Managerial Attention to the Financial Market: Evidence from Text Analysis of Earnings Calls

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Abstract

I develop a novel measure of firm-level managerial attention to financial markets by analyzing earnings call transcripts using machine learning. The resulting *Index of Attention to the Financial Market* (IAFM) quantifies managers' attention to equity and debt market conditions across 98,010 firm-year observations (2007-2023). Firms whose managers devote greater attention to financial markets exhibit greater investment-price sensitivity, supporting the price feedback theory. Managerial attention also shapes financing choices: high-attention firms are more likely to avoid equity issuance in favor of debt, consistent with the pecking order theory, but become more willing to issue equity during industry-wide valuation booms. These results reconcile mixed evidence in capital structure literature by showing that managerial attention mediates when and how firms respond to market signals. Additional tests suggest the effects are not driven by financial constraints or reverse causality.

Keywords: Attention to Financial Markets, Earnings Calls, Machine Learning, Real Effects of Financial Markets, Corporate Finance
(JEL: G3, G14, G41)

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1. Introduction

Understanding how managers allocate their attention to financial markets represents a fundamental challenge in corporate finance. Seminal theories such as price feedback theory (Bond, Edmans, and Goldstein, 2012), market timing theory (e.g., Ikenberry, Lakonishok, and Vermaelen, 1995; Baker and Wurgler, 2002; Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004), and pecking order theory (Myers and Majluf, 1984) rest on the critical assumption that managers actively monitor and respond to financial market signals. Yet, there remains a significant empirical gap: researchers have been unable to directly test whether firms whose managers devote greater attention to markets make different decisions compared to observationally similar firms whose managers allocate less attention to markets. This gap stems from the inherent difficulty of measuring managerial attention—an unobservable cognitive construct. Without a reliable measure of attention allocation, the causal mechanisms through which financial markets influence corporate behavior remain largely theoretical rather than empirically verified.

To address this critical gap, I develop the *Index of Attention to the Financial Market* (IAFM) by analyzing earnings call content. These quarterly events provide an ideal laboratory for measuring managerial attention as they combine structured presentations with spontaneous Q&A sessions, revealing both strategic priorities and top-of-mind concerns. The widespread adoption of earnings calls across public firms enables construction of a comprehensive panel dataset spanning diverse industries and market conditions.

The IAFM quantifies attention to two distinct aspects of financial markets: equity market and debt market. I measure equity market attention because seminal theories in corporate finance—including the feedback effect (Bond, Edmans, and Goldstein, 2012), market timing (Baker and Wurgler, 2002; Rhodes-Kropf and Viswanathan, 2004), and pecking order theory (Myers and Majluf, 1984)—all assume managers actively monitor and respond to equity signals. The debt market dimension is equally critical as debt represents a key financing source (Graham, Leary, and Roberts, 2015) while also containing information that guides investment decisions through mechanisms distinct from equity markets. Recent research by

Ma (2019) demonstrates that firms engage in cross-market arbitrage between debt and equity markets, while Davis and Gondhi (2024) show that incorporating debt market information alongside equity signals can significantly improve investment efficiency.

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

To validate my measurement method, I show that the IAFM varies systematically in ways consistent with economic intuition. First, I document significant industry heterogeneity, with managers at financial services firms exhibiting the highest attention to equity and debt markets, while management at utilities also shows higher attention compared to most other industries. Second, I find that IAFM correlates with managerial ownership in an inverted U-shaped pattern, with moderate ownership levels associated with peak financial market attention—consistent with managers being most attentive when their incentives are optimally aligned with shareholders. Third, I demonstrate that firms with higher proportions of tangible assets exhibit lower attention to financial markets, aligning with theories suggesting tangible assets reduce information asymmetries and external financing concerns. Fourth, I show that IAFM dimensions respond distinctively to relevant market movements, with equity market attention increasing following positive firm-specific stock returns, while debt market attention rises with interest rates. These patterns indicate that IAFM captures meaningful variation in how firms allocate attention across financial market dimensions.

It is worth noting that my IAFM measure can capture much more than passive reactions to market conditions. First, my measure captures the significant heterogeneity in their attention

allocation even when firms are facing identical market movements—a pattern that cannot be explained by market conditions alone. Second, IAFM can detect *proactive* attention allocation occurring independently of market triggers, such as increased financial market focus that precedes major corporate events like M&A announcements. This pattern suggests strategic decisions by management to enhance monitoring of specific financial market dimensions in preparation for significant corporate actions. Thus, the ability to capture both reactive and proactive attention patterns makes IAFM measures a fundamental firm characteristic that goes beyond mere responses to external market conditions.

I then explore the implications of having a strong attention to financial markets on business outcomes. First, firms whose managers allocate greater attention to financial markets exhibit significantly greater investment-price sensitivity. A 10% increase in IAFM Equity enhances the sensitivity of capital expenditures to Tobin's Q by approximately 0.64 percentage points, representing a 1.83% increase relative to the baseline sensitivity. For IAFM Debt, a 10% increase enhances investment-price sensitivity by 0.94 percentage points, a 2.58% increase over baseline. The effect is most pronounced in situations where the manager is particularly likely to learn from market signals: when insider trading is limited (providing more unique information in prices), when industry competition is high (creating stronger incentives for efficient resource use), and when firms face financial constraints (increasing the value of market signals for resource allocation). These results provide the first direct evidence for the feedback theory of market prices (Bond, Edmans, and Goldstein, 2012) in which managerial attention serves as a key mediating mechanism through which market signals influence investment decisions.

Second, in analyzing merger and acquisition activity, I find that firms whose managers pay greater attention to equity markets are more likely to pursue cash-only acquisitions when valuations are high and less likely to use stock as the acquisition currency. This behavior runs counter to the predictions of a simple market timing theory, which suggests that firms should opportunistically issue equity even when facing firm-level idiosyncratic pricing errors. Instead, the evidence aligns more closely with the adverse selection framework of Myers and

Majluf (1984), where firms attentive to equity market conditions are more aware of how the financial market would perceive equity issuance as negative signals. However, while firm-specific valuations primarily drive this pattern, I also find that industry-wide valuation trends influence firms' financing choices. During industry-wide valuation booms, firms with high equity market attention become more inclined to use stock in acquisitions, suggesting a context-dependent application of market timing principles. These findings are consistent with the theoretical predictions of Shleifer and Vishny (2003) and Rhodes-Kropf and Viswanathan (2004), who show that mergers are more likely in overvalued markets or sectors, where merger synergies are prone to overestimation.

Third, I explicitly focus on the effect of IAFM on choice of financing source when encountering net financing deficit (NFD). I show that firms whose management pays greater attention to financial markets exhibit stronger adherence to the pecking order predicted by Myers and Majluf (1984). For a firm with average financing deficit, a 10% increase in equity market attention reduces equity issuance by about 0.7% of the baseline NFD effect while simultaneously increasing debt issuance by 3.9% of the baseline NFD effect when addressing financing shortfalls. This pattern holds for firms with higher debt market attention. Similar to my findings on the choice of financing in the M&A setting, I observe that industry-wide equity performance can temporarily modify this relationship—during industry booms, high-IAFM firms become more willing to issue equity, creating exceptions to the strict pecking order. These nuanced patterns help reconcile mixed findings in capital structure research by clarifying when pecking order versus market timing considerations dominate financing decisions (e.g., Hovakimian 2006; Dittmar and Thakor 2007).

Finally, I identify a negative relationship between managerial attention to financial markets and R&D investment sensitivity to stock prices. A 10% increase in equity market attention reduces the sensitivity of R&D to Tobin's Q by about 1.56% of the baseline sensitivity, with a similar effect for debt market attention (3.07% reduction). This suggests a qualification to my investment-price sensitivity results: while attention to financial markets enhances responsiveness to market signals for traditional capital investments, it appears to reduce the

responsiveness of R&D investments to market fluctuations. Additional tests suggest that this effect is concentrated primarily in competitive high-R&D industries but absent in competitive low-R&D industries, supporting a rational insulation mechanism rather than managerial myopia. Specifically, firms with higher financial market attention strategically differentiate their response to market signals across investment types—enhancing capital expenditure responsiveness while deliberately stabilizing R&D commitments to maintain long-term innovative capacity. This nuanced approach reflects sophisticated information processing, where attentive firms recognize the limitations of market signals for guiding long-term, uncertain R&D projects and adjust their decision-making accordingly, rather than indicating a tension between market responsiveness and innovation. This finding contributes to the ongoing debate about the relationship between market-oriented corporate governance and long-term innovation (e.g., Kim and Yu, 2011; Fang, Tian, and Tice 2014).

My robustness checks address several alternative explanations for these findings. First, I address the concern that IAFM might simply proxy for financial constraints rather than capturing distinct managerial attention. Using Linn and Weagley's (2024) equity constraint measure, I find that financial constraints have minimal impact on attention to financial markets. The relationship is statistically insignificant for IAFM Equity, and while marginally significant for IAFM Debt, its economic magnitude is small—a one standard deviation increase in constraints corresponds to only about a 1.1% increase in debt market attention. My main findings persist in specifications (when including industry-by-year fixed effects) where no significant relationship between constraints and attention exists, consistent with IAFM capturing genuine variation in managerial attention rather than merely reflecting financing limitations.

Second, I address potential endogeneity concerns by disentangling whether managers pay attention to financial markets in response to external conditions (exogenous attention) or in

preparation for planned corporate actions (endogenous attention).[2] To provide cleaner identification, I develop a supplementary measure—IAFM Vol. & Liq.—that captures attention to market volatility and liquidity conditions, which are largely outside any individual firm's control (at least within a short period of time). This measure shows clear responsiveness to major economic events across industries, with pronounced spikes during the 2008 financial crisis, 2015 oil price collapse, and 2020 pandemic, validating its exogenous nature. When employing this exogenous component in my economic analyses, I find that attention to volatility and liquidity independently influences investment-price sensitivity, M&A payment methods, financing policies, and R&D investment decisions in ways consistent with my main findings. Meanwhile, the equity and debt attention measures retain their significance in most specifications, supporting the existence of both causal effects and strategic attention allocation—both mechanisms reinforcing that financial market information guides corporate decisions.

Third, I develop a supplementary measure of attention to other asset markets (particularly commodities) to leverage the quasi-natural experimental setting provided by cross-industry variation in commodity exposure. Specifically, commodity prices should significantly impact energy firms' operations and profitability (e.g., Gilje and Taillard, 2017; Shi and Zhang, 2024) but remain largely peripheral for non-energy firms. This sectoral distinction enables a powerful test: if attention truly mediates market information's impact on corporate decisions, then only energy firms with higher commodity market attention should demonstrate stronger investment sensitivity to fuel price changes. My results support this prediction – energy firms with higher commodity market attention show significantly stronger investment responses to fuel price movements, while non-energy firms exhibit no such relationship regardless of their commodity market attention levels. This differential response pattern provides direct evidence for the causal role of attention in mediating financial market signals as managers strategically allocate attention to the market signals most relevant to their operations. My findings support Goldstein and Yang's (2022) theoretical prediction that commodity

[2] In fact, regardless of which mechanism dominates, both underscore the fundamental informational value of financial markets—even managers who strategically allocate attention before planned corporate actions must inherently believe that market signals contain valuable information worth monitoring.

financialization creates an information channel through which commodity price signals influence commodity producers' investment decisions.

Finally, I examine the specialized role of debt market attention in mediating firms' responses to market signals. Through mechanism analysis, I demonstrate that debt market attention provides complementary information value for investment decisions beyond what is captured by equity market attention. While approximately 11% of debt market attention's effect can be attributed to its correlation with equity market attention, the remaining 89% represents complementary, unique informational value. This complementary effect varies with capital structure—debt market attention significantly augments investment-price sensitivity primarily for highly leveraged firms, where such signals likely provide more valuable information. Beyond investment decisions, debt market attention uniquely influences financing responses to interest rate fluctuations. Firms with higher debt market attention strategically substitute between financing sources as interest rates change, increasing equity issuance and decreasing debt issuance when borrowing costs rise. This pattern is absent for equity market attention, in line with my attention measures capturing economically meaningful variation in how managers process and respond to distinct dimensions of financial market information.

My paper contributes to the growing literature on the real effects of financial markets. Bond, Edmans, and Goldstein (2012) argue that financial markets affect the actions of decision-makers in the economy, and such effects originate from the informational role of prices.[3] [4] While previous studies have documented correlations between market prices and corporate decisions, the causal mechanisms remain largely theoretical.[5] The existing literature faces a

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

[4] For empirical papers, see, for example, Luo (2005), Chen, Goldstein, and Jiang (2007), Bakke and Whited (2010), Foucault and Fresard (2012), Edmans, Jayaraman, and Schneemeier (2017), and Dessaint, Foucault, Fresard, and Matray (2018), among many others.

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

fundamental challenge: testing theories that assume managers pay attention to markets requires measuring attention itself—an inherently unobservable construct.[6] By quantifying firm-level attention to financial markets, this paper offers the first direct evidence that attention serves as the pivotal mediating variable that determines when and how strongly firms respond to market information. Furthermore, by decomposing attention across multiple financial market dimensions, I empirically show that firms might extract investment-relevant information not only from equity markets but also from debt markets, commodity markets, and market volatility and liquidity conditions—extending our understanding of the information transmission channels between financial markets and corporate decisions.

This paper advances the debate on market timing theory (Baker and Wurgler, 2002; Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004) and pecking order theory (Myers and Majluf, 1984) by introducing managerial attention as a key mediating variable. My findings show that high-IAFM firms consistently prefer debt over equity financing and cash over stock for acquisitions at the firm level—patterns consistent with pecking order theory's adverse selection framework. However, during industry-wide valuation booms, market timing considerations become relevant, creating context-dependent exceptions. These results reconcile mixed empirical findings by demonstrating that attention to financial markets primarily heightens awareness of adverse selection costs while permitting strategic deviations during sector-wide mispricing episodes.

This paper extends the methodological toolkit for corporate finance research by applying machine learning to construct nuanced measures of managerial attention. While previous studies have used earnings calls to measure corporate culture (Li et al., 2021), climate change exposure (Sautner et al., 2023), and political risk (Hassan et al., 2019), I capture attention allocation—a cognitive process fundamental to many corporate finance theories. My innovation measures not just whether managers discuss financial markets, but how they allocate attention across different dimensions, revealing that theories like price feedback,

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

market timing, and pecking order operate differently depending on which aspects of markets managers monitor most closely.

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

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

2. Data

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

I construct firm-level IAFM measures by analyzing transcripts of quarterly earnings calls conducted by U.S. publicly listed companies. All transcripts are sourced from the Capital IQ

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

3. Quantifying Attention to the Financial Market

3.1 Word Embedding and *word2vec*

To quantify firm-level attention to financial markets, I employ the machine learning keyword discovery method developed by Li, Mai, Shen, and Yan (2021). This approach offers significant advantages over conventional methods such as pre-specified word lists, which traditionally require manual expert categorization of common contextual terminology. For example, financial market discussions employ nuanced terminology that is difficult to classify manually. Unlike general sentiment analysis, financial market attention utilizes specialized phrases and idioms like "watermark clause" (a specialized contract provision in investment management) or "delta hedge cost" (a specialized derivatives risk management term) that are challenging to systematically identify without computational tools. Furthermore, financial market attention is inherently multidimensional. Human experts struggle to consistently categorize terms across multiple dimensions (e.g., my IAFM dimensions: equity market and debt market). Additionally, financial vocabulary evolves rapidly with market innovations. Static dictionaries quickly become outdated as financial practices transform. Terms like "ETF", "credit risk transfer bond", "curve control", and "LIBOR/SOFR" emerged as significant financial concepts after the 2000s—developments that traditional dictionaries could not anticipate.

