAGER EFFECTS

Dep. Var.: IAFM Dimension:	(1) Equity	(2) Debt
Year FE	0.34%	2.6%
Industry FE	16.66%	14.4%
Industry × Year FE	5%	7%
Firm FE	33%	35%
Manager FE	4%	8%
Residual Variation	41%	33%
Sum	100%	100%

Notes. This table presents the *incremental* R^2 (%) from adding a specific set of fixed effects to firm-year level regressions. Compared to Table III, 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 2007-2024.

TABLE XXV
IMPRINTING EFFECT OF CEO'S PAST HISTORY ON CORPORATE POLICIES

Panel A: Investment-Price Sensitivity

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)
Ln(1+ Pre-Tenure IAFM) × Year-End Q	0.15**	0.089	0.40***	0.48*
	(2.18)	(0.57)	(2.97)	(1.66)
Ln(1+ Pre-Tenure IAFM)	-0.56**	0.20	-1.06**	-0.83
	(-2.37)	(0.32)	(-2.45)	(-0.94)
Year-End Q	0.18**	0.85***	0.19***	0.78***
	(2.43)	(3.78)	(2.80)	(4.25)
Observations	2,798	2,800	2,798	2,800
Adj. R^2	0.385	0.200	0.388	0.201
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+ Pre-Tenure IAFM) × NFD	0.039	0.054	0.14***	0.26***
	(1.13)	(1.06)	(2.70)	(3.15)
Ln(1+ Pre-Tenure IAFM)	-0.064***	0.033**	-0.049***	0.030
	(-4.10)	(2.27)	(-2.88)	(1.55)
NFD	0.27***	0.33***	0.25***	0.31***
	(5.30)	(5.08)	(7.57)	(6.63)
Observations	2,538	2,719	2,538	2,719
Adj. R^2	0.309	0.174	0.308	0.180
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+ Pre-Tenure IAFM Equity) × NFD × Δ in Equity Market Sentiment	0.035	
	(1.51)	
Ln(1+ Pre-Tenure IAFM Equity) × NFD × Equity Market Sentiment		-0.090
		(-1.09)
Ln(1+ Pre-Tenure IAFM Equity) × NFD × Year-End Q	0.079***	0.067***
	(3.47)	(3.48)
Observations	896	896
Adj. R^2	0.435	0.435
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+ Pre-Tenure IAFM Debt) × NFD × Δ in Interest Rate	0.029
	(0.15)
Ln(1+ Pre-Tenure IAFM Equity) × NFD × Year-End Q	0.046***
	(2.72)
Observations	986
Adj. R^2	0.418
Industry-by-Year FE	Yes

Notes. This table presents regression results examining the economic implications of CEOs' pre-tenure attention to financial markets. A CEO's pre-tenure attention is measured as the equally weighted average of IAFM scores across all prior C-suite positions held at firms other than the current one before the start of the CEO's tenure. This measure is constructed at the manager–tenure level, allowing it to vary across different tenures for the same CEO rather than remaining constant over the CEO's career. 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 pre-tenure IAFM measure. 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 pre-tenure IAFM measure. 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). Controls follow Table V. 3-digit industry-by-year fixed effects are included across all specifications. The sample period covers 2008–2024. 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 since 2007 and subsequently transitioned to a new role. Standard errors are clustered at the sector-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** $p<0.01$, ** $p<0.05$, and * $p<0.1$.

TABLE XXVI
ATTENTION TO OTHER ASSETS OF FINANCIAL MARKETS: CONSTRUCTION, VALIDATION, AND IMPLICATIONS FOR CORPORATE POLICIES