My measurement of firm-level attention to financial markets begins with carefully selected seed words that unambiguously relate to specific IAFM dimensions. Using these seed words

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

as anchors, I implement a word embedding model that learns semantic meanings based on contextual relationships, thereby identifying additional financial market-related words (phrases) directly from earnings call transcripts.[8]

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

To address dimensionality challenges when identifying semantically similar words, I implement *word2vec* (Mikolov et al., 2013), which employs neural networks to efficiently generate dense, low-dimensional vectors representing word meanings.[9] As Levy and Goldberg (2014) demonstrate, *word2vec* vectorization effectively performs a singular value decomposition on the neighboring word count matrix. In the implementation, I utilize the *gensim* library in Python, configuring word vectors at 300 dimensions.[10] Two words are considered contextual neighbors when they appear within five words of each other in a sentence, and terms appearing fewer than five times in the corpus are excluded to ensure statistical reliability.

3.2 IAFM Dimensions and Seed Words

[8] The method captures the meanings of both individual words and multi-word phrases. For simplicity, the term "word" will be used throughout the discussion to refer to either a single word or a phrase.
[9] Ideally, identifying semantically similar words requires constructing word-word co-occurrence matrices that track contextual proximity. However, this approach faces severe computational limitations due to the "curse of dimensionality": vocabularies with thousands of terms generate billions of potential word-pair combinations, rendering direct matrix methods impractical.
[10] The *gensim* library is an open-sourced NLP Python package that I use for training the word2vec model. I use version 4.3.3, which is available at https://github.com/RaRe-Technologies/gensim

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

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

[Insert Table 1 about here]

Table 1 Panel A displays the seed words for each IAFM dimension. Each dimension contains 25 seed words that unambiguously relate to aspects of financial markets. The equity dimension focuses on stock valuation concepts (e.g., "market_valuation," "overvalued"), while the debt dimension encompasses bond market terminology and interest rate concepts (e.g., "bond_yield," "credit_spread"). These two dimensions collectively provide a comprehensive framework for understanding the complex ways in which firms attend to financial markets.

3.3 Preprocessing and Parsing, and Learning Phrases

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

[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.

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.

3.4 Constructing the IAFM Dictionary

After preprocessing and parsing earnings call transcripts, I train the *word2vec* model to generate 300-dimensional vector representations for each word in the corpus, including my predefined seed words. These word vectors serve as the foundation for constructing an expanded, context-specific dictionary that measures attention to financial markets. As an

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

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

3.5 Generating Firm-Level IAFM Measures

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

spontaneous responses to analyst inquiries, regardless of their relative lengths. If one of these sections is missing from a particular call, I use only the available portion.

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

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

[Insert Table 2 about here]

Table 2 Panel A demonstrates significant heterogeneity in firm-level attention to financial markets across the sample of 7,673 U.S. public firms from 2007 to 2023. The IAFM Equity measure exhibits significant variation (mean of 3.05 with standard deviation of 4.44), while IAFM Debt shows even greater relative dispersion (mean of 2.29 with standard deviation of

5.04). The presence of zero values at the 25th percentile for Debt markets suggests that a large portion of firms do not discuss this aspect at all during earnings calls. Panel B presents statistics after excluding financial firms and utilities, which is methodologically important as these firms naturally exhibit different baseline attention to financial markets. After this exclusion, the mean IAFM Equity score drops significantly from 3.05 to 1.93 (a 37% decrease), and IAFM Debt declines even more dramatically from 2.29 to 0.81 (a 65% decrease), reflecting the outsized attention that financial firms and utilities pay to both equity and debt markets. This pronounced variation in IAFM measures across the restricted sample provides a rich foundation for investigating how differential attention to financial markets relates to corporate policies and outcomes.

3.6 Variance Decomposition of IAFM Measures

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

[Insert Table 3 about here]

These results indicate that managerial attention to financial markets is primarily determined by persistent industry and firm characteristics rather than time-specific factors. The industry component suggests that firms within the same industry tend to exhibit similar patterns of attention to financial markets, likely reflecting shared business models, competitive environments, and regulatory frameworks. The large firm-fixed component points to stable firm-specific characteristics that influence attention allocation, such as corporate culture, governance structures, or business strategies. The residual firm-year component (28% for

Equity and 17.79% for Debt) represents time-varying, firm-specific factors that affect attention allocation, potentially including changes in leadership, strategic initiatives, or idiosyncratic events. This decomposition provides important context for interpreting the economic implications of IAFM examined in subsequent sections.

4. Validation of the IAFM Measure

4.1 Industry Variation in Attention to Financial Markets

Table 4 presents the industry distribution of IAFM measures, providing the first validation of the index by demonstrating patterns consistent with economic intuition. The results reveal significant heterogeneity across industries in how managers allocate their scarce attention to financial markets, with variations that align with industry-specific sensitivities and business models.

[Insert Table 4 about here]

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

Panel B reveals that Finance (Industry 11) also leads in debt market attention (mean IAFM Debt = 8.77), nearly four times the sample average of 2.29. This heightened focus reflects

financial firms' core business in lending, borrowing, and interest rate management. Utilities rank second (mean = 2.03), consistent with their typically high leverage and sensitivity to interest rate movements given their capital structure. The "Other" category (Industry 12), which includes transportation and construction firms, shows the third-highest debt market attention (mean = 1.46), possibly reflecting their capital-intensive business models and reliance on debt financing.

At the lower end, Healthcare (Industry 10) shows minimal debt market attention (mean = 0.32), with Business Equipment (Industry 6) similarly low at 0.52. This pattern may reflect these sectors' traditionally lower leverage and greater reliance on equity financing, particularly for growth firms in these industries.

[Insert Fig 1 about here]

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

4.2 Managerial Ownership

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

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

[Insert Table 5 about here]

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

Table 5 shows that both incentive measures exhibit inverted U-shaped relationships with management's attention to financial markets. For WPS (Columns (1)-(2)), a one-unit increase in WPS ($\times 10^3$) is associated with a 59.4% increase in equity market attention, with this effect attenuated at higher levels. However, WPS shows no significant relationship with debt market attention, suggesting that equity-linked compensation specifically heightens managers' focus on equity markets. For managerial ownership (Columns (3)-(4)), a 10-percentage point increase is associated with approximately a 16.7% increase in attention to equity markets and a 10.7% increase in debt market attention, with both effects attenuated at higher ownership levels.

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

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

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

4.3 Asset Tangibility

Table 6 examines the relationship between asset tangibility and attention to financial markets, providing another validation test of the IAFM measures. Specifically, firms with higher proportions of tangible assets tend to have more collateralizable assets, which should help reduce their sensitivity to external financing fluctuations (e.g., Campello and Giambona, 2013) and Aretz, Campello, and Marchica, 2020). This reduced sensitivity occurs because tangible assets can serve as collateral, improving access to external financing and lowering borrowing costs even during market downturns. If IAFM captures economically meaningful attention patterns, we should observe that firms with higher asset tangibility exhibit lower attention to financial markets.

[Insert Table 6 about here]

The results in Table 6 support this prediction. In the cross-sectional analysis with industry-by-year fixed effects (Columns (1) and (2)), a 10-percentage point increase in asset tangibility is associated with approximately 1.56% and 1.85% decreases in equity and debt market attention, respectively. This pattern persists when adding firm fixed effects (Columns (3)-(4)), with coefficients of similar magnitude (-1.54% for equity, -1.83% for debt).

The negative coefficient on tangibility squared in debt market attention models (Columns (2) and (4)) suggests a diminishing rate of decrease as tangibility increases. This non-linear pattern may reflect that firms with very high tangibility still maintain some baseline attention to debt markets regardless of their collateral position.

These findings validate the IAFM measures by confirming their sensitivity to firm characteristics that theory suggests should influence financial market attention. Firms with fewer tangible assets face greater financing constraints and information asymmetries, naturally leading them to allocate more attention to financial market conditions.

4.4 Performance of the Equity Market and Debt Market

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

[Insert Table 7 about here]

I show that firm-specific equity returns significantly predict attention to financial markets. Specifically, I regress the log-transformed IAFM measures (Ln(1 + IAFM)) on firm-level equity returns and return volatility realized over the prior calendar year, using the same set of control variables and sample used in previous tables. Table 7 Panel A shows that a 10-percentage point increase in firm-level annual returns is associated with a 0.30% rise in equity market attention, suggesting that strong stock performance prompts firms to devote more attention to equity valuation discussions. Interestingly, firm-level returns also show a marginal positive relationship with debt market attention (0.14%), suggesting that positive equity performance may lead firms to discuss broader financial market conditions.

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

Next, I examine the relationship between the IAFM measures and market-wide equity performance. Table 7 Panel B shows a contrasting pattern: a 10-percentage point increase in market-wide annual returns is associated with a 0.55% decrease in equity market attention. This negative relationship stands in stark contrast to the positive relationship observed with firm-level returns. Besides, market-wide equity returns show no significant relationship with debt market attention, while market-wide volatility exhibits a strong positive relationship with debt market attention (8.01%) but a negative relationship with equity market attention (-1.25%). This suggests that attention is scarce even across different sub-markets within

financial markets, leading managers to reallocate their limited cognitive resources toward the market dimension that provides more precise signals during turbulent periods.

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

Finally, Table 7 Panel C examines how interest rate movements affect attention to financial markets. Employing the 6-month U.S. Treasury bill yield as a proxy for interest rate, I find that changes in interest rates significantly predict firms' attention to debt markets but not equity markets. Specifically, one standard deviation increase in interest rates (6.04) is associated with a 4.56% increase in debt market attention.[13] This relationship aligns with economic intuition, as rising rates directly impact firms' borrowing costs, prompting increased discussion of debt financing terms and strategies. The absence of a significant relationship with equity market attention suggests that interest rate changes primarily affect how firms discuss debt market conditions rather than equity valuations.

Taken together, this subsection provides validation for the IAFM framework by demonstrating dimension-specific responses to relevant market conditions. Firm-specific

[13] Note that the average annual rate of change in the 6-month U.S. Treasury bill yield between 2007 and 2023 is 1.919 (=191.9%).

equity returns primarily drive attention to equity markets, while interest rate changes significantly impact debt market attention. These findings support that the IAFM measures effectively capture meaningful variation in how firms allocate attention across different financial market dimensions in response to changing market conditions.

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

5. Economic Implications of Attention to the Financial Market

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, M&As, financing policies, and R&D investments.

5.1 Investment-Price Sensitivity

5.1.1 Unconditional Effect of IAFM on Investment-Price Sensitivity

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

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

where $I_{i,t}$ is one of two investment measures: capital expenditures (CAPX and total investment (INVT) for firm i in year t, where the first measure equals 100 X the capital expenditure (Compustat CAPX) divided by lagged total assets (Compustat AT), and the second measure equals 100 X the changes in gross property, plant, and equipment (Compustat PPEGT) plus changes in inventory (Compustat INVT), divided by lagged total assets (Compustat AT). α_t and η_i represent industry-by-year and firm fixed effects. $Q_{i,t-1}$ is the (normalized) price and is measured by firm i in year $t-1$. $Ln(1+IAFM_{i,t-1})$ indicates the log-transformed IAFM measure for either IAFM Equity or IAFM Debt, for firm i in year $t-1$. I also control for firm size (Ln(Total Assets)), cash holdings, leverage, and past sales growth. The presence of the price feedback effect requires both $\beta_1 > 0$ and $\beta_3 > 0$ to hold. Put differently, a firm's investment should be positively correlated with $Q_{i,t-1}$, and such correlation should be greater when managers allocate more attention to financial markets.

[Insert Table 8 about here]

Table 8 Panel A shows that attention to financial markets significantly enhances the sensitivity of capital expenditures to Tobin's Q. In the specifications with both industry-by-year and firm fixed effects (Columns (3)-(4)), which represent my primary focus, the interaction coefficient between IAFM Equity and Tobin's Q is positive and statistically significant (0.0635). This effect is economically significant: firms whose managers devote 10% more attention to equity markets exhibit investment decisions that are 1.83% more responsive to Tobin's Q, relative to the baseline sensitivity of 0.347. Similarly, Column (4), which focuses on debt market attention, shows an even stronger positive interaction coefficient (0.0943), which translates to a 2.58% increase over the baseline sensitivity of 0.366 for a 10% increase in IAFM Debt. These findings support that firms paying greater attention to financial markets are significantly more responsive to price signals when making investments, consistent with the feedback theory of market prices.

The cross-sectional results with only industry-by-year fixed effects (Columns (1)-(2)) show a slightly different pattern. While the interaction between IAFM Debt and Tobin's Q remains positive and significant (0.130), representing a 4.09% increase over the baseline sensitivity of 0.318 for a 10% increase in IAFM Debt, the interaction between IAFM Equity and Tobin's Q

becomes statistically insignificant. Thus, the relationship between equity market attention and investment-price sensitivity may be driven more by within-firm variation compared to cross-sectional differences.

Panel B extends this analysis to broader measures of investment (INVT). For total investment, in the specifications with both industry-by-year and firm fixed effects (Columns (3)-(4)), the interaction between IAFM Equity and Tobin's Q (0.247) represents a 2.91% increase over the baseline sensitivity for a 10% increase in equity market attention. Similarly, the interaction between IAFM Debt and Tobin's Q (0.270) represents a 2.87% increase over the baseline sensitivity of for a 10% increase in debt market attention. These effects are even more pronounced than those observed for capital expenditures, suggesting that broader investment decisions are particularly responsive to market signals when managers are attentive to financial markets. Besides, in the cross-sectional specifications (Columns (1)-(2)), both IAFM Equity and IAFM Debt show positive and significant interactions with Tobin's Q, although the magnitude is smaller than in the fixed effects models. Specifically, the interaction coefficients represent increases of 1.89% and 2.83% over the baseline sensitivity for a 10% increase in IAFM Equity and IAFM Debt, respectively.

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

5.1.2 Heterogeneity Across Firm Groups

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

First, Bond, Edmans, and Goldstein (2012) argue that the usefulness of secondary markets hinges on the extent to which prices convey information beyond what decision makers already know. Building on this, Edmans, Jayaraman, and Schneemeier (2017) demonstrate theoretically that stricter insider-trading enforcement—by discouraging insiders from trading—lowers competitive trading pressure, thereby incentivizing outside investors to gather additional information and enriching price signals with knowledge unavailable to managers. Therefore, I hypothesize that the influence of IAFM on the investment-price sensitivity will be most pronounced in firms characterized by low insider-trading intensity.

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

Table A2 supports this prediction. For firms with no insider trading, the interaction between IAFM and Tobin's Q is positive and significant for both capital expenditures and total investment. This effect becomes insignificant for firms with higher insider trading intensity. For example, a 10% increase in equity market attention enhances CAPX-price sensitivity by 2.02% in firms without insider trading but shows no significant effect in firms with insider trading. This pattern supports the theory that market signals provide less unique information when managers already trade extensively on their private knowledge.

Second, firms that operate in more competitive environments have stronger incentives to make the best use of their resources, as they operate with little slack (e.g., Hart, 1983). I hypothesize that the influence of IAFM on the investment-price sensitivity will be most pronounced in firms operating in highly competitive markets. Table A3 shows that the effect of IAFM on investment-price sensitivity is significant only in highly competitive industries. For capital expenditures, firms in high-competition industries (based on SIC 3-digit HHI)

show a positive interaction between IAFM Equity and Tobin's Q (0.0690), while firms in low-competition industries show no significant effect. This pattern is consistent across both IAFM measures and both investment types.

Table A4 confirms these findings using an alternative product market competition measure from Hoberg and Phillips (2016). The results suggest that competitive pressure enhances firms' incentives to incorporate market signals into investment decisions, as failing to do so could result in competitive disadvantage.

Third, economic theory suggests that the incentives of firms to use stock price information depend on their financial situation and the environment they are in. Financially constrained firms have strong incentives to allocate resources efficiently to relax their financial constraints, but these constraints may prevent them from implementing changes that require funding. Consequently, whether financially constrained firms make more use of stock price discovery is an empirical matter.

I employ Linn and Weagley's (2024) (LW) machine-learning-based measure of equity constraint to proxy a firm's financial constraint severity.[14] Firms with an LW constraint measure above the median are classified as financially constrained, while those below the median are considered unconstrained. Table A5 shows that the effect of IAFM on investment-price sensitivity is strongest among financially constrained firms. For these firms, a 10% increase in equity market attention enhances CAPX-price sensitivity by 2.57%, compared to no significant effect for unconstrained firms. For debt market attention, the effect is even more pronounced (6.1% increase).

These results suggest that constrained firms derive greater benefits from attending to financial markets, as market signals help them identify and prioritize the most valuable opportunities

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

when resources are limited. The heightened sensitivity of constrained firms to market information reflects the higher opportunity cost of misallocating scarce capital.

Collectively, these heterogeneity analyses show that the relationship between attention to financial markets and investment-price sensitivity is most pronounced when: (1) insider trading is limited, providing more unique information in prices; (2) competitive pressure is high, creating stronger incentives for efficient resource use; and (3) financial constraints are binding, increasing the value of market signals for optimal resource allocation.

5.2 M&As

M&As represent a significant form of corporate investment. Following the investment-price sensitivity analysis in Section 5.1, we would expect the feedback effect of financial market prices to similarly influence acquisition decisions. Specifically, if attention to financial markets enhances managers' ability to extract and respond to valuation signals, it should affect both the likelihood and structure of acquisition activities.

An important dimension of M&As is the choice between cash or stock as payment methods. This choice provides a unique opportunity to test the market timing theory of M&As. Both Rhodes-Kropf and Viswanathan (2004) and Shleifer and Vishny (2003) propose that during periods of market overvaluation, acquirers strategically use their temporarily inflated equity as acquisition currency, effectively timing the market to exploit temporary mispricing. Under these models, firms with higher attention to financial markets should be more adept at identifying overvaluation in their own shares and thus more inclined to exploit this information advantage through stock-financed acquisitions.

To test these hypotheses, I adopt Equation (1) with two modifications. First, I change the dependent variable to a dummy variable indicating whether a firm announced to acquire another firm using either cash or stock as the payment method in a given year, and zero otherwise. Second, I employ industry-by-year fixed effects rather than firm and year fixed

effects, because many firms never engage in acquisitions during the sample period, and firm fixed effects would eliminate these non-acquiring firms from the analysis.

[Insert Table 9 about here]

Table 9 examines how attention to financial markets influences the sensitivity of acquisition payment methods to firms' stock prices. Column (1) shows that the interaction between IAFM Equity and Tobin's Q is positive and significant (0.00125) for cash acquisitions, indicating that firms whose managers pay greater attention to equity markets become increasingly likely to use cash as their valuations rise. Simultaneously, Column (2) reveals a negative and significant interaction coefficient (-0.000480) for stock acquisitions, suggesting that these same firms become less likely to use stock as acquisition currency when valuations increase.

This pattern contradicts a simple market timing theory, which would predict increased stock financing in the presence of firm-level overvaluation. Instead, the results align more closely with adverse selection theory (Myers and Majluf 1984), suggesting that managers who pay higher attention to equity markets respond more cautiously to the potential signaling effects of equity usage. As valuations increase, these firms become even more committed to cash transactions, perhaps recognizing that using equity at high valuations might be interpreted by the market as a signal that management believes shares are overvalued.

Furthermore, Columns (3) and (4) show that attention to debt markets does not significantly influence the relationship between valuations and acquisition payment methods. The interaction coefficients for IAFM Debt with Tobin's Q are statistically insignificant for both cash and stock acquisitions. This difference between equity and debt market attention suggests that the choice of acquisition currency is influenced more by equity market considerations.

Table A6 expands my analysis by examining the influence of industry-level equity performance on acquisition payment methods. Following Asness, Moskowitz, and Pedersen (2013), I proxy industry valuation levels using the past value-weighted 5-year return of each

SIC 3-digit industry. Compared to Table 9, the regression specifications additionally incorporate interactions between log-transformed IAFM measures and both 3-digit industry-level 5-year returns and return volatility.

I find that firms with high equity market attention demonstrate a significantly greater propensity to use stock as acquisition currency in booming industries, as evidenced by the positive coefficient on the interaction between log-transformed IAFM measures and industry-level 5-year returns. Therefore, while firm-specific valuation increases do not significantly affect stock financing usage among attentive firms, industry-wide valuation trends appear to be influential determinants of payment method decisions. These findings support the market-wide market timing theories proposed by Shleifer and Vishny (2003) and Rhodes-Kropf and Viswanathan (2004), who theoretically demonstrate that mergers can be more prevalent in overvalued markets or sectors because merger synergies are more likely to be overestimated under such conditions. This interpretation is further supported by Rhodes–Kropf, Robinson, and Viswanathan (2005), who empirically show that increasing sector misvaluation drives both merger activity and the use of stock as payment method within that sector.

In summary, firms with greater attention to equity markets display acquisition financing patterns consistent with adverse selection concerns at the firm level, but exhibit market timing behavior during industry-wide mispricing episodes, suggesting a context-dependent relationship between attention to financial markets and acquisition strategies.

5.3 Corporate Financing Policy: Equity Issuance versus Debt Issuance

The pecking order theory (Myers and Majluf, 1984) represents one of the most influential frameworks in corporate finance, proposing that information asymmetries between insiders and outside investors create a hierarchy of financing preferences: internal funds first, followed by debt, and equity as a last resort. Despite extensive empirical investigation, tests of this theory have produced mixed results (e.g., Frank and Goyal, 2003; Shyam-Sunder and Myers, 1999). My IAFM measures offer a novel approach to testing the pecking order theory

by examining how variation in managers' attention to financial markets—a previously unobservable characteristic—mediates financing choices.

If the pecking order theory holds, managers with greater attention to financial markets should more consistently avoid equity financing when capital is needed, as they would be more aware of adverse selection costs. To test this hypothesis, I estimate:

$$Financing_{i,t} = \alpha_t + \eta_i + \omega_1 NFD_{i,t} + \omega_2 Ln(1 + IAFM_{i,t-1}) + \omega_3 Ln(1 + IAFM_{i,t-1}) \times NFD_{i,t} + \gamma CONTROL_{i,t-1} + \epsilon_{i,t} \quad (2)$$

where $Financing_{i,t}$ denotes the amount of either equity or debt issuance for firm i in year t, where. α_t and η_i represent industry-by-year and firm fixed effects. Equity issuance is the difference between sales of common stock and stock buybacks, scaled by lagged total assets. Debt issuance is long-term debt issues minus long-term debt reduction, scaled by lagged total assets. $NFD_{i,t}$ represent the net financing deficit (NFD), which equals the sum of cash dividends, net investment, change in working capital, and minus cash flow after interest and tax, scaled by lagged total assets. I control for year-end Tobin's Q, firm size (Ln(Total Assets)), cash holdings, leverage, and 2-year sales growth. ω_3 captures the extent to which a firm is financed through equity or debt issuance should a deficit occurs. The pecking order theory predicts $\omega_3 < 0$ for equity issuance and $\omega_3 > 0$ for debt issuance.

[Insert Table 10 about here]

Table 10 presents the regression results. Panel A focuses on equity issuance, while Panel B examines debt issuance. For each panel, Columns (1)-(2) present cross-sectional results with only industry-by-year fixed effects, while Columns (3)-(4) include both industry-by-year and firm fixed effects, capturing within-firm variation over time.

In Panel A, the cross-sectional results (Columns (1)-(2)) show that firms with higher attention to financial markets are significantly less likely to issue equity when facing financing deficits. The interaction coefficient between IAFM Equity and NFD (-0.0377) indicates that for a firm with average net financing deficit, a 10% increase in equity market attention reduces equity issuance by approximately 0.38 basis points, representing about 0.7% of the baseline NFD

effect (0.544). For debt market attention, the effect is larger, with the interaction coefficient (-0.219) translating to a 2.19 basis point reduction in equity issuance for a 10% increase in IAFM Debt, amounting to 3.9% of the baseline NFD effect.

When I additionally include firm fixed effects (Columns (3)-(4)), the results remain qualitatively similar. The interaction between IAFM Equity and NFD (-0.0307) indicates that when an individual firm increases its equity market attention over time, it reduces its reliance on equity financing by approximately 0.31 basis points for a 10% increase in attention. For debt market attention, the coefficient (-0.188) remains significantly negative, suggesting that increased focus on debt market conditions significantly reduces a firm's propensity to issue equity when facing financing deficits.

Panel B provides a complementary analysis for debt financing. Both IAFM measures show significant positive interactions with NFD, with coefficients of 0.0388 and 0.215 for IAFM Equity and Debt in cross-sectional analyses, and similar magnitudes when including firm fixed effects. Together, these results provide evidence that attention to financial markets strengthens firms' adherence to the pecking order hierarchy—reducing equity issuance and increasing debt issuance when financing is needed.

While these findings support the pecking order theory, market timing theory offers an alternative explanation for financing choices. Baker and Wurgler (2002) argue that a firm’s capital structure is the cumulative outcome of past attempts to time the equity market as the firm manager opportunistically issues equity when they believe their shares are overvalued and repurchases when they perceive undervaluation. If market timing theory operates at the firm-specific level, we would expect firms with greater attention to financial markets to be particularly adept at identifying and exploiting temporary mispricing. Specifically, the market timing hypothesis would predict a significant positive three-way interaction between IAFM measures, NFD, and Tobin's Q for equity issuance, indicating that attentive firms increase equity financing as their valuations rise.

To test whether this hypothesis, I examine in Table A7 how firm-level and industry-level equity performance influence the relationship between attention to financial markets and financing choices. Compared to Table 10, I now additionally incorporate interactions between log-transformed IAFM measures and firm's year-end Tobin's Q, as well as interactions with both 3-digit industry-level 5-year returns and return volatility. I include both industry-by-year and firm fixed effect to focus on the behavior of a given firm under different market conditions.

The results do not support this firm-level market timing prediction. The three-way interaction between IAFM measures, NFD, and Tobin's Q for equity issuance is small and statistically insignificant (-0.00203 for IAFM Equity and 0.00326 for IAFM Debt), suggesting that high-attention firms do not increase equity issuance when experiencing firm-specific high valuations. This result challenges the standard market timing interpretation and reinforces the dominance of pecking order considerations at the firm-specific level.

However, I find that during industry-wide valuation booms, firms with high equity market attention become more willing to issue equity, creating exceptions to the strict pecking order. Specifically, the significant positive coefficient (0.0448) for the three-way interaction between IAFM Equity, NFD, and industry-level 5-year returns for equity issuance indicates that in firms experiencing industry-wide overvaluation errors, the negative relationship between equity market attention and equity issuance is significantly weakened or even reversed. Also, the negative coefficient (-0.0169) for the same three-way interaction for debt issuance, though not statistically significant, suggests a potential reduction in the positive relationship between equity market attention and debt issuance during industry booms.

Overall, I directly test the pecking order theory and the market timing theory of capital structure by positioning managers' attention to financial markets as the critical link between financing decisions and market conditions. I show that firms' financing behavior follows a nuanced pattern: under normal market conditions, higher attention to financial markets reinforces adherence to the pecking order, with firms avoiding equity issuance in favor of

debt. However, during industry-wide valuation booms, market timing considerations come to the fore, particularly for firms with high equity market attention. This pattern helps reconcile mixed empirical findings in the capital structure literature by identifying specific conditions under which pecking order versus market timing considerations dominate (e.g., Hovakimian 2006; Dittmar and Thakor 2007). These results also align with our findings on acquisition financing choices in Section 5.2, where firms display similar context-dependent behavior.

5.4 R&D Activities

While previous subsections show that attention to financial markets generally enhances investment-price sensitivity for capital expenditures, this section examines whether this relationship extends to R&D investments. R&D represents a unique class of corporate expenditures characterized by high uncertainty, long gestation periods, and limited immediate visibility to outside investors. These attributes may make R&Ds respond differently to market signals, particularly when firms pay significant attention to financial markets.

[Insert Table 11 about here]

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

In the specifications with both industry-by-year and firm fixed effects (Columns (3)-(4)), the interaction between IAFM measures and Tobin's Q is significantly negative for both equity market attention (-0.0738) and debt market attention (-0.140). This indicates that managers who pay higher attention to financial markets are significantly less responsive to price signals when making R&D investment decisions. For example, a 10% increase in equity market attention reduces the sensitivity of R&D to Tobin's Q by 0.738 basis points, translating about 1.56% of the baseline sensitivity of 0.473. The effect is more pronounced for debt market attention, with a 10% increase reducing R&D-price sensitivity by 1.40 basis points, or approximately 3.07% of the baseline sensitivity of 0.456. The cross-sectional results with only industry-by-year fixed effects (Columns (1)-(2)) show similar patterns.

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

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

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

If managerial myopia drives the results, we would expect the negative relationship between IAFM and R&D-price sensitivity to be more pronounced in competitive low-R&D industries, where short-term performance pressures are high but R&D is less essential to competitive advantage. In such contexts, managers might be especially prone to deprioritizing R&D

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

Table A8 shows that the negative effect of IAFM on R&D-price sensitivity is significant only in competitive high-R&D industries but statistically insignificant in competitive low-R&D industries. In Panel A using SIC 3-digit industry classifications, for IAFM Equity, the interaction coefficient (-0.0846) is significant in high-R&D industries (Column (2)) but statistically insignificant (-0.00239) in low-R&D industries (Column (1)). The conclusion holds for IAFM Debt. Panel B uses Hoberg and Phillips' (2016) product market definitions, and finds a similar pattern - the negative interaction between IAFM Equity and Tobin's Q is more negative in magnitude in high-R&D product markets (-0.222) and statistically significant at the 5% level, compared to low-R&D markets (0.0377) where the coefficient is positive but insignificant. These findings support the rational insulation mechanism rather than the managerial myopia explanation, as firms in competitive high-R&D industries—where innovation is critical for survival—strategically shield their R&D investments from market fluctuations when they pay greater attention to financial markets.