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	%
hedge_book_perspective	0.68	heating_oil_contract	0.66	hedge	24.68%	zinc_price	0.44%
diesel_future	0.68	oil_price_index	0.66	commodity	9.96%	gas_pricing	0.43%
future_price	0.68	accounting_exposure	0.66	oil_price	9.88%	currency_risk	0.34%
forward_rate	0.68	prop_month	0.66	commodity_price	8.03%	future_market	0.32%
derivative_price	0.67	tissue_paper_price	0.66	gas_price	7.09%	lng_price	0.31%
ngl_-_to_-_crude_relationship	0.67	energy_price	0.66	market_price	3.86%	forward_curve	0.31%
uranium_market_price	0.67	gas_market_volatility	0.66	hedging	3.56%	backwardation	0.29%
exchange_rate_standpoint	0.67	pulp_scenario	0.66	spot_market	3.36%	currency_market	0.27%
commodity_forward_curve	0.67	currency_market	0.66	gold_price	3.04%	basis_risk	0.20%
heating_oil_crack_spread	0.67	ethanol_hedging	0.66	energy_price	2.89%	fx_market	0.20%
basis_differential_hedge	0.67	steel_fluctuation	0.66	spot_price	2.48%	derivative_market	0.20%
ruble_position	0.67	wti_curve	0.66	spot_rate	1.80%	spot_market_price	0.18%
gas_price_view	0.67	spread_structure	0.65	power_price	1.75%	future_price	0.17%
fx_swap_market	0.67	hedge_generation	0.65	copper_price	1.68%	swap_agreement	0.16%
spread_swap	0.67	commodity	0.65	lme	1.62%	future_contract	0.16%
g7_currency	0.67	market_price	0.65	coal_price	1.55%	fx_risk	0.14%
ruble_/_dollar_rate	0.67	dollar_-_rupee_lag	0.65	stock_option	1.42%	nymex_price	0.13%
aeco_pricing	0.66	spot_market	0.65	commodity_market	1.09%	option_market	0.11%
alumina_spot_price	0.66	jet_differential	0.65	commodity_pricing	0.77%	future_curve	0.09%
power_price_spread	0.66	$_4.50_per_million_btu	0.65	iron_ore_price	0.76%	brent_crude	0.09%
spot_reference_price	0.66	cmbs_index	0.65	aluminum_price	0.65%	wti_brent	0.08%
peso_dollar_exchange_rate	0.66	year_-_to_-_date_realize_price	0.65	nickel_price	0.54%	option_price	0.05%
peso_-_dollar	0.66	aud_gold_price	0.65	sugar_price	0.52%	oil_future	0.02%
jet_fuel_refinery	0.66	headline_chemical_price	0.65	cboe	0.44%	forward_price	0.02%
tips_bond	0.66	cash_commodity	0.65	brent_price	0.44%	spot_oil_price	0.02%

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)	12.06	8.97	10.11	3226
8 (Utilities)	7.69	9.07	3.85	1797
5 (Chemicals and Allied Products)	5.05	5.92	3.06	1586
1 (Consumer Nondurables: Food, Tobacco, Textiles, Apparel, Leather, Toys)	3.77	5.66	1.35	2580
12 (Other: Mines, Construction, Building Materials, Trans, Hotels, Bus Serv, Entertainment)	3.69	6.45	0.82	8840
3 (Manufacturing: Machinery, Trucks, Planes, Off Furn, Paper, Com Printing)	3.34	5.14	1.50	5447
2 (Consumer Durables: Cars, TVs, Furniture, Household Appliances)	2.20	3.42	0.90	1503
9 (Wholesale, Retail, and Some Services (Laundries, Repair Shops))	2.09	3.55	0.61	5463
11 (Finance)	1.92	4.07	0.45	11758
6 (Business Equipment: Computers, Software, and Electronic Equipment)	0.79	2.07	0.00	12364
7 (Telephone and Television Transmission)	0.65	1.52	0.00	1880
10 (Healthcare, Medical Equipment, and Drugs)	0.40	1.16	0.00	8640
Overall:	2.66	5.35	0.42	65084

Panel D: Economic Implications in the Energy Sector

Dep. Var.:	CAPX (%)		INVT (%)	
	(1)	(2)	(3)	(4)
Fama-French Industry:	Non-Energy	Energy	Non-Energy	Energy
Ln(1+IAFM Other Assets) × Δ(Crude Oil Price)	0.025	1.01**	0.076	2.78***
	(0.29)	(2.65)	(0.29)	(2.70)
Ln(1+IAFM Other Assets)	0.029	-0.33	0.094	-0.93
	(0.62)	(-1.30)	(0.75)	(-1.61)
Year-End Q	0.31***	1.15***	0.83***	2.51***
	(12.2)	(5.25)	(11.3)	(3.52)
Observations	36,446	2,319	36,484	2,321
Adj. R^2	0.617	0.684	0.269	0.382
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Notes. Panel A lists 25 seed words used to build the IAFM Other Assets dictionary, a TF-IDF measure capturing commodity, currency, and derivatives-related language. Panel B reports the top 50 representative words (by similarity to seeds) and top 50 frequent words (by tf-idf), with percentages showing each word's share of total tf-idf. Panel C presents firm-level IAFM Other Assets across the 12 Fama–French industries (classified using four-digit SIC codes), ranked by average scores. Panel D reports regressions of IAFM Other Assets on investment–oil price sensitivity. Dependent variables are CAPX (Cols. 1–2) and INVT (Cols. 3–4). Key regressors interact log IAFM Other Assets with lagged annual changes in Brent crude oil price (in real units). Cols. (1),(3) cover non-Energy firms; (2),(4) Energy firms (FF Industry 4). All models include firm and 3-digit industry-year fixed effects; controls follow Table V; sample: 2008–2024. Standard errors are clustered at the sector-year level; t-stats in parentheses; *** p<0.01, ** p<0.05, * p<0.1.