Overall, these results suggest an important nuance in how firms strategically process market information. Attention to financial markets does not simply increase responsiveness to all market signals uniformly, but rather enables firms to discriminate between different types of investments. For traditional capital expenditures, market signals provide valuable information that guides investment timing and scale. For R&D, however, sophisticated firms recognize the limitations of market signals in guiding long-term innovative activities and deliberately maintain more stable investment patterns. This finding contributes to the ongoing debate

about the potential costs of market-oriented corporate governance for long-term innovation and growth (e.g., Kim and Yu, 2011; Fang, Tian, and Tice 2014).

6. Robustness Checks

6.1 Does IAFM Measures Simply Capture Financial Constraints?

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

Table A9 directly addresses this concern by examining the relationship between financial constraints and firm-level attention to financial markets. I employ the LW's (2024) continuous equity constraint measure to proxy financial constraints. The results show that financial constraints have minimal impact on attention allocation. In specifications with both industry-by-year and firm fixed effects, the coefficient for IAFM Equity is statistically insignificant. For IAFM Debt, while marginally significant, the economic magnitude is modest—a one standard deviation increase in constraints (0.58) corresponds to only a 1.1% increase in debt market attention. In cross-sectional specifications, neither IAFM dimension shows significant correlation with constraints.

These findings indicate that financial constraints cannot explain the economic effects documented in Section 5 for two reasons. First, the relationship between constraints and attention is substantially smaller than the investment-price sensitivity effects (Table 8) and financing policy effects (Table 10). Second, my main findings persist in specifications where no significant relationship between constraints and attention exists. The documented effects of attention to financial markets therefore represent genuine managerial attention allocation rather than merely reflecting financial constraints.

6.2 Disentangling Exogenous and Endogenous Attention to Financial Markets

The economic implications documented in Section 5 reflect two distinct mechanisms through which attention to financial markets relates to corporate decisions. The first mechanism represents exogenous attention—attention driven by external market conditions that subsequently influences corporate decisions. The second mechanism captures endogenous attention—attention that arises in anticipation of planned corporate actions, reflecting potential reverse causality where future decisions drive current attention patterns.

Both mechanisms should underscore the informational value of financial markets in guiding corporate decisions, because, even for managers who proactively allocate attention to market signals before significant corporate actions, they must inherently believe that market prices contain valuable information. Nevertheless, in this subsection, I try to disentangle these mechanisms empirically by introducing a supplementary measure—IAFM Vol. & Liq.—that specifically captures attention focused on financial market volatility and liquidity conditions.

IAFM Vol. & Liq. encompasses market microstructure discussions including trading volume, liquidity constraints, and volatility spikes. Since these conditions are typically exogenous to individual firms (at least within a short period of time), managerial attention to these factors more likely represents active monitoring rather than strategic preparation for corporate initiatives. Another way of interpreting it is to think of market volatility events or market microstructure events as instruments for attention to financial markets, with IAFM Vol. & Liq. functioning like a fitted value obtained from running the first stage regression in a two-stage least squares (2SLS) type of analysis. Table A10 Panel A presents the seed words for this dimension, which include terms like "market_volatility" and "trading_volume." The measure shows strong industry variation, with Financial firms exhibiting the highest attention (mean of 2.98), followed by Utilities (1.31) and Chemicals (1.10).

Figure A1 provides compelling validation that IAFM Vol. & Liq. captures exogenous attention by demonstrating clear industry-level responses to major economic events. During the 2008 financial crisis, Utilities significantly increased their attention to market volatility and liquidity (from 1.64 to 2.36), while Manufacturing firms more than doubled their

volatility attention (from 0.34 to 0.81). The Finance industry—noteworthy for maintaining an exceptionally high baseline level of attention to market volatility and liquidity throughout the sample period—reached its all-time peak (4.6) in 2007, reflecting the early stages of the financial crisis that first manifested in this sector before spreading to the broader economy. The 2015 oil price collapse triggered focused responses in Energy firms (increasing from 0.77 to 0.93) and Utilities (from 0.73 to 1.83). The COVID-19 pandemic elicited an even more pronounced reaction from Energy firms, with volatility attention surging from 1.22 to 1.74, while the Russia-Ukraine conflict in 2022 generated widespread increases across Energy (1.29 to 1.80), Financial (2.27 to 3.73), and Technology firms (0.58 to 0.83).

Table A11 examines how attention to market volatility and liquidity affects the key corporate outcomes analyzed in Section 5, while simultaneously controlling for equity and debt market attention. This approach enables me to isolate causal effects from potential reverse causality.

In Panel A focusing on investment-price sensitivity, the exogenous attention measure shows significant positive interactions with Tobin's Q for both capital expenditures (0.0624) and total investment (0.293). This provides evidence for a causal effect of attention on investment decisions. That is, for a 10% increase in attention to volatility and liquidity, capital expenditure sensitivity to Tobin's Q increases by approximately 1.86% relative to the baseline sensitivity of 0.335, while total investment sensitivity increases by approximately 3.69% relative to the baseline sensitivity of 0.794. Simultaneously, the interactions between IAFM Equity and Tobin's Q and IAFM Debt and Tobin's Q remain positive and significant after controlling for volatility attention. A 10% increase in equity market attention enhances capital expenditure sensitivity to Tobin's Q by approximately 1.76% relative to the baseline, while a 10% increase in debt market attention enhances this sensitivity by about 2.49% relative to the baseline. These results suggest that managers also strategically increase their attention to financial markets before making important investment decisions.

Panel B examines M&A activities, where exogenous attention to volatility and liquidity significantly reduces the likelihood of stock-based acquisitions as valuations increase (-

0.000798). This suggets that managers who pay greater attention to market conditions due to exogenous factors become more skeptical about using stock as acquisition currency when valuations rise, consistent with the adverse selection framework discussed in Section 5.2. Moreover, the interaction between IAFM Equity and Tobin's Q is significant and positive for cash acquisitions (0.00111) and negative for stock acquisitions (-0.000379). These persistent effects after controlling for exogenous attention support the view that managers also proactively increase their attention to equity markets before pursuing cash-based acquisitions when valuations are high.

Panel C investigates financing policies, showing that exogenous attention to volatility and liquidity significantly reduces equity issuance (-0.137) and increases debt issuance (0.134) when facing financing deficits. For a 10% increase in attention to volatility and liquidity, equity issuance declines by approximately 2.81% relative to the baseline NFD effect of 0.488, while debt issuance increases by approximately 5.38% relative to the baseline NFD effect of 0.249. This provides causal evidence that attention to market conditions strengthens adherence to the pecking order hierarchy. Next, while the interaction between IAFM Equity and NFD becomes statistically insignificant after controlling for volatility attention, its negative coefficient (-0.0186) remains consistent with the direction documented in Section 5.3. The interaction between IAFM Debt and NFD remains statistically significant for both equity issuance (-0.162) and debt issuance (0.174). These results indicate that firms also proactively monitor financial markets as part of their strategic financing decision process, not merely reacting to market conditions.

Panel D examines R&D activities, where exogenous attention to volatility and liquidity significantly reduces R&D-price sensitivity (-0.155 for IAFM Equity and -0.151 for IAFM Debt). For a 10% increase in attention to volatility and liquidity, R&D sensitivity to Tobin's Q decreases by approximately 3.09% relative to the baseline sensitivity of 0.501. This provides causal evidence that when firms pay greater attention to market volatility due to plausibly external events, they respond by decoupling their R&D decisions from market fluctuations. Furthermore, the interaction between IAFM Debt and Tobin's Q remains

significantly negative (-0.124), representing a 2.55% reduction in R&D-price sensitivity for a 10% increase in debt market attention. The IAFM Equity interaction (-0.0624), though statistically insignificant, retains the same negative direction documented in Section 5.4 and corresponds to a 1.25% reduction in R&D-price sensitivity for a 10% increase in equity market attention. The persistence of these effects after controlling for exogenous attention supports the rational insulation mechanism emphasized in Section 5.4, where sophisticated firms strategically allocate attention to financial markets specifically to insulate their R&D investments from market fluctuations.

Taken together, these results demonstrate that exogenous attention to market conditions significantly influences corporate decisions in ways consistent with the main findings in Section 5, providing direct evidence for a causal effect of attention on corporate behavior. Simultaneously, the persistence of most original IAFM interactions after controlling for this exogenous component suggests that managers also strategically allocate attention before important corporate decisions. This dual pattern—both exogenous and endogenous attention affecting corporate decisions in similar directions—supports the fundamental role of attention in mediating the relationship between financial markets and corporate policies.

6.3 IAFM Other Assets and Investment Decisions in the Energy Sector

While previous analyses demonstrate correlations between attention to financial markets and corporate policies, establishing causality remains challenging. Ideally, to test whether attention truly mediates market information's impact on investment decisions, I would randomly assign firms to monitor different market signals with varying relevance to their operations. In such an experiment, attention-driven increases in investment sensitivity should occur only when firms monitor prices relevant to their business.

Though randomization is infeasible, industry variation in commodity market exposure provides a natural experimental setting. I exploit the fact that commodity prices—particularly fuel prices—are fundamentally more relevant for Energy firms than for non-Energy firms. As documented by Gilje and Taillard (2017) and Shi and Zhang (2024), Energy firms'

profitability and investment opportunities are directly tied to commodity price fluctuations, creating a clear predicted pattern: if attention truly mediates market influence on corporate decisions, then Energy firms with higher attention to commodity markets should demonstrate stronger investment sensitivity to fuel price changes, while non-Energy firms should show no such relationship regardless of their commodity market attention.

To capture firms' attention to commodity and other alternative asset markets (including derivatives and currencies), I develop the IAFM Other Assets measure using the same methodology described in Section 3. Table A12 Panel A presents the seed words for this dimension, which include "commodity_price," "oil_price," "future_market," and other terms related to commodity, currency, and derivatives markets. Panel B shows that the most representative words demonstrate strong semantic coherence, with "commodity_market" (0.75) and "future_market" (0.74) exhibiting high similarity scores. The most frequent terms include "hedge" (18.44%), "commodity" (8.63%), and "oil_price" (8.35%), in line with the measure's focus on commodity markets.

Table A12 Panel C presents significant industry variation in attention to commodity markets, providing initial validation of the IAFM Other Assets measure. Energy firms (Fama-French Industry 4) exhibit by far the highest attention to these markets (mean = 12.77), followed by Utilities (mean = 8.15) and Chemicals (mean = 5.02). In contrast, Healthcare (mean = 0.38) and Technology firms (mean = 0.77) demonstrate minimal attention to commodity markets, consistent with their limited exposure to commodity price fluctuations. Panel D further validates the measure by showing that, on average across all sectors, a 10% increase in fuel prices predicts a 0.43% increase in attention to commodity markets in the subsequent year, supporting the measure's responsiveness to relevant market movements.

Figure A1 provides temporal validation of the index: during the 2008 crisis, Energy firms' attention rose from 12.41 to 14.61, and amid the 2015 oil-price collapse it climbed from 11.04 to 17.49. The COVID-19 shock in 2020 also lifted Energy firms' attention from 10.42 to 14.47, while other industries' responses were more muted or mixed. Over 2007–2023,

Energy firms maintain attention levels three to four times higher than most peers, reflecting their reliance on commodity signals.

Table A13 examines how attention to financial markets influences investment decisions differently for Energy versus non-Energy firms. For non-Energy firms (Columns (1) and (3)), the interaction between IAFM Equity/Debt and Tobin's Q is positive and significant for both capital expenditures and total investment, consistent with the main results in Section 5.1. However, for Energy firms (Columns 2 and 4), this interaction becomes insignificant, suggesting that equity and debt market signals may not be the primary drivers of investment decisions for these firms.

Instead, Energy firms demonstrate a significant positive relationship between attention to commodity markets and investment sensitivity to fuel price changes. Specifically, for capital expenditures (Panel A), the interaction between IAFM Other Assets and fuel price changes is positive and significant (1.380) for Energy firms but insignificant for non-Energy firms. This pattern is even more pronounced for total investment (Panel B), with the interaction coefficient (2.303) representing a significant increase in investment sensitivity to fuel price changes for Energy firms with higher attention to commodity markets.

These findings provide compelling evidence for the causal role of attention in mediating market signals' impact on corporate decisions. Managers at Energy firms strategically direct their *scarce* attentional resources toward commodity markets, which provide first-order, directly relevant information about their investment opportunities. While Gilje and Taillard (2016) demonstrate that public financial markets enhance investment efficiency through improved financing access, my findings highlight a complementary mechanism, as theoretically demonstrated in Goldstein and Yang (2022): the financialization of commodities creates an information channel through which commodity producers adjust their investment decisions based on commodity price signals.

6.4 Specialized Role of Debt Market Attention

My previous sections demonstrate that attention to financial markets plays a crucial mediating role in corporate decision-making. While both equity and debt market attention enhance investment-price sensitivity (Section 5.1), they also similarly influence financing choices by reinforcing adherence to the pecking order theory (Section 5.3). In this subsection, I first examine whether debt market attention provides complementary information value for investment decisions beyond equity market attention, particularly for firms with higher leverage. I then investigate whether debt market attention exhibits specialized functionality in mediating firms' financing responses to interest rate fluctuations—a role that would differentiate it from equity market attention.

6.4.1 Complementary Information Value of Debt Market Attention for Investment Decisions

There are three potential (not mutually exclusive) channels through which debt market attention might influence investment decisions. First, debt market attention might be highly correlated with equity market attention, essentially capturing the same underlying construct. Second, debt market attention might convey information that is complementary to interpreting equity prices, for example, helping to filter out noise and isolate information valuable for investments. This is related to Davis and Gondhi (2024), who demonstrate theoretically that debt markets contain information relevant for investment decisions through mechanisms distinct from equity markets. This information does not necessarily have to arise from firms' own traded bond prices. It can also reflect general awareness of debt market dynamics (such as interest rate environments or macro policies) that help firms interpret investment opportunities conveyed in equity prices. Third, debt market prices (reflected in traded bond spreads) might convey unique information for guiding investment decisions, though equity prices tend to be highly correlated with traded bond prices.

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

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

Table A14 Panel A presents these results. In Column (1), which includes the full sample, both interaction terms between IAFM measures and Tobin's Q are positive and statistically significant for capital expenditures (Panel A.1) and total investment (Panel A.2). Comparing these coefficients with those in Table 8, we can quantify the channels' relative importance. For IAFM Debt, the coefficient decreases from 0.0943 in Table 8 Column (4) to 0.0836 in Table A14 Panel A.1 Column (1), indicating that approximately 11.3% of the original debt market attention effect can be attributed to its correlation with equity market attention (Channel 1). The remaining 88.7% supports the complementary information hypothesis (Channel 2). Panel B additionally controls for the effect of financial constraints on investment-price sensitivity, and the results remain robust.

Furthermore, if debt market attention primarily helps firms interpret equity market signals more effectively (mechanism 2), this complementary information should be particularly valuable for firms with greater exposure to debt markets. Leverage provides a natural proxy for a firm's stake in debt market conditions, as highly leveraged firms face greater exposure to interest rate fluctuations, refinancing risks, and debt market pricing efficiency. These firms likely develop more specialized expertise in interpreting debt market signals and have stronger incentives to monitor debt market conditions. Consequently, debt market attention should enhance investment-price sensitivity more significantly for highly leveraged firms.

I find that for firms with low leverage (Column (2)), only equity market attention significantly enhances investment-price sensitivity (0.0842 for CAPX and 0.191 for INVT), while debt market attention shows no significant effect. In contrast, for highly leveraged firms (Column (3)), debt market attention significantly enhances investment-price sensitivity (0.0716 for CAPX and 0.235 for INVT), while equity attention remains statistically

significant only for total investment. This pattern strongly supports mechanism (2), suggesting that debt market information becomes increasingly valuable as leverage increases.

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

To test the third mechanism, I examine whether debt market attention influences firms' responsiveness to their own bond yields when making investment decisions. Using a sample of firms with publicly traded bonds, I investigate if higher debt market attention alters investment sensitivity to bond yields. Bond yield is the firm's most recent monthly close yield as of the prior calendar year, averaged across all publicly traded bonds (weighted by outstanding amount). If debt market attention helps firms interpret information from their debt pricing, we should observe a positive relationship between IAFM Debt and the investment-bond yield sensitivity.

The results show that for total investment (Column (2)), the interaction between IAFM Debt and bond yield is negative and significant (-0.187), indicating that firms with 10% higher debt market attention increase their investment sensitivity to bond yields by 5.68%. This suggests that debt market attention also provides unique information that influences how firms respond to their debt financing costs, supporting mechanism (3). For capital expenditures (Column (1)), although the coefficient on the interaction between IAFM Debt and bond yield (-0.0208) is not statistically significant, its negative sign is consistent with the pattern observed for total investment. The lower statistical significance for capital expenditures likely reflect that CAPX captures only fixed asset expenditures (which typically follow longer-term plans), while INVT includes inventory changes that can be adjusted more readily in response to financing conditions.

6.4.2 Debt Market Attention and the Sensitivity of Financing Decisions to Interest Rates

While the analysis above focuses on how debt market attention influences the price feedback effect for investment decisions, I now turn to investigating whether debt market attention exhibits specialized functionality in mediating firms' financing responses to interest rate fluctuations—a role potentially distinct from equity market attention.

Table A16 presents regression results examining how firms with different levels of financial market attention adjust their financing policies in response to interest rate changes. For this analysis, I interact log-transformed IAFM measures and NFD with lagged annual changes in the 6-month U.S. Treasury bill yield, while controlling for firm-level valuation (Tobin's Q).

The results reveal that debt market attention uniquely influences how firms adjust their financing mix in response to interest rate changes. Specifically, the significant negative three-way interaction between IAFM Debt, NFD, and interest rate changes for debt issuance (-0.00559, Column (4)) indicates that firms with higher debt market attention reduce their debt issuance more strongly when interest rates rise. In contrast, equity market attention shows no such mediating effect, with the equivalent three-way interaction term (-0.000831, Column (1)) being statistically insignificant. These findings suggest that debt market attention, not equity market attention, enhances firms' sensitivity to the cost implications of rising interest rates, leading them to more actively adjust their debt issuance downward during periods of increasing borrowing costs.

Furthermore, firms with higher debt market attention exhibit a significant positive association between interest rate changes and equity issuance (0.0537, Column (3)) alongside a negative association with debt issuance (-0.0552, Column (4)). This pattern suggests that firms attentive to debt markets strategically substitute between financing sources as interest rates fluctuate—increasing their reliance on equity when debt becomes more expensive and vice versa. Again, no similar effect exists for equity market attention, with both coefficients being statistically insignificant (-0.0155 and -0.00595 in Columns (1) and (2)).

Overall, these results complement and extend the findings in Section 5.3 by demonstrating that while both dimensions of financial market attention strengthen adherence to the pecking order theory overall, debt market attention provides firms with additional sensitivity to interest rate conditions—a crucial determinant of the relative cost of debt financing. Firms with higher debt market attention more actively recalibrate their financing choices in response to changing interest rate environments, reflecting a specialized function of debt market attention distinct from equity market attention.

7. Conclusion

This paper introduces a novel approach to quantifying firm-level attention to financial markets by developing the *Index of Attention to the Financial Market* (IAFM). By analyzing the content of 98,010 earnings call transcripts across 7,673 firms from 2007-2023, I provide the first comprehensive measurement of how managers allocate attention to equity and debt markets. This methodological innovation addresses a fundamental gap in corporate finance research: while many theories, including the price feedback theory, the market timing theory, and the pecking order theory, assume managers monitor and respond to market signals, the field has lacked direct measures of this attentional process.

I show that attention to financial markets serves as a critical mediating mechanism in the relationship between market signals and corporate decisions. Firms whose managers pay higher attention to financial markets exhibit greater investment-price sensitivity, the first direct evidence for the feedback theory of market prices (Bond, Edmans, and Goldstein, 2012). My findings also suggest a context-dependent relationship between attention to financial markets and financing policies. At the firm level and during normal market conditions, the pecking order theory provides the dominant framework, with firms whose managers are more attentive to financial markets consistently avoiding equity issuance in favor of debt. However, during industry-wide misvaluation, market timing considerations become increasingly relevant for firms with high equity market attention, creating temporary exceptions to the pecking order. This nuanced relationship helps reconcile previously

conflicting empirical findings in the capital structure literature by identifying specific conditions under which each theory better explains financing behavior.

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

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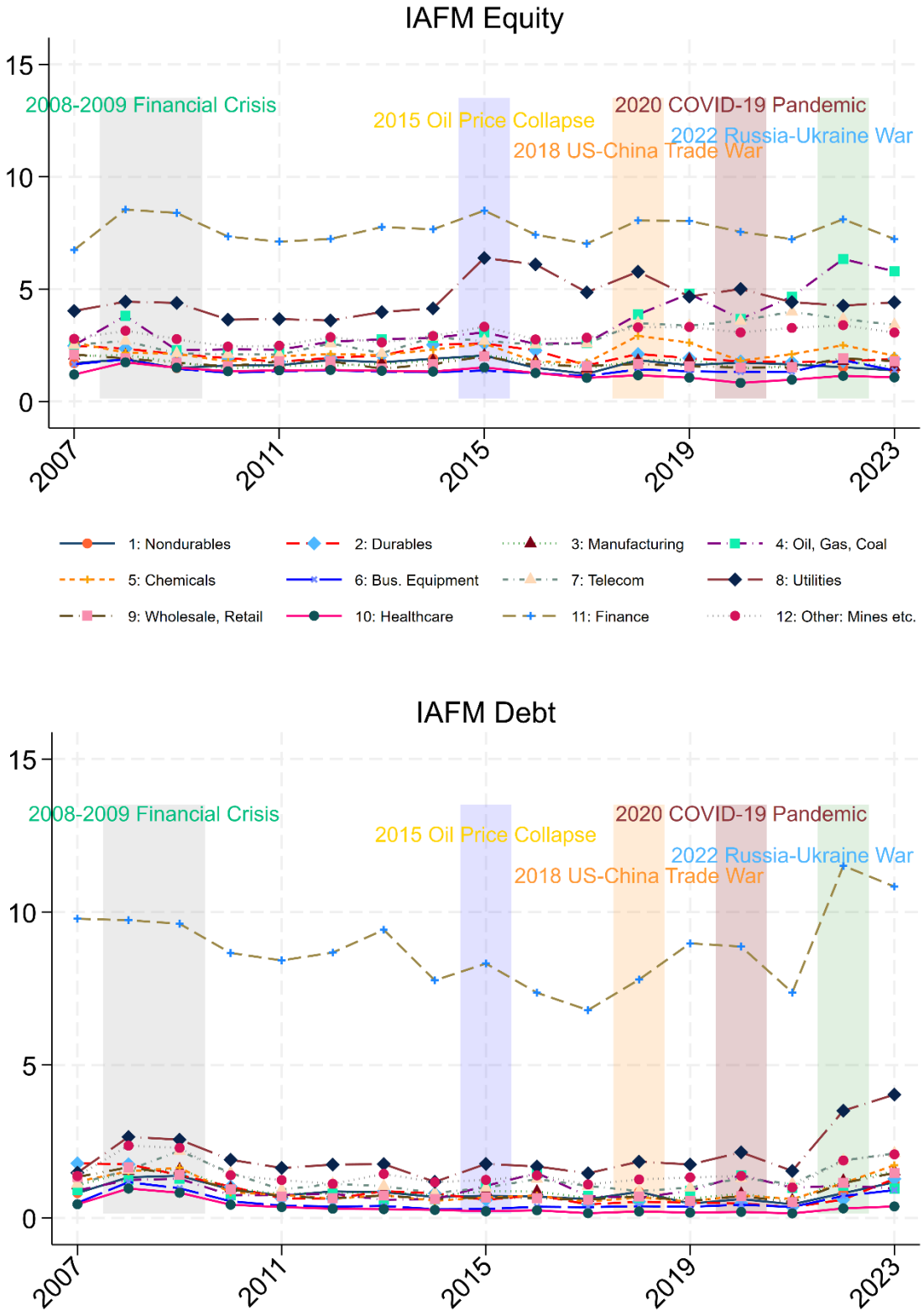


Fig 1: IAFM Measures Across 12 Fama-French Industries Over Time. This figure shows the two IAFM measures (IAFM Equity and IAFM Debt) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from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

Table 1. Seed Words and Expanded Dictionary

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

Panel A: Seed words

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

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

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

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

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

Table 2. Summary Statistics

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

	Mean	STD	25%	Median	75%	N
Panel A: IAFM Measures for All U.S. Public Firms						
IAFM Equity	3.05	4.44	0.35	1.41	3.71	60820
IAFM Debt	2.29	5.04	0	0.34	1.93	60820
Panel B: IAFM Measures for U.S. Public Firms Excluding Financial Firms and Utilities						
IAFM Equity	1.93	2.86	0.22	1.01	2.47	47812
IAFM Debt	0.81	1.74	0	0	0.94	47812
Panel C: Non-IAFM Firm Characteristics, Excluding Financial Firms and Utilities						
Year-End Tobin's Q	2.38	2.31	1.17	1.64	2.62	45344
Total Assets ($'mil)	6889.39	19466.22	263.9	1034.43	3986.85	43627
Cash (%)	22.85	24.10	4.88	13.43	32.82	43626
Leverage (%)	25.1	22.44	4.72	21.69	38.52	43435
Sales Growth (%)	15.19	51.01	-3.07	7.02	20.41	40453
WPS (X 10^3)	0.03	0.10	0	0	0.01	15666
Mgr. Ownership	0.02	0.05	0	0	0.01	19909
Asset Tangibility	0.48	0.42	0.15	0.34	0.72	43256
CAPX (%)	4.98	6.54	1.34	2.9	5.89	43576
INVT (%)	4.91	13.12	0	2.49	7.38	43613
Cash-Only M&A	0.06	0.23	0	0	0	47812
Stock-Only M&A	0.01	0.08	0	0	0	47812
Equity Issuance (%)	3.59	21.86	-1.8	0	0.49	40394
Debt Issuance (%)	2.69	12.68	-1.36	0	2.45	42266
NFD (%)	8.79	32.47	-4.17	0.17	7.94	43508
R&Ds (%)	5.87	11.33	0	0.15	6.76	47812
HHI(SIC 3-digit Industry Sales)	0.19	0.18	0.06	0.13	0.25	47807
HHI(Product Market Sales)	0.27	0.27	0.08	0.16	0.36	40098
Insider Trading Indicator	0.5	0.50	0	1	1	46305
Insider Trading Intensity	2.56	11.38	0.14	0.53	1.77	23304
LW (2024) Financial Constraint	-0.1	0.58	-0.46	-0.19	0.16	38986
Bond Yield (%)	5.32	4.10	3.02	4.57	6.35	7594

Table 3. Variance Decomposition of IAFM Measures

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

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

Table 4. Industry Distribution of IAFM Equity and IAFM Debt

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

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

Table 5. Managerial Ownership

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

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Dimension:	Equity	Debt	Equity	Debt
WPS (X 10^3)	0.594**	-0.168		
	(2.359)	(-0.823)		
WPS (X 10^3)^2	-0.758***	0.105		
	(-2.591)	(0.430)		
Mgr. Ownership			1.670***	1.069**
			(3.349)	(2.533)
Mgr. Ownership^2			-5.210***	-4.276***
			(-2.702)	(-2.827)
Year-End Q	-0.0153**	0.00998**	-0.0187***	0.000186
	(-2.514)	(2.238)	(-3.468)	(0.0659)
Ln(Total Assets)	0.0390**	0.0534***	0.0493***	0.0495***
	(2.264)	(4.125)	(3.767)	(4.931)
Cash	0.000394	0.00115**	0.000397	0.00103**
	(0.594)	(2.315)	(0.721)	(2.453)
Leverage	-0.00137**	0.00297***	-0.00119***	0.00259***
	(-2.562)	(6.676)	(-2.929)	(6.966)
Sales Growth	0.000219	-0.000195	0.000213	-0.000171*
	(1.075)	(-1.511)	(1.529)	(-1.683)
Observations	14,647	14,647	18,411	18,411
Adj. R^2	0.327	0.442	0.351	0.450
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table 6. Asset Tangibility

This table reports regression results investigating the relationship between asset tangibility and 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). The main independent variable is the asset tangibility ratio and its squared term. Control variables include end-of-year Tobin's Q, firm size (ln(Assets)), cash holdings, leverage, and sales growth. 3-digit industry-by-year fixed effects are included are included in Columns (1)-(4), and Columns (3) and (4) additionally include firm fixed effects. All independent variables are lagged by one year. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Dimension:	Equity	Debt	Equity	Debt
Asset Tangibility	-0.156***	-0.185***	-0.154***	-0.183***
	(-4.810)	(-7.458)	(-2.592)	(-3.797)
Asset Tangibility^2	0.0482**	0.0750***	0.0361	0.0971***
	(2.508)	(5.563)	(1.164)	(4.144)
Year-End Q	-0.0167***	-0.00712***	-0.00653**	0.00220
	(-7.849)	(-5.924)	(-2.232)	(1.340)
Ln(Total Assets)	0.0196***	0.0461***	0.0349***	0.0496***
	(7.870)	(25.83)	(4.016)	(7.584)
Cash	-0.00369***	-0.00135***	-0.000849**	0.000839***
	(-10.86)	(-5.807)	(-2.180)	(3.336)
Leverage	0.00104***	0.00477***	-0.000606**	0.00231***
	(5.785)	(20.32)	(-2.115)	(11.01)
Sales Growth	5.73e-05	7.53e-06	-2.22e-05	-3.20e-05
	(0.800)	(0.165)	(-0.336)	(-0.727)
Observations	39,464	39,464	38,609	38,609
Adj. R^2	0.172	0.277	0.421	0.472
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table 7. Equity and Debt Markets Performance

This table reports regression results investigating whether equity and debt markets performance predict firm-level attention to financial markets. The dependent variable is IAFM Equity for Column (1), and IAFM Debt for Column (2). For Panel A, the main independent variables are the firm-level equity return over the past calendar year and the annualized volatility of daily firm-level return. For Panel B, they are the market-wide equity return over the past calendar year and the annualized volatility of daily market-wide returns. For Panel C, the main independent variables include the annual rate of change and volatility in the 6-month U.S. Treasury bill yield over the past calendar year. The annual rate of change is the annual change in the yield divided by the previous year end's yield. Annual volatility in yield is the standard deviation of daily rate of change in yield. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. Returns, return volatility, interest rate change, and interest rate change volatility are expressed in actual number (e.g., 1 unit = 100% change), not in percentage form. All explanatory variables are lagged by one year. Firm fixed effects are included across three panels, whereas Panel A additionally include 3-digit industry-by-year fixed effects. The sample period is 2007-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Dep. Var.: Ln(1+IAFM)	(1)	(2)
Dimension:	Equity	Debt
Panel A: Firm-Level Equity Performance		
Firm-Level 1-Year Equity Return	0.0296***	0.0136*
	(3.246)	(1.795)
Firm-Level Equity Return Volatility	-1.950***	-0.270
	(-3.930)	(-0.690)
Observations	27,173	26,851
Adj. R^2	0.163	0.426
Firm FE	Yes	Yes
Industry-by-Year FE	Yes	Yes
Panel B: Market-Wide Equity Performance		
Market-Wide 1-Year Equity Return	-0.0546***	0.00324
	(-2.926)	(0.202)
Market-Wide Return Volatility	-1.248**	8.010***
	(-1.973)	(10.25)
Observations	39,349	39,349
Adj. R^2	0.402	0.411
Firm FE	Yes	Yes
Industry-by-Year FE	No	No
Panel C: Interest Rate Movements		
Δ(Interest Rate)	-0.000929	0.00755***
	(-1.097)	(8.667)
Δ(Interest Rate) Volatility	0.0201	-0.175***
	(0.378)	(-4.044)
Observations	39,349	39,349
Adj. R^2	0.402	0.409
Firm FE	Yes	Yes
Industry-by-Year FE	No	No

Table 8. Investment-Price Sensitivity

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

	(1)	(2)	(3)	(4)
Proxy for IAFM:	Equity	Debt	Equity	Debt
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM) X Year-End Q	0.0276	0.130***	0.0635***	0.0943***
	(0.970)	(2.946)	(2.896)	(2.675)
Ln(1+IAFM)	-0.278***	-0.529***	-0.164**	-0.310***
	(-3.793)	(-4.625)	(-2.501)	(-3.276)
Year-End Q	0.329***	0.318***	0.347***	0.366***
	(10.64)	(13.11)	(10.51)	(11.33)
Observations	36,754	36,754	35,885	35,885
Adj. R^2	0.409	0.409	0.679	0.680
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM) X Year-End Q	0.121*	0.191**	0.247***	0.270**
	(1.904)	(2.031)	(3.630)	(2.463)
Ln(1+IAFM)	-0.463***	-0.432*	-0.459**	-0.839***
	(-2.712)	(-1.672)	(-2.368)	(-2.689)
Year-End Q	0.640***	0.674***	0.848***	0.940***
	(10.24)	(12.37)	(10.43)	(11.34)
Observations	36,785	36,785	35,919	35,919
Adj. R^2	0.160	0.160	0.289	0.289
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table 9. M&As

This table presents regression results examining the effect of IAFM on cash-only and stock-only M&A activities. The dependent variable in Columns (1) and (3) is Cash-Only M&A Announcement, which equals one if a firm announced to acquire a firm in a given year with cash or cash and debt as the only payment currency, and zero otherwise. The dependent variable in Columns (2) and (4) is Stock-Only M&A Announcement, which equals one if a firm announced to acquire a firm in a given year with stock as the only payment currency, and zero otherwise. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's Q. Columns (1) and (2) use the tf-idf measure of IAFM Equity. Columns (3) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. 3-digit industry-by-year fixed effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	Cash M&A	Stock M&A	Cash M&A	Stock M&A
Ln(1+IAFM) X Year-End Q	0.00125**	-0.000480**	-9.43e-05	-0.000446
	(2.007)	(-2.204)	(-0.0847)	(-1.265)
Ln(1+IAFM)	0.00395	0.00196**	0.000839	-0.000132
	(1.464)	(2.208)	(0.222)	(-0.111)
Year-End Q	-0.00232***	7.37e-06	-0.00166***	-0.000209
	(-3.454)	(0.0342)	(-2.937)	(-1.228)
Observations	36,795	36,795	36,795	36,795
Adj. R^2	0.039	-0.021	0.039	-0.021
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table 10. Financing Policies

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

	(1)	(2)	(3)	(4)
Proxy for IAFM:	Equity	Debt	Equity	Debt
Panel A: Dep. Var.: Equity Issuance (%)				
Ln(1+IAFM) X NFD	-0.0377***	-0.219***	-0.0307**	-0.188***
	(-2.642)	(-9.198)	(-2.284)	(-7.905)
Ln(1+IAFM)	0.360***	0.448***	0.156	0.575***
	(4.047)	(4.052)	(1.379)	(4.939)
NFD	0.544***	0.559***	0.467***	0.485***
	(24.06)	(29.77)	(19.49)	(23.53)
Observations	33,981	33,981	33,073	33,073
Adj. R^2	0.660	0.673	0.723	0.732
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: Debt Issuance (%)				
Ln(1+IAFM) X NFD	0.0388***	0.215***	0.0362***	0.197***
	(3.830)	(11.64)	(3.739)	(11.07)
Ln(1+IAFM)	-0.241***	-0.498***	-0.134	-0.573***
	(-2.839)	(-4.436)	(-1.255)	(-4.451)
NFD	0.223***	0.212***	0.269***	0.256***
	(12.25)	(13.78)	(13.55)	(15.08)
Observations	35,534	35,534	34,651	34,651
Adj. R^2	0.315	0.344	0.408	0.431
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table 11. R&D

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

Dep. Var.: R&Ds	(1)	(2)	(3)	(4)
Proxy for IAFM:	Equity	Debt	Equity	Debt
Ln(1+IAFM) X Year-End Q	-0.163***	-0.407***	-0.0738*	-0.140***
	(-3.086)	(-7.392)	(-1.909)	(-3.339)
Ln(1+IAFM)	-0.301**	0.184	0.112*	0.338***
	(-2.531)	(1.345)	(1.695)	(4.040)
Year-End Q	0.580***	0.580***	0.473***	0.456***
	(9.096)	(10.91)	(7.834)	(9.355)
Observations	36,795	36,795	35,932	35,932
Adj. R^2	0.544	0.544	0.879	0.879
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Appendix

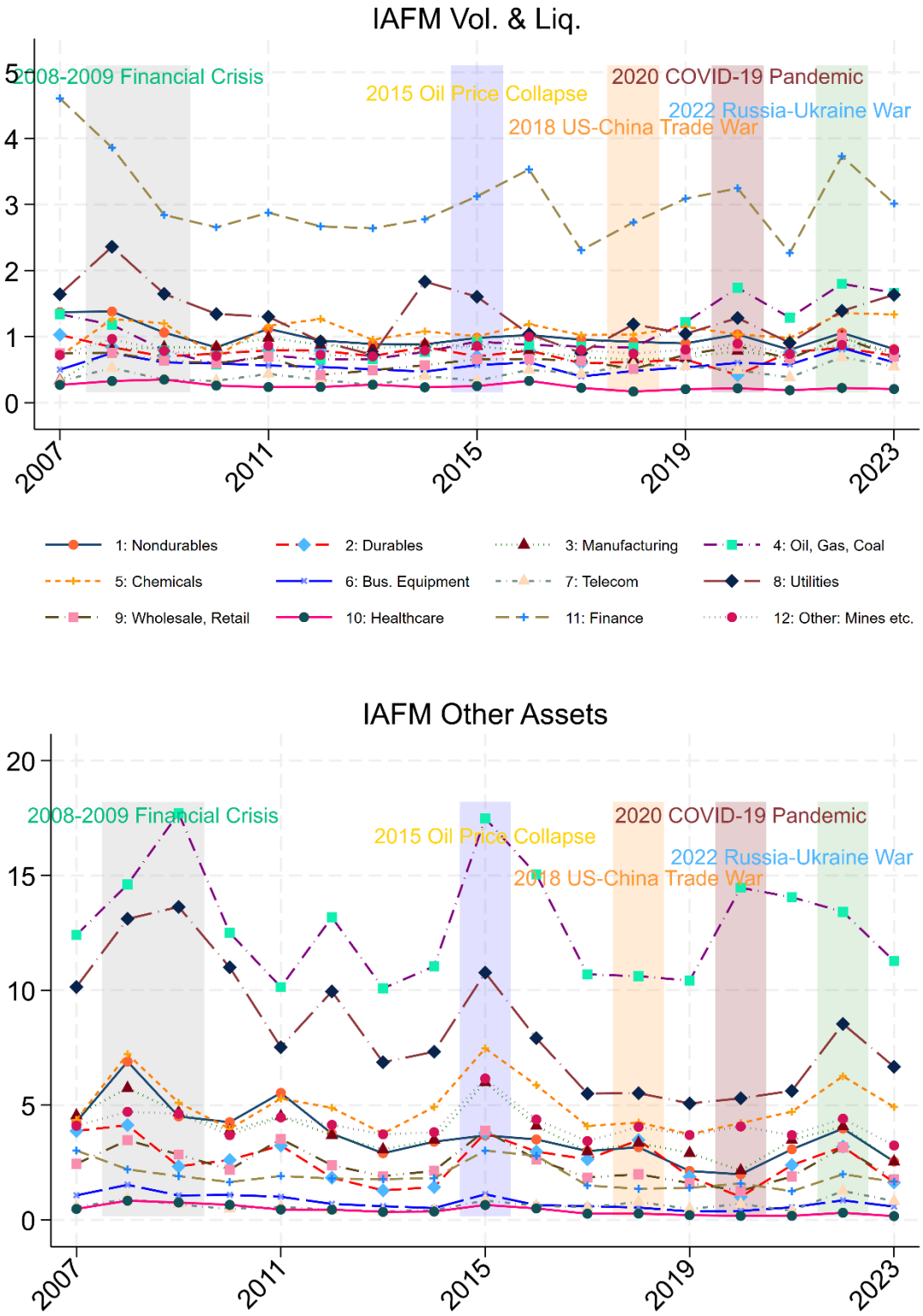


Fig A1: IAFM Vol. & Liq. And IAFM Other Across 12 Fama-French Industries Over Time. This figure shows the two IAFM measures (IAFM Vol. & Liq. and IAFM Oter) over time for the 12 Fama-French industries. The y-axis indicates the average IAFM measure across firms within each industry, while the x-axis represents the years from 2007 to 2023.

Table A1. Definitions of Variables

Variable	Definition
IAFM Equity	IAFM Equity is a TF-IDF-based measure that focuses specifically on equity market-related phrases in earnings calls.
IAFM Debt	IAFM Debt is a TF-IDF-based measure that focuses specifically on debt market-related phrases in earnings calls.
IAFM Vol. & Liq.	IAFM Vol. & Liq. is a TF-IDF-based measure that captures terms associated with financial market volatility and liquidity.
IAFM Other Assets	IAFM Other Assets is a TF-IDF-based measure that captures phrases related to commodity, currency, and derivatives markets.
Year-End Q	The year-end market value of equity over year t-1 (the closing price at year-end times shares outstanding from CRSP) plus book value of assets minus the book value of equity (Compustat AT–CEQ).
Ln(Total Assets)	Log of total assets (Compustat AT), lagged by one year.
Cash (%)	100 X cash and Short-term investment (Compustat CHE) scaled by assets (Compustat AT), lagged by one year.
Leverage (%)	100 X long-term debt (Compustat DLTT) plus debt in current liabilities (Compustat DLC) scaled by total assets (Compustat AT), lagged by one year.
Sales Growth (%)	100 X ($SALE_{t-1} - SALE_{t-2}$)/ $SALE_{t-2}$) where $SALE_{t-1}$ denotes the Compustat SALE in year t-1.
CAPX (%)	100 X the capital expenditure (Compustat CAPX) divided by lagged total assets (Compustat AT).
INVT (%)	100 X the changes in gross property, plant, and equipment (Compustat PPEGT) plus changes in inventory (Compustat INVT), divided by lagged total assets (Compustat AT).
WPS (X 10^3)	The scaled wealth-performance sensitivity measure of Edmans, Gabaix, and Landier (2009): The dollar change in the CEO's wealth for a 100 percentage point change in the stock price, scaled by annual pay.
Mgr. Ownership	Total number of shares held by CEO (Execucomp CEO_SHROWN) scaled by the total number of shares outstanding (Compustat CSHO)
Asset Tangibility	Gross property, plant, and equipment (Compustat PPEGT) divided by total assets (Compustat AT), lagged by one year.
Cash-Financed M&A	An indicator that equals one if a firm announces to acquire another firm using cash in a year, and zero otherwise, as reported in SDC Mergers & Acquisitions database.
Stock- Financed M&A	An indicator that equals one if a firm announces to acquire another firm using stock in a year, and zero otherwise, as reported in SDC Mergers & Acquisitions database.
Equity Issuance (%)	Equity issuance is 100 X the difference between sales of common stock (Compustat SSTK) and stock repurchases (Compustat PRSTKC), scaled by lagged total assets (Compustat AT).

Debt Issuance (%)	Debt issuance is 100 X the difference between long-term debt issuance (Compustat DLTIS) and long-term debt reduction (Compustat DLTR), scaled by lagged total assets (Compustat AT).
NFD (%)	Net financing deficit is 100 X 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.
R&Ds (%)	100 X research and development expenses (Compustat XRD) scaled by lagged total assets (Compustat AT). Missing observations are replaced with zero.
Insider Trading Intensity	1000 X number of shares traded by insiders in a given calendar year (Thomson Reuters Insider Filing SHARES) scaled by the total number of shares traded (sum of daily trading volume (CRSP CSHTRD) over the year). I only consider open market stock transactions initiated by the top five executives (CEO, CFO, COO, President, and Chairman of theBoard).
HHI(SIC 3-Digit Industry Sales)	Sales-based Herfindahl–Hirschman index of the SIC 3-digit industry to which a firm belongs.
HHI(Product Market Sales)	Sales-based Herfindahl–Hirschman index of the product market to which a firm belongs, where product market peers are defined in Hoberg and Phillips (2016).
LW (2024) Financial Constraint	Linn and Weagley's (2024) continuous equity constraint measure, which is computed using full firm characteristics.
Bond Yield (%)	The firm's most recent monthly close yield (%) as of the prior calendar year, averaged across all publicly traded bonds (weighted by outstanding amount).

Table A2. Role of Insider Information

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

Proxy for IAFM:	Equity			Debt		
	(1)	(2)	(3)	(4)	(5)	(6)
Insider Trading Level:	No Insid. Trad.	Low Insid. Trad.	High Insid. Trad.	No Insid. Trad.	Low Insid. Trad.	High Insid. Trad.
Panel A: Dep. Var.: CAPX (%)						
Ln(1+IAFM) X Year-End Q	0.0698**	0.0256	0.0501	0.177***	0.0286	-0.0443
	(2.158)	(0.674)	(1.164)	(3.211)	(0.467)	(-0.743)
Ln(1+IAFM)	-0.225**	0.00986	-0.0170	-0.398**	-0.0244	-0.0367
	(-2.087)	(0.0834)	(-0.131)	(-2.306)	(-0.140)	(-0.205)
Year-End Q	0.345***	0.321***	0.253***	0.356***	0.329***	0.285***
	(6.824)	(7.438)	(5.178)	(7.757)	(7.693)	(5.895)
Observations	15,669	8,564	7,112	15,669	8,564	7,112
Adj. R^2	0.646	0.760	0.727	0.647	0.760	0.727
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)						
Ln(1+IAFM) X Year-End Q	0.310***	0.103	0.0876	0.246*	0.476**	0.0854
	(3.172)	(0.878)	(0.604)	(1.899)	(2.420)	(0.431)
Ln(1+IAFM)	-0.420	-0.503	0.0147	-0.810*	-1.256**	-0.424
	(-1.399)	(-1.329)	(0.0339)	(-1.700)	(-2.341)	(-0.633)
Year-End Q	0.755***	0.800***	0.749***	0.899***	0.801***	0.782***
	(5.823)	(5.965)	(6.610)	(6.783)	(6.294)	(6.771)
Observations	15,693	8,569	7,118	15,693	8,569	7,118
Adj. R^2	0.227	0.368	0.385	0.226	0.368	0.384
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A3. Role of SIC 3-Digit Industry Competition

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

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
SIC 3-Digit Industry Competition Level:	Low	High	Low	High
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM) X Year-End Q	0.0412	0.0690***	-0.0821	0.109***
	(0.588)	(3.033)	(-0.663)	(3.020)
Ln(1+IAFM)	0.0624	-0.189***	0.198	-0.342***
	(0.432)	(-2.645)	(0.862)	(-3.323)
Year-End Q	0.755***	0.322***	0.793***	0.343***
	(5.511)	(9.859)	(5.203)	(10.68)
Observations	4,731	30,963	4,731	30,963
Adj. R^2	0.598	0.689	0.598	0.689
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM) X Year-End Q	0.376	0.254***	0.481	0.258**
	(1.534)	(3.591)	(1.383)	(2.306)
Ln(1+IAFM)	-0.396	-0.489**	-0.534	-0.837**
	(-0.705)	(-2.348)	(-0.697)	(-2.506)
Year-End Q	2.184***	0.773***	2.275***	0.872***
	(6.548)	(9.610)	(6.779)	(10.54)
Observations	4,727	31,002	4,727	31,002
Adj. R^2	0.280	0.295	0.280	0.295
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A4. Role of Product-Market Competition

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

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Product-Market Competition Level:	Low	High	Low	High
Panel C: Dep. Var.: CAPX (%)				
Ln(1+IAFM) X Year-End Q	0.0213	0.0809**	-0.0364	0.0787
	(0.573)	(2.373)	(-0.756)	(1.166)
Ln(1+IAFM)	-0.165**	-0.168	-0.0922	-0.369*
	(-2.004)	(-1.384)	(-0.870)	(-1.728)
Year-End Q	0.428***	0.323***	0.450***	0.355***
	(7.529)	(8.392)	(7.676)	(9.659)
Observations	15,395	14,812	15,395	14,812
Adj. R^2	0.647	0.724	0.647	0.724
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel D: Dep. Var.: INVT (%)				
Ln(1+IAFM) X Year-End Q	0.125	0.245*	-0.132	0.346
	(1.273)	(1.909)	(-0.895)	(1.452)
Ln(1+IAFM)	-0.255	-0.443	-0.0919	-1.085
	(-0.943)	(-1.164)	(-0.246)	(-1.558)
Year-End Q	1.184***	0.760***	1.291***	0.843***
	(7.683)	(6.907)	(8.483)	(7.859)
Observations	15,405	14,828	15,405	14,828
Adj. R^2	0.261	0.329	0.261	0.329
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A5. Role of Financial Constraints

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

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Financial Constraints:	Uncon.	Con.	Uncon.	Con.
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM) X Year-End Q	0.0292	0.0665*	0.0446	0.166**
	(0.844)	(1.858)	(0.915)	(2.229)
Ln(1+IAFM)	-0.130	-0.0726	-0.0949	-0.673***
	(-1.615)	(-0.522)	(-0.809)	(-2.809)
Year-End Q	0.452***	0.259***	0.463***	0.272***
	(8.494)	(6.777)	(10.06)	(7.302)
Observations	16,829	11,914	16,829	11,914
Adj. R^2	0.702	0.679	0.702	0.679
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM) X Year-End Q	0.117	0.335***	0.154	0.364*
	(1.077)	(3.004)	(0.969)	(1.938)
Ln(1+IAFM)	-0.290	-0.526	-0.295	-1.898***
	(-1.045)	(-1.412)	(-0.750)	(-2.829)
Year-End Q	1.108***	0.627***	1.150***	0.758***
	(7.864)	(6.404)	(8.858)	(7.355)
Observations	16,839	11,936	16,839	11,936
Adj. R^2	0.297	0.319	0.297	0.319
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A6. M&As, Conditional on Industry-Level Equity Performance

This table presents regression results examining the effect of IAFM on cash-only and stock-only M&A activities, conditional on industry-level equity performance and firm-level Tobin's Q. The dependent variable in Columns (1) and (3) is Cash-Only M&A Announcement, which equals one if a firm announced to acquire a firm in a given year with cash or cash and debt as the only payment currency, and zero otherwise. The dependent variable in Columns (2) and (4) is Stock-Only M&A Announcement, which equals one if a firm announced to acquire a firm in a given year with stock as the only payment currency, and zero otherwise. The main independent variables are interaction terms between the log-transformed IAFM measures and (i) 3-digit industry-level 5-year equity returns and (ii) firm-level year-end Tobin's Q. Columns (1) and (2) use the tf-idf measure of IAFM Equity. Columns (3) and (4) uses the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. I additionally control for 3-digit industry-level 5-year return volatility and its interaction with log-transformed IAFM measures. 3-digit industry-by-year fixed effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	Cash M&A	Stock M&A	Cash M&A	Stock M&A
Ln(1+IAFM) X Industry-Level 5-Year Return	-4.56e-05	0.00138*	0.000492	-0.000475
	(-0.0160)	(1.694)	(0.162)	(-0.452)
Ln(1+IAFM) X Industry-Level Return Volatility	-0.000487	0.000278	-0.000535	7.59e-05
	(-1.127)	(1.383)	(-1.080)	(0.526)
Ln(1+IAFM) X Year-End Q	0.00122*	-0.000531**	-0.000182	-0.000406
	(1.942)	(-2.396)	(-0.161)	(-1.135)
Ln(1+IAFM)	0.00513	0.000567	0.00199	-9.86e-05
	(1.547)	(0.525)	(0.462)	(-0.0721)
Year-End Q	-0.00229***	4.11e-05	-0.00164***	-0.000219
	(-3.402)	(0.191)	(-2.911)	(-1.283)
Observations	36,795	36,795	36,795	36,795
Adj. R^2	0.039	-0.021	0.039	-0.021
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A7. Financing Policies, Conditional on Industry-Level Equity Performance

This table presents regression results examining the effect of IAFM on corporate financing policies, conditional on industry-level equity performance and firm-level Tobin's Q. The dependent variable is the amount of equity issuance for Columns (1) and (3) and the amount of debt issuance for Columns (2) and (4). The main independent variables are the interaction terms between log-transformed IAFM measures, NFD and (i) 3-digit industry-level 5-year equity returns and (ii) firm-level year-end Tobin's Q. Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. I additionally control for 3-digit industry-level 5-year return volatility and its interaction with NFD and log-transformed IAFM measures. 3-digit industry-by-year fixed effects and firm effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	Equity Issuance (%)	Debt Issuance (%)	Equity Issuance (%)	Debt Issuance (%)
Ln(1+IAFM) X NFD X Industry-Level 5-Year Return	0.0448***	-0.0169	-0.0213	0.0218
	(2.660)	(-1.342)	(-0.993)	(1.356)
Ln(1+IAFM) X NFD X Industry-Level Return Volatility	0.000741	0.00890	-0.000226	-0.00648
	(0.113)	(1.138)	(-0.0406)	(-0.790)
Ln(1+IAFM) X NFD X Year-End Q	-0.00233	-0.00400*	0.00535	-0.0173***
	(-0.545)	(-1.709)	(0.705)	(-3.288)
Ln(1+IAFM) X NFD	-0.0432*	0.0592***	-0.185***	0.222***
	(-1.666)	(3.493)	(-3.956)	(5.650)
Ln(1+IAFM) X Year-End Q	-0.0737	0.0897	-0.119**	0.193**
	(-1.143)	(1.530)	(-1.977)	(2.535)
Ln(1+IAFM) X Industry-Level 5-Year Return	0.0981	-0.0683	0.0483	-0.0822
	(1.014)	(-0.708)	(0.463)	(-0.740)
Ln(1+IAFM) X Industry-Level Return Volatility	0.0407	0.0165	0.0245	-0.0446
	(0.633)	(0.246)	(0.434)	(-0.766)
NFD X Industry-Level 5-Year Return	-0.0643***	0.0553***	-0.0245	0.0356**
	(-3.083)	(3.103)	(-1.346)	(2.386)
NFD X Industry-Level Return Volatility	-0.00809	-0.00961	0.00376	0.00404
	(-1.376)	(-1.594)	(0.957)	(0.752)
NFD X Year-End Q	0.0163***	-0.0132***	0.0118***	-0.0121***
	(4.849)	(-5.812)	(4.508)	(-6.471)
Ln(1+IAFM)	0.0532	-0.221	0.661***	-0.681***
	(0.221)	(-0.997)	(2.773)	(-2.796)
NFD	0.453***	0.283***	0.467***	0.280***
	(11.72)	(9.059)	(13.16)	(9.334)
Year-End Q	-0.165*	0.375***	-0.153*	0.354***
	(-1.883)	(4.671)	(-1.904)	(4.598)
Observations	33,073	34,651	33,073	34,651
Adj. R^2	0.730	0.429	0.736	0.447
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A8. Competitive High-R&D Industry V.S. Competitive Low-R&D Industry
This table presents regression results examining the effect of IAFM on R&D investments in a competitive industry, conditional on whether the firm operates in a high-R&D or low-R&D industry. I focus on firms operating in competitive industries (below-median sales-based HHI). The dependent variable is R&D investments. The main independent variable is the interaction term between log-transformed IAFM measures and year-end Tobin's. Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. In Columns (1) and (3), I focus on firms falling into the 3-digit industry with a below-median equally-weighted average R&D. In Columns (2) and (4), I focus on firms falling into the industry with an above-median equally-weighted average R&D. In Panel A, an industry is defined a SIC 3-digit industry, whereas in Panel B, it is defined as a Hoberg and Phillips' (2016) product market. 3-digit industry-by-year and firm effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Proxy for IAFM:	Equity		Debt	
Dep. Var.: R&Ds	(1)	(2)	(3)	(4)
Industry R&D Level:	Low	High	Low	High
Panel A: Split by SIC 3-Digit Industries				
Ln(1+IAFM) X Year-End Q	-0.00239	-0.0846*	-0.00157	-0.123*
	(-1.309)	(-1.832)	(-1.401)	(-1.865)
Ln(1+IAFM)	0.00681*	0.0565	0.00120	0.362**
	(1.856)	(0.597)	(0.259)	(2.426)
Year-End Q	0.00317	0.535***	0.00159	0.510***
	(1.161)	(7.706)	(0.694)	(9.038)
Observations	9,458	21,352	9,458	21,352
Adj. R^2	0.812	0.870	0.812	0.870
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Split by Product Markets				
Ln(1+IAFM) X Year-End Q	0.0377	-0.222**	-0.0370	-0.0398
	(1.325)	(-2.001)	(-0.904)	(-0.137)
Ln(1+IAFM)	-0.0251	0.0243	0.0698	0.413
	(-0.617)	(0.0789)	(1.184)	(0.603)
Year-End Q	0.108**	1.008***	0.138***	0.914***
	(2.306)	(9.915)	(2.833)	(11.70)
Observations	7,942	6,463	7,942	6,463
Adj. R^2	0.955	0.824	0.955	0.824
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A9. Does IAFM Capture Only Financial Constraint?

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

Dep. Var.: Ln(1+IAFM)	(1)	(2)	(3)	(4)
Dimension:	Equity	Debt	Equity	Debt
LW (2024) Financial Constraint	0.00318	0.00322	0.00786	0.0196**
	(0.330)	(0.494)	(0.673)	(2.155)
Observations	34,158	34,158	33,537	33,537
Adj. R^2	0.165	0.273	0.417	0.467
Firm FE	No	No	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

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

Panel A: Seed words

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

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

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

Panel C: Summary Statistics by Fama-French Industries

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

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

Dep. Var.: Ln(1+IAFM)	(1)
Dimension:	Vol. & Liq.
Market-Wide 1-Year Equity Return	0.00171
	(0.145)
Market-Wide Return Volatility	0.787*
	(1.922)
Observations	39,349
Adj. R^2	0.383
Firm FE	Yes
Industry-by-Year FE	No

Table A11. Economic Implications of IAFM Vol. & Liq.

This table presents regression results examining the economic implications of attention to financial market volatility and liquidity. In Panel A, I examine the implications for investment-price sensitivity. The dependent variable is CAPX for Columns (1) and (3), INVT for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and (1) the log-transformed IAFM Equity/Debt measures and (2) the log-transformed IAFM Volatility and Liquidity measure. In Panel B, I examine the implications for M&As. The dependent variable is the cash-based M&A indicator for Columns (1) and (3), the stock-based M&A indicator for Columns (2) and (4). The main independent variables are the interaction terms between year-end Tobin's Q and (1) the log-transformed IAFM Equity/Debt measures and (2) the log-transformed IAFM Volatility and Liquidity measure. In Panel C, I examine the implications for financing policies. The dependent variable is equity issuance for Columns (1) and (3), debt issuance for Columns (2) and (4). The main independent variables are the interaction terms between net financing deficit (NFD) and (1) the log-transformed IAFM Equity/Debt measures and (2) the log-transformed IAFM Volatility and Liquidity measure. In Panel D, I examine the implications for R&Ds. The dependent variable is the R&Ds. The main independent variables are the interaction terms between year-end Tobin's Q and (1) the log-transformed IAFM Equity/Debt measures and (2) the log-transformed IAFM Volatility and Liquidity measure. In Panels A, B, and C, IAFM Equity/Debt is proxied by the tf-idf measure of IAFM Equity for Columns (1) and (2), while it is proxied by the tf-idf measure of IAFM Debt for Columns (3) and (4). In Pane D, IAFM Equity/Debt is proxied by the tf-idf measure of IAFM Equity for Columns (1), while it is proxied by the tf-idf measure of IAFM Debt for Columns (2). Control variables include year-end Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. 3-digit industry-by-year fixed effects and firm fixed effects are included in Panels A, C, and D, and only 3-digit industry-by-year fixed effects are included in Panel B. The sample period covers 2008–2023. Standard errors are clustered at the 3-digit industry-by-year level, and t-statistics are reported in parentheses. Statistical significance is denoted by *** p<0.01, ** p<0.05, and * p<0.1.

Panel A: Investment-Price Sensitivity

Proxy for IAFM Equity/Debt:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	CAPX (%)	INVT (%)	CAPX (%)	INVT (%)
Ln(1+IAFM Equity/Debt) X Year-End Q	0.0590***	0.226***	0.0878**	0.238**
	(2.673)	(3.221)	(2.481)	(2.182)
Ln(1+IAFM Vol. & Liq.) X Year-End Q	0.0624**	0.293***	0.0621**	0.303***
	(2.081)	(2.938)	(2.073)	(3.094)
Ln(1+IAFM Equity/Debt)	-0.156**	-0.414**	-0.298***	-0.777**
	(-2.371)	(-2.108)	(-3.124)	(-2.495)
Ln(1+IAFM Vol. & Liq.)	-0.0961	-0.500*	-0.0912	-0.499**
	(-1.076)	(-1.935)	(-1.010)	(-1.967)
Year-End Q	0.335***	0.794***	0.353***	0.877***
	(9.943)	(9.669)	(10.67)	(10.32)
Observations	35,885	35,919	35,885	35,919
Adj. R^2	0.680	0.289	0.680	0.289
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Panel B: M&As

Proxy for IAFM Equity/Debt:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	Cash M&A	Stock M&A	Cash M&A	Stock M&A
Ln(1+IAFM Equity/Debt) X Year-End Q	0.00111*	-0.000379*	-0.000479	-0.000851**
	(1.714)	(-1.761)	(-0.405)	(-2.359)
Ln(1+IAFM Vol. & Liq.) X Year-End Q	0.00117	-0.000798**	0.00156	-0.000254
	(0.917)	(-2.237)	(1.184)	(-0.714)
Ln(1+IAFM Equity/Debt)	0.00444	0.00163*	0.00159	-0.000635
	(1.591)	(1.850)	(0.412)	(-0.534)
Ln(1+IAFM Vol. & Liq.)	-0.00399	0.00264	-0.00350	0.00307*
	(-0.914)	(1.597)	(-0.813)	(1.865)
Year-End Q	-0.00252***	0.000144	-0.00196***	-4.04e-05
	(-3.615)	(0.623)	(-3.212)	(-0.213)
Observations	36,795	36,795	36,795	36,795
Adj. R^2	0.039	-0.021	0.039	-0.021
Industry-by-Year FE	Yes	Yes	Yes	Yes

Panel C: Financing Policies

Proxy for IAFM Equity/Debt:	Equity		Debt	
	(1)	(2)	(3)	(4)
	Equity Issuance	Debt Issuance	Equity Issuance	Debt Issuance
Dep. Var.:	(%)	(%)	(%)	(%)
Ln(1+IAFM Equity/Debt) X NFD	-0.0186	0.0257***	-0.162***	0.174***
	(-1.437)	(2.880)	(-6.860)	(9.744)
Ln(1+IAFM Vol. & Liq.) X NFD	-0.137***	0.134***	-0.104***	0.103***
	(-6.599)	(5.860)	(-4.914)	(4.503)
Ln(1+IAFM Equity/Debt)	0.0840	-0.0588	0.520***	-0.510***
	(0.774)	(-0.588)	(4.699)	(-4.211)
Ln(1+IAFM Vol. & Liq.)	0.294**	-0.259*	0.158	-0.0950
	(2.484)	(-1.908)	(1.355)	(-0.728)
NFD	0.488***	0.249***	0.502***	0.240***
	(19.99)	(12.48)	(23.52)	(13.41)
Observations	33,073	34,651	33,073	34,651
Adj. R^2	0.728	0.421	0.735	0.438
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Panel D: R&Ds

Dep. Var.: R&Ds	(1)	(2)
Proxy for IAFM:	Equity	Debt
Ln(1+IAFM Equity/Debt) X Year-End Q	-0.0624	-0.124***
	(-1.608)	(-2.941)
Ln(1+IAFM Vol. & Liq.) X Year-End Q	-0.155***	-0.151***
	(-4.145)	(-3.991)
Ln(1+IAFM Equity/Debt)	0.0879	0.307***
	(1.325)	(3.652)
Ln(1+IAFM Vol. & Liq.)	0.267***	0.249***
	(3.528)	(3.288)
Year-End Q	0.501***	0.487***
	(8.104)	(9.462)
Observations	35,932	35,932
Adj. R^2	0.879	0.879
Firm FE	Yes	Yes
Industry-by-Year FE	Yes	Yes

Table A12. Seed Words and Expanded Dictionary for IAFM Other Assets

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

Panel A: Seed words

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

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

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

Panel C: Summary Statistics by Fama-French Industries

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

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

Dep. Var.: Ln(1+IAFM)	(1)
Dimension:	Other Assets
Δ(Fuel Price)	0.0427**
	(2.326)
Δ(Fuel Price) Volatility	0.192
	(1.617)
Observations	39,349
Adj. R^2	0.729
Firm FE	Yes
Industry-by-Year FE	No

Table A13. Evidence in the Energy Sector

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

Proxy for IAFM Equity/Debt:	Equity		Debt	
	(1)	(2)	(3)	(4)
Fama-French Industry:	Non-Energy	Energy	Non-Energy	Energy
Panel A: Dep. Var.: CAPX (%)				
Ln(1+IAFM Other Assets) X Δ(Fuel Price)	0.153	1.380**	0.152	1.373**
	(1.483)	(2.259)	(1.470)	(2.249)
Ln(1+IAFM Equity/Debt) X Year-End Q	0.0501**	-0.306	0.0954***	-0.381
	(2.372)	(-1.650)	(2.809)	(-1.554)
Ln(1+IAFM Other Assets)	-0.120**	0.309	0.0601	-0.0807
	(-2.055)	(0.821)	(1.214)	(-0.232)
Ln(1+IAFM Equity/Debt)	0.0544	-0.0633	-0.283***	0.173
	(1.103)	(-0.186)	(-3.534)	(0.250)
Year-End Q	0.333***	2.095***	0.344***	1.828***
	(10.64)	(5.023)	(11.44)	(5.261)
Observations	33,681	2,204	33,681	2,204
Adj. R^2	0.611	0.670	0.611	0.670
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Panel B: Dep. Var.: INVT (%)				
Ln(1+IAFM Other Assets) X Δ(Fuel Price)	0.206	2.303*	0.202	2.326*
	(0.736)	(1.779)	(0.726)	(1.787)
Ln(1+IAFM Equity/Debt) X Year-End Q	0.220***	-0.197	0.242**	-0.140
	(3.392)	(-0.423)	(2.229)	(-0.212)
Ln(1+IAFM Other Assets)	0.102	-0.890	0.123	-0.753
	(0.720)	(-1.426)	(0.863)	(-1.292)
Ln(1+IAFM Equity/Debt)	-0.434**	0.974	-0.702**	-0.428
	(-2.386)	(0.935)	(-2.535)	(-0.241)
Year-End Q	0.822***	3.871***	0.901***	3.660***
	(10.59)	(3.290)	(11.82)	(3.541)
Observations	33,715	2,204	33,715	2,204
Adj. R^2	0.261	0.366	0.261	0.366
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes

Table A14. Role of Debt Market Attention for the Investment-Price Sensitivity, Conditional on Leverage Level

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

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

	(1)	(2)	(3)
	Full Sample	Low Leverage	High Leverage
Panel A.1: Dep. Var.: CAPX (%)			
Ln(1+IAFM Equity) X Year-End Q	0.0558**	0.0842***	0.0358
	(2.553)	(3.308)	(0.977)
Ln(1+IAFM Debt) X Year-End Q	0.0836**	0.0365	0.0716*
	(2.372)	(0.649)	(1.733)
Ln(1+IAFM Equity)	-0.140**	-0.227***	-0.0463
	(-2.105)	(-2.598)	(-0.464)
Ln(1+IAFM Debt)	-0.285***	-0.217	-0.251**
	(-2.986)	(-1.418)	(-2.098)
Year-End Q	0.337***	0.290***	0.361***
	(10.27)	(9.222)	(6.425)
Observations	35,885	14,555	19,588
Adj. R^2	0.680	0.689	0.690
Firm FE	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes
Panel A.2: Dep. Var.: INVT (%)			
Ln(1+IAFM Equity) X Year-End Q	0.227***	0.191**	0.299***
	(3.366)	(2.421)	(2.648)
Ln(1+IAFM Debt) X Year-End Q	0.227**	-0.00806	0.235*
	(2.077)	(-0.0596)	(1.932)
Ln(1+IAFM Equity)	-0.393**	-0.371	-0.534*
	(-2.007)	(-1.345)	(-1.763)
Ln(1+IAFM Debt)	-0.756**	0.0393	-0.804**
	(-2.398)	(0.0832)	(-2.245)
Year-End Q	0.821***	0.803***	0.720***
	(10.15)	(8.898)	(5.308)
Observations	35,919	14,583	19,600
Adj. R^2	0.289	0.368	0.258
Firm FE	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes

Panel B: Controlling for the effect of financial constraints

	(1)	(2)
Dep. Var.:	CAPX (%)	INVT (%)
Ln(1+IAFM Equity) X Year-End Q	0.0538**	0.254***
	(2.133)	(3.141)
Ln(1+IAFM Debt) X Year-End Q	0.0879**	0.236*
	(2.054)	(1.856)
High Financial Constraint (LW, 2024) X Year-End Q	-0.0445	-0.261**
	(-1.380)	(-2.373)
Ln(1+IAFM Equity)	-0.123*	-0.346
	(-1.667)	(-1.509)
Ln(1+IAFM Debt)	-0.327***	-0.955***
	(-2.936)	(-2.684)
High Financial Constraint (LW, 2024)	-0.0141	0.457
	(-0.142)	(1.346)
Year-End Q	0.366***	0.968***
	(10.33)	(8.583)
Observations	30,756	30,791
Adj. R^2	0.682	0.293
Firm FE	Yes	Yes
Industry-by-Year FE	Yes	Yes

Panel C: Sample only including firms without publicly traded bonds

	(1)	(2)	(3)
	Unconditional	Low Leverage	High Leverage
Panel B.1: Dep. Var.: CAPX (%)			
Ln(1+IAFM Equity) X Year-End Q	0.0617***	0.0940***	0.0240
	(2.657)	(3.380)	(0.595)
Ln(1+IAFM Debt) X Year-End Q	0.0976**	0.0143	0.148***
	(2.521)	(0.195)	(2.688)
Ln(1+IAFM Equity)	-0.157**	-0.303***	0.00899
	(-2.049)	(-2.977)	(0.0814)
Ln(1+IAFM Debt)	-0.288***	-0.128	-0.370***
	(-2.779)	(-0.651)	(-2.724)
Year-End Q	0.323***	0.284***	0.342***
	(9.958)	(8.591)	(5.911)
Observations	28,962	11,753	15,440
Adj. R^2	0.654	0.671	0.658
Firm FE	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes
Panel B.2: Dep. Var.: INVT (%)			
Ln(1+IAFM Equity) X Year-End Q	0.219***	0.222***	0.261**
	(3.002)	(2.676)	(2.152)
Ln(1+IAFM Debt) X Year-End Q	0.227*	-0.0339	0.259*
	(1.872)	(-0.242)	(1.828)
Ln(1+IAFM Equity)	-0.326	-0.447	-0.389
	(-1.460)	(-1.445)	(-1.186)
Ln(1+IAFM Debt)	-0.657*	0.338	-0.704*
	(-1.919)	(0.662)	(-1.722)
Year-End Q	0.812***	0.772***	0.725***
	(9.765)	(8.053)	(5.405)
Observations	28,993	11,773	15,451
Adj. R^2	0.288	0.368	0.254
Firm FE	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes

Table A15. Bond Yield Sensitivity of Investments

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

	(1)	(2)
Dep. Var.:	CAPX (%)	INVT (%)
Ln(1+IAFM Equity) X Year-End Q	0.0682	0.430*
	(1.069)	(1.810)
Ln(1+IAFM Debt) X Bond Yield (%)	-0.0208	-0.187**
	(-0.514)	(-2.035)
Ln(1+IAFM Equity)	-0.158	-1.079*
	(-1.064)	(-1.815)
Ln(1+IAFM Debt)	-0.0585	0.210
	(-0.281)	(0.375)
Year-End Q	0.298***	0.958***
	(3.557)	(3.904)
Bond Yield (%)	-0.163***	-0.329***
	(-3.504)	(-2.688)
Observations	5,942	5,945
Adj. R^2	0.788	0.290
Firm FE	Yes	Yes
Industry-by-Year FE	Yes	Yes

Table A16. Role of Debt Market Attention for the Sensitivity of Financing Policies to Interest-Rate Changes

This table presents regression results examining the effect of IAFM on corporate financing policies, conditional on changes in interest rates. The dependent variable is the amount of equity issuance for Columns (1) and (3) and the amount of debt issuance for Columns (2) and (4). The main independent variables are the interaction terms between log-transformed IAFM measures, NFD and lagged annual changes in the 6-month U.S. Treasury bill yield. Annual changes are measured using annual changes in the yield divided by the previous year end's yield, and is expressed in real units, instead of percent changes (e.g., 1 unit = 100% change). Columns (1) and (3) use the tf-idf measure of IAFM Equity. Columns (2) and (4) use the tf-idf measure of IAFM Debt. Control variables include end-of-year Tobin's Q, firm size (log of assets), cash holdings, leverage, and sales growth. I additionally control for end-of-year Tobin's Q and its interaction with NFD and log-transformed IAFM measures. 3-digit industry-by-year fixed effects and firm effects are included. All independent variables are lagged by one year. The sample period is 2008-2023. Standard errors are clustered at the 3-digit industry-by-year level. T-statistics are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Proxy for IAFM:	Equity		Debt	
	(1)	(2)	(3)	(4)
Dep. Var.:	Equity Issuance (%)	Debt Issuance (%)	Equity Issuance (%)	Debt Issuance (%)
Ln(1+IAFM) X NFD X Δ(Interest Rate)	-0.000831	0.00106	0.00336	-0.00559*
	(-0.289)	(0.865)	(0.700)	(-1.791)
Ln(1+IAFM) X NFD X Year-End Q	-0.00203	-0.00377*	0.00326	-0.0157***
	(-0.470)	(-1.762)	(0.439)	(-2.933)
Ln(1+IAFM) X NFD	-0.0119	0.0457***	-0.180***	0.226***
	(-0.599)	(3.437)	(-5.238)	(8.107)
Ln(1+IAFM) X Year-End Q	-0.0771	0.0812	-0.0990*	0.173**
	(-1.195)	(1.385)	(-1.692)	(2.298)
Ln(1+IAFM) X Δ(Interest Rate)	-0.0155	-0.00595	0.0537***	-0.0552***
	(-1.112)	(-0.444)	(3.190)	(-3.236)
NFD X Δ(Interest Rate)	-0.00341	0.00285	-0.00408	0.00420*
	(-0.788)	(1.304)	(-1.085)	(1.763)
NFD X Year-End Q	0.0155***	-0.0125***	0.0114***	-0.0113***
	(4.434)	(-5.321)	(4.217)	(-5.795)
Ln(1+IAFM)	0.257*	-0.196	0.587***	-0.694***
	(1.709)	(-1.323)	(4.064)	(-3.946)
NFD	0.398***	0.323***	0.436***	0.306***
	(12.65)	(12.51)	(16.77)	(13.73)
Year-End Q	-0.149	0.361***	-0.149*	0.341***
	(-1.638)	(4.335)	(-1.814)	(4.410)
Observations	33,073	34,651	33,073	34,651
Adj. R^2	0.729	0.425	0.736	0.444
Firm FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes