Conflicting News, Negativity Bias, and Short-Term Return Predictability*

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JEL classification: G11, G12, G41.

Keywords: Conflicting news; headline news; news sentiment; negativity bias; return predictability.

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1. Introduction

Firm-related news articles often contain conflicting information about the firm. Within a specific article, the sentiment associated with firm-specific events highlighted in the news headline can differ substantially from the sentiment associated with secondary events discussed in the news body. Journalism research suggests that headlines are designed primarily to attract attention and frame a focal event, whereas article bodies provide additional events and contextual details (Dor, 2003). Thus, headlines may oversimplify an article's underlying content and omit information that appears in the body of the news article (Ifantidou, 2009). In addition, the tone of contextual details or secondary events discussed in the article body might differ from the tone of the focal event highlighted in the news headline. These types of conflicts arise in financial news when the daily news sentiment of headline events diverges from the sentiment of body events for the same firm.

How does the stock market react when multiple news articles, or even different parts of the same article, convey conflicting information signals about a firm? One possibility is that investors aggregate the available information across different parts of all relevant news articles and respond to the overall news sentiment associated with a firm. Alternatively, investors may assign disproportionate weights to certain news components, particularly when positive and negative signals arrive in close temporal proximity. In this instance, the market reaction may not reflect the overall strength of the underlying signals, and certain specific features of the news may be amplified.

In this paper, we examine how investors react when the average firm-specific sentiment for news headline and body events have opposite signs on the same trading day. Our research is motivated by the evidence in psychology, which suggests that individuals exhibit *negativity bias* when processing information. Undesirable stimuli typically attract disproportionate attention and are encoded more strongly than desirable stimuli (e.g., Pratto and John, 1991; Baumeister et al., 2001). In particular,

negative information generates stronger reaction than positive information of similar intensity.[1] Rozin and Royzman (2001) distinguish across different forms of negativity bias and identify negativity dominance as one of its most robust manifestations. Negativity dominance occurs when coexisting positive and negative outcomes are evaluated jointly, producing an overall assessment that is more negative than what the simple average of the components implies. Consequently, the negative component may not be fully offset even by a stronger positive component.

Inspired by these findings in psychology, we conjecture that investors would exhibit negativity bias when processing conflicting firm-level news. When headline and body events convey opposite sentiment about the same firm on the same trading day, positive and negative signals coexist in close temporal proximity. This information environment offers a natural economic setting for examining negativity dominance, which predicts that investors would place disproportionate weight on the negative news component. In aggregate, conflicting news would generate a negative market response after accounting for the average sentiment across all news components. Consequently, firm days with conflicting news would be associated with lower abnormal returns than other firm days.[2] In the absence of negativity dominance, a conflicting news indicator would have no incremental explanatory power for returns. The coexistence of positive and negative signals would not generate a more negative market response beyond what is implied by the overall news sentiment.

[1] For example, Taylor (1991) posits that negative events trigger stronger mobilization of cognitive and physiological resources than positive ones. Consistent with this view, Ito et al. (1998) provide psychophysiological evidence that negative information weighs more heavily on the brain than comparable positive information. Baumeister et al. (2001) review the broader evidence and show that negative information has a disproportionately large impact on beliefs and behavior. Further, evidence from developmental psychology by Vaish et al. (2008) suggests that heightened sensitivity to negative information emerges early in life. More recent work in social neuroscience, such as Norris (2021), further shows that negative information is associated with stronger and more sustained neural response than comparable positive information. Relatedly, in economic settings, Kahneman and Tversky's (1979) notion of loss aversion implies that losses have a greater impact than equivalent gains. Together, these findings support the view that negativity bias is deeply rooted in human evaluation and affect.

[2] In our tests, we account for the same sign news, i.e., news where the headline and body sentiment have the same sign, to isolate the pricing effect of conflicting-sign information from broader asymmetric learning across positive and negative information environments that do not involve the joint evaluation of positive and negative signals (Kuhnen, 2015).

To empirically test this key conjecture, we use data from RavenPack EDGE, an event-level news dataset that extracts structured information from the full text of news articles rather than relying on document-level sentiment aggregation or headline-only measures. EDGE detects firm-specific events and records both the sentiment of each event and its first location within the article. These features allow us to distinguish headline events, defined as events that first appear in news headlines, from body-only events, defined as events that first appear in the article body. We refer to the corresponding daily aggregated measures as headline sentiment and body sentiment, respectively.

Aggregating more than 407 million firm-specific events from the 2000 to 2024 period into a firm-day panel covering all common stocks, we identify 1,451,652 firm days, or 6.02% of the sample, with conflicting news. These are firm days on which headline sentiment and body sentiment have opposite signs, capturing the within-day coexistence of positive and negative firm-level signals.

Consistent with our key conjecture and the predictions of negativity dominance, our sorting results indicate that firm days with conflicting news exhibit significantly negative abnormal daily returns of -23 to -25 basis points (bps), even when the overall news sentiment is close to neutral. We also estimate a series of panel regression specifications to account for the overall firm sentiment across all news articles, indicators for firm days on which headline sentiment and body sentiment are both positive or both negative, and several news and firm characteristics. We find that conflicting firm news days exhibit abnormal returns that are 17 bps lower than those of control firm days with either neutral headline sentiment and body sentiment or no firm-specific news; these effects are significant at the 1% level. When headline sentiment and body sentiment have the same sign, returns move in the direction of the news, where the response to negative same sign news is stronger than positive same sign news.

While these results are consistent with our main conjecture, it is conceivable that the conflicting news indicator is simply another proxy for bad news days. Under our negativity dominance-based

conjecture, conflicting news days should not be associated with worsening firm performance in the future beyond what is indicated by the overall news sentiment. To investigate this possibility, we examine whether the proportion of conflicting news days in quarter q predicts subsequent firm-level earnings. Following Livnat and Mendenhall (2006), we consider three standardized unexpected earnings (SUE) measures and do not find that firms with more frequent conflicting news days in quarter q report worse earnings surprises in quarter q+1. The proportion of conflicting news days also does not predict cumulative abnormal returns (CARs) over the three-day [-1, +1] window around the quarter q+1 earnings announcement or CARs over the period between the earnings announcements in quarters q and q+1.

In contrast, same sign news measures are informative about subsequent SUE. A higher proportion of both negative days in quarter q is associated with more negative earnings surprises in quarter q+1 across all three SUE measures, while a higher proportion of both positive days is associated with more positive earnings surprises under two of the three SUE measures. Together, these findings indicate that uniformly signed news and conflicting news differ in the information they contain about future fundamentals. Same sign news measures contain incremental information about subsequent earnings outcomes, whereas the conflicting news indicator does not. This evidence is inconsistent with the view that conflicting news simply reflects bad news about firm fundamentals.

Next, we examine whether the return patterns associated with conflicting news are persistent or transitory. Since conflicting news does not predict future earnings surprises or earnings-announcement returns, the initial negative reaction to conflicting news should reverse over time. In comparison, since same sign news contains incremental information about subsequent earnings outcomes, its pricing impact should be persistent. Consistent with these predictions, we find that the negative abnormal returns associated with conflicting news remain statistically significant through day t+2 and then reverse gradually over subsequent days, suggesting that the biased initial market

response partially corrects over time. In contrast, returns following same sign news continue to drift in the direction of the initial sentiment over subsequent days.

In the next set of tests, we investigate whether the return patterns reflect biased processing of conflicting information or disagreement among market participants. It is plausible that conflicting news is associated with differences of opinions about firm fundamentals or broader market-wide uncertainty, which could generate lower future stock returns (Varian, 1985; Carlin et al., 2014). To test for this possibility, we construct two disagreement measures based on news dispersion: *HBGap*, defined as the firm-day average absolute within-article difference between headline sentiment and body sentiment, and *NewsSD*, defined as the firm-day standard deviation of event-level sentiment across all articles. Consistent with the evidence in the investor disagreement literature, we find that both dispersion measures are significantly associated with lower future returns. However, the conflicting news indicator maintains its significance in the presence of both dispersion measures. These findings suggest that disagreement among investors partially generates the predictable return patterns we observe but it does not fully explain the predictive power of the conflicting news.

We further assess the disagreement conjecture by examining dispersion in analyst forecasts following conflicting news. We observe that a higher proportion of conflicting news days in quarter q is not associated with higher analyst forecast dispersion in quarter q+1. Instead, it predicts more pessimistic forecast revisions among sell-side analysts, including downward revisions to median earnings per share (EPS) forecasts, a lower proportion of upward revisions, and a higher proportion of downward revisions. These findings are more consistent with analysts placing disproportionate weight on the negative component of conflicting news, as predicted by negativity dominance.

To evaluate the economic magnitude of the predictable return patterns associated with conflicting news, we form daily rebalanced long-short portfolios. We take a long position in stocks with neutral news, defined as firm days on which both headline sentiment and body sentiment equal zero, and a

short position in stocks with conflicting news. The corresponding value-weighted and equal-weighted portfolios generate annualized risk-adjusted returns of 12% and 29%, respectively.[3] In contrast, long-short portfolios based on *HBGap* and *NewsSD* do not generate significant alphas. Our alpha estimates are likely conservative because we measure portfolio returns on day t+1, whereas the strongest price reaction occurs on day t.

We further examine the conditions under which the pricing effects associated with conflicting news are stronger. Following Lou et al. (2019), we decompose daily returns into overnight and intraday components. The negative reaction to conflicting news is nearly three times larger overnight (-11.1 bps) than intraday (-4.6 bps). The effect is also more pronounced among stocks with lower institutional ownership and more severe limits to arbitrage. These return patterns suggest that the pricing impact of conflicting news is amplified in settings with higher arbitrage costs and greater impediments to mispricing correction.

We consider several alternative explanations for our findings and conduct additional tests to ensure their robustness. First, we examine a headline-salience explanation (Huang et al., 2018), under which events appearing in headlines would have a stronger effect on returns than events in the body of news articles. We find that negative news sentiment dominates positive sentiment regardless of whether the negative component appears in the headline or the body of news articles. We observe this pattern even when the positive component is considerably stronger.

Next, we consider mechanisms based on investor memory and availability heuristic, under which investor responses to conflicting news would depend on the ease of recalling similar past events (Tversky and Kahneman, 1973; Bordalo et al., 2020). These mechanisms predict weaker reactions when comparable prior events are less available in memory. Using the number of days since similar

[3] These alpha magnitudes are comparable to the daily news-based trading strategies developed in Tetlock et al. (2008).

past events as a proxy for availability, we find the opposite pattern: the negative response to conflicting news strengthens as this gap increases.

We also consider a confirmation bias explanation for our findings (Nickerson, 1998), which predicts weaker responses to information that conflicts with prior beliefs. Inconsistent with the confirmation bias conjecture, investors respond more (less) negatively to conflicting news following positive (negative) prior sentiment. This evidence is more supportive of the idea that a negative piece of information is weighed more heavily when the market is more surprised. Together, these results confirm that the observed return patterns following conflicting news are more consistent with negativity dominance than with various alternative explanations.

For additional robustness, we address the potential concern that our results are somehow mechanically induced by news aggregation across multiple articles on the same day. We consider a more restrictive setting in which conflicting signals arise within a single news article. Specifically, we focus on firm days with exactly one news article in which headline sentiment and body sentiment have opposite signs. We continue to find significantly negative abnormal returns in this setting, regardless of whether the negative component appears in news headlines or article bodies.

Collectively, these findings contribute to the growing literature on how financial media affects asset prices. Prior studies largely focuses on the pricing effects of average or aggregate news sentiment, typically measured using article-level tone derived from word counts. For example, Tetlock (2007) shows that negative words in a widely read *Wall Street Journal* column predict aggregate market returns, while Tetlock et al. (2008) show that firm-specific negative news contains incremental information about earnings and returns. Loughran and McDonald (2011) further show that this predictive power can be improved using a finance-specific dictionary. More recently, Chen et al. (2025) and Guo et al. (2025) exploit large-scale news datasets to develop novel predictors of aggregate market returns.

In contrast to studies in this related literature, which emphasizes average news sentiment, we examine whether the separate positive and negative firm-specific signals have incremental pricing effects beyond average news sentiment. Using a large news database, we demonstrate that, even after accounting for the overall sentiment, conflicting news is associated with significantly negative abnormal returns. This pricing pattern remains robust when we account for factors known to affect the predictive power of news, including investor disagreement (Varian, 1985; Carlin et al., 2014), stale information (Tetlock, 2011; Fedyk and Hodson, 2023), and economic downturns (García, 2013).

More broadly, our results contribute to the behavioral finance literature on psychological biases in financial markets. Recent studies document the role of pessimistic beliefs and the availability heuristic (Goetzmann et al., 2016), limited attention (Hirshleifer and Teoh, 2003; Barber and Odean, 2008; Hirshleifer et al., 2009; Da et al., 2011), confirmation bias (Pouget et al., 2017), headline salience (Huang et al., 2018), and investor memory (Charles, 2025; Gödker et al., 2025). Most recently, Sias et al. (2023) use variation in perceived mortality risk during the swine flu pandemic to proxy for individual negativity bias and show that it helps explain bearish investor beliefs and lower stock market participation. Our paper complements these findings by providing large-scale evidence of negativity dominance in the processing of conflicting firm-level news.

Our findings also relate to the evidence of asymmetric belief updating in financial markets. Kuhnen (2015) studies asymmetric learning and demonstrates that investors update beliefs differently across positive and negative domains. Our evidence shows that positive and negative signals within the same information set generate pricing effects beyond those associated with same sign news.

2. Data Sources

2.1 News dataset and news event measures

Financial news articles typically follow an inverted-pyramid structure, in which the primary event, often highlighted in the headline, appears early and receives the most extensive coverage, while

secondary events are presented later in shorter paragraphs and receive less emphasis (Pöttker, 2003; Brooks et al., 2010). As a result, traditional sentiment measures based on headlines or average tone across all sentences may obscure important signals embedded in these secondary events. Since our goal is to examine how investors react when headline and body events convey conflicting signals, we need event-level sentiment measures that identify and evaluate firm-related news events throughout news articles.

We use RavenPack EDGE, a news analytics platform that supports detailed event-level analysis. Drawing on content from more than 31,000 news sources, EDGE tracks over 7,400 market-moving event categories and identifies firm-specific events within the full text of articles. This coverage allows us to detect conflicts in firm-level sentiment across distinct events, including cases in which body-only events convey sentiment with the opposite sign from the sentiment of headline events.

Each firm-specific event is assigned an *EVENT_SENTIMENT* score on a continuous scale from -1 (most negative) to +1 (most positive), where zero reflects a neutral tone. For each firm-event pair, EDGE aggregates sentiment across all textual mentions of that event within the article and assigns a single *EVENT_SENTIMENT* score. Within article conflicts arise from distinct firm events, such as a positive headline and a negative body event, rather than from inconsistent sentiment classifications of the same event across different parts of the article. RavenPack reports an *EVENT_SENTIMENT* score only when the firm plays an active role in the news event, and excludes passive firm mentions that do not reflect incremental firm-specific information.[4] The score also incorporates contextual information, such as the magnitude of the event (e.g., changes in earnings forecasts).

We use *EVENT_RELEVANCE* to locate firm-specific news events within an article. *EVENT_RELEVANCE* is an integer from 0 to 100 that reflects the position of the event's earliest

[4] For example, a news article may end with "download our app from the Apple App Store or Google Play." Although RavenPack detects Apple and Alphabet in this sentence, it does not describe a valid event, and the firms play no active role. Consequently, the two firms do not receive *EVENT_SENTIMENT* scores in this instance.

mention in the text. Scores between 90 and 100 indicate that the event appears in the headline, scores from 80 to 89 correspond to events first appearing in the first or second paragraph, and scores below 80 indicate later placement within the article. Since *EVENT_RELEVANCE* captures the event's first appearance, a score below 90 indicates that the event does not appear in the headline and is classified as body-only.

2.2 An illustrative example

We use a news article about Apple to illustrate how EDGE identifies and evaluates headline and body events. In Figure 1, the headline and early paragraphs discuss Apple's hiring announcement. EDGE identifies this announcement as a firm-specific event for Apple, assigns it an *EVENT_RELEVANCE* score of 100, indicating headline placement, and computes an *EVENT_SENTIMENT* score of 0.32 by aggregating sentiment associated with the event across the article.

Figure 2 shows a distinct event reported near the end of the same article: an update on an ongoing lawsuit in which Qualcomm accuses Apple of patent infringement. EDGE identifies this lawsuit update as another Apple-specific event, assigns it an *EVENT_RELEVANCE* score of 30, indicating body-only placement, and computes an *EVENT_SENTIMENT* score of -0.42 based on the information conveyed in that paragraph. Together, these two cases show how EDGE distinguishes headline events from body-only events and captures conflicting signals across distinct firm-specific events.

2.3 Constructing a daily measure of firm-level conflicting news

Following the related news literature, we conduct our empirical analysis at the daily rather than the news article level. This level of aggregation accounts for the fact that many firms are covered in multiple news articles within a trading day. Daily aggregation also allows us to control for both news and firm characteristics. We begin with all firm-specific events in RavenPack EDGE for common stocks in the Center for Research in Security Prices (CRSP) universe. During the January 2000 to December 2024 sample period, there are 407,645,539 unique news events identified from

154,941,416 news articles. In the baseline analysis, we retain the full set of events to capture the information environment faced by investors. In our robustness tests, we show that our results are stronger when we restrict attention to premium sources, remove echoed news at the article level, or filter out repeated events within a day.

We construct a firm-day news panel by aggregating *EVENT_SENTIMENT* scores separately for headline events and body-only events for each firm on each trading day. Specifically, events with an *EVENT_RELEVANCE* score of 90 or higher are classified as headline events, while those with scores below 90 are classified as body-only events. Following Boudoukh et al. (2018), we define trading day t to include articles released between 4:00 PM on day t-1 and 3:59 PM on day t, with weekend and holiday releases assigned to the next trading day. For each firm-trading day, we compute separate averages of *EVENT_SENTIMENT* for headline events and body-only events, which we refer to as headline sentiment and body sentiment, respectively. We then define the conflicting-news indicator, $D_{Conflict,i,t}$, which is set to one if headline sentiment and body sentiment have opposite signs (i.e., one is positive and the other is negative), and zero otherwise.

Aggregating this information across firms and time produces a firm-day panel that we link to our stock returns dataset. In this panel, we identify 1,451,652 firm days with conflicting news, representing 6.02% of the sample. Another 34.69% of firm days have non-conflicting firm-specific news, while the remaining 59.29% of firm days have no firm-specific news.

To validate our assignment of articles to trading days and to ensure that investors have sufficient time to react, we plot the hourly distribution of unique news articles across a 24-hour news-release cycle. Figure 3 shows that only 4.2% of articles are released during the final hour before the market close, indicating that news announcements are not disproportionately clustered immediately before the market close. The highest news volume occurs in the hour immediately after the 4:00 PM close, accounting for 10.3% of total articles. News volume is also elevated between 7:00 AM and 9:59 AM,

a window that covers both the pre-market period and the first 30 minutes following the 9:30 AM market open, and accounts for 22.8% of total articles. This news distribution pattern indicates that investors generally have considerable time to respond to articles on a given trading day. Overall, this evidence supports our trading day classification and the use of close-to-close returns on day *t* to measure market response to news assigned to that trading day.

2.4 Other data sources

We collect daily close-to-close returns and other price-related variables from CRSP and accounting data from Compustat. Data on daily risk factors are from Professor Kenneth French's Data Library. Analyst forecast data are from the Institutional Brokers' Estimate System (I/B/E/S). Our final sample includes all common stocks (share codes 10 and 11) in the CRSP universe for the 2000 to 2024 period. This set contains 11,555 unique firms. Table A1 provides the definitions and data sources for all variables used in the analysis.

3. Empirical Results

3.1 Conflicting news and market reaction: Sorting results

We begin by presenting univariate results on the relation between conflicting news and stock returns. Table 1 presents the daily mean and standard deviation of returns, news attributes, and firm characteristics for the full sample and for firm days with conflicting news. Columns (1) and (2) report the mean and standard deviation for the full sample, and columns (3) and (4) report the corresponding statistics for firm days on which headline sentiment and body sentiment have opposite signs.

The most striking pattern in Table 1 is that firm days with conflicting news exhibit negative daily abnormal returns, ranging from -22.8 to -25.0 bps across different factor models, even though the average news sentiment is close to zero. In contrast, the daily abnormal return for the full sample is close to zero. Firms experiencing conflicting news are larger and have lower book-to-market ratios, consistent with greater media coverage of larger, growth firms. We do not observe economically

meaningful differences in other firm characteristics, including past returns or return volatility. These univariate results suggest that investors react negatively when headline sentiment conflicts with body sentiment, even when the average news sentiment is neutral.

3.2 Conflicting news and market reaction: Panel regression estimates

To account for the known determinants of short-term stock market reaction, we use a panel regression framework to examine how investors respond to conflicting headline and body news signals within a trading day. We estimate the following panel regression specification:

$$AdjRet_{i,t} = \beta_0 + \beta_1 D_{Conflict,i,t} + \beta_2 D_{BothPos,i,t} + \beta_3 D_{BothNeg,i,t} + \theta Z_{i,t} + \gamma X_{i,t} + \mu_i + \lambda_t + \epsilon_{i,t} \quad (1)$$

The dependent variable ($AdjRet_{i,t}$) is the risk-adjusted return for firm i on day t. We measure it using either the excess return over the risk-free rate ($Exret_{i,t}$) or abnormal return ($AR_{i,t}$) estimated using one of the five factor models: the CAPM, the Fama and French (1993) three-factor model, the Carhart (1997) four-factor model, the Fama and French (2015) five-factor model, and a six-factor model that extends the five-factor model by adding the momentum factor. Factor loadings are obtained using rolling 252-day regressions over days t-252 to t-1, with at least 63 days of data.

Our main independent variable is $D_{Conflict,i,t}$, which indicates whether headline sentiment and body sentiment conflict for firm i on day t. All news articles for firm i on day t are used to obtain these sentiment estimates. Specifically, $D_{Conflict,i,t}$ equals one when headline sentiment is positive and body sentiment is negative, or vice versa, and zero otherwise. We also include $D_{BothPos,i,t}$ and $D_{BothNeg,i,t}$, which indicate firm days on which headline sentiment and body sentiment are both positive or both negative, respectively. These variables control for same sign news days with uniformly positive or uniformly negative sentiment. The control group consists of firm days with no news, neutral news where both headline sentiment and body sentiment equal zero, or non-neutral news in only one component, either headline or body. These observations roughly account for 75%, 19%, and 6% of the control group, respectively.

The vector $Z_{i,t}$ includes various news controls: the daily average RavenPack Composite Sentiment Score, *AvgCSS*, which is the primary article-level sentiment measure and serves as a control for the overall news sentiment; the log number of firm-specific articles, which accounts for variation in news coverage across firms and over time; and the logs of average paragraph and word counts per article. The vector $X_{i,t}$ includes firm characteristics: the lagged natural log of firm size, the one-month lagged book-to-market ratio, lagged turnover ratio, total and idiosyncratic volatility estimated from daily returns over the past 252 days, and lagged returns over the previous five trading days.

We also include firm fixed effects, μ_i, to absorb persistent differences in media coverage across firms, and day fixed effects, λ_t, to absorb market-wide variation in news intensity, market conditions, and broad database coverage. We report standard errors double-clustered by firm and day. If investors exhibit negativity bias when they perceive conflicting news, the β_1 estimate should be significantly negative. In contrast, if investors respond only to the average sentiment and do not place additional weight on headline-body conflict, β_1 would be indistinguishable from zero.

Table 2 reports the panel regression estimates. Consistent with our main conjecture, we find that the coefficient on $D_{Conflict,i,t}$ is negative and statistically significant at the 1% level. This finding is robust across factor models used to estimate abnormal returns. After controlling for average news sentiment, same sign news indicators, news attributes, firm characteristics, and various fixed effects, firm days with conflicting news exhibit abnormal returns that are approximately 16.7 bps lower than those of the control group on day *t*. Consistent with the prediction of negativity dominance, this result suggests that investors place disproportionate weight on the negative component when positive and negative signals coexist.

We also find that uniformly positive news is associated with abnormal returns of 38.3 bps, whereas uniformly negative news is associated with abnormal returns of -107.8 bps on day *t*, relative to the control group. This asymmetry indicates that same sign news also elicits stronger market

responses to negative than to positive information, although this setting does not involve the joint evaluation of conflicting signals.

3.3 Does conflicting news reflect negative fundamentals?

Next, we examine whether the negative returns on conflicting news days are associated with worse future fundamentals. If conflicting news is merely bad news about firm fundamentals, or if its negative component is more informative than its positive component, the negative returns could reflect an appropriate market response rather than a behavioral bias. In that case, conflicting news would be associated with worse future earnings outcomes.

To assess this possibility, we test whether conflicting news predicts future earnings outcomes and earnings-announcement returns by estimating the following panel regression specification:

$$Outcome_{i,q+1} = \beta_0 + \beta_1 Prop_{Conflict,i,q} + \beta_2 Prop_{BothPos,i,q} + \beta_3 Prop_{BothNeg,i,q} + \theta Z_{i,q} + \gamma X_{i,q} + \mu_i + \lambda_q + \epsilon_{i,q} \quad (2)$$

The dependent variable, $Outcome_{i,q+1}$, is either one of the three standardized unexpected earnings (SUE) measures, as in Livnat and Mendenhall (2006) for quarter q+1, or a cumulative abnormal return (CAR) measure around subsequent earnings announcements. For the latter, we use CARs over the three-day [-1,+1] window around the quarter q+1 earnings announcement, and CARs between the quarter q and quarter q+1 earnings announcements. The main explanatory variable, $Prop_{Conflict,i,q}$, is the proportion of trading days in quarter q on which firm i experiences conflicting news. We also include $Prop_{BothPos,i,q}$ and $Prop_{BothNeg,i,q}$, defined as the proportions of trading days in quarter q on which headline sentiment and body sentiment are both positive or both negative, respectively.

We control for the quarterly average composite sentiment score, the number of firm-specific articles in the quarter, and the average paragraph and word counts per article. We also include the following firm characteristics: the natural log of firm size, the book-to-market ratio, average daily turnover in quarter q, total and idiosyncratic volatility estimated from daily returns over the 252

trading days ending at quarter-end, and stock returns in quarter q. We estimate equation (2) using a firm-quarter panel with firm and quarter fixed effects, μ_i and λ_q, and report standard errors double-clustered by firm and quarter.

Table 3 reports the panel regression estimates. The coefficient on $Prop_{Conflict,i,q}$ is statistically insignificant across all three SUE measures and both CAR measures, indicating that conflicting news is not associated with worse future earnings outcomes or adverse earnings-announcement returns. In contrast, same sign news is informative about subsequent earnings surprises. A higher proportion of both-negative days in quarter q is associated with more negative earnings surprises in quarter q+1 across all three SUE measures, while a higher proportion of both positive days is associated with more positive earnings surprises under two of the three SUE measures.

These findings suggest that same sign news indicator contains incremental information about subsequent earnings outcomes, but the conflicting news indicator does not. The negative market reaction to conflicting news is more consistent with negativity dominance than with the pricing of firm fundamentals.

3.4 Conflicting news, mispricing, and correction

In the next set of tests, we examine the return dynamics following conflicting news days. If the negative return associated with conflicting news reflects investors' excessive weight on the negative component, returns should exhibit subsequent reversal. In contrast, the ability of same sign news to predict subsequent earnings outcomes implies pricing effects that are unlikely to reverse. We test these implications by re-estimating equation (1) using future abnormal returns and cumulative abnormal returns as dependent variables.

Table 4 reports the results. We measure abnormal returns using the Fama and French six-factor model. The dependent variables are abnormal returns on days t+1, t+2, and t+3, and CARs over [t+2, t+10] and [t+2, t+21]. We find that the negative abnormal return associated with conflicting news

remains significant through day t+2 and then reverses into significantly positive CARs over both post-event windows. This pattern is consistent with temporary overreaction to the negative component of conflicting news. In contrast, returns following both positive and both negative news events drift in the direction of the initial sentiment, with no reversal.

3.5 Negativity bias or opinion divergence among investors?

One key alternative explanation for our findings is that conflicting news amplifies divergence in beliefs or opinions among investors, which affects stock prices. Specifically, Miller (1977) posits that differences of opinion can lead to lower expected returns when short-sale constraints are present, while Varian (1985) and Carlin et al. (2014) suggest that disagreement leads to a positive risk premium as investors are compensated for bearing additional risk. These theories raise the possibility that the negative return associated with conflicting news reflects disagreement or uncertainty about future firm fundamentals rather than negativity dominance.

To examine this possibility, we construct two news-based dispersion measures that proxy for disagreement or uncertainty about firm fundamentals but do not directly capture headline-body sign conflict. The first measure, $HBGap_{i,t}$, is the firm-day average of the absolute difference between headline sentiment and body sentiment within each article. The second measure, $NewsSD_{i,t}$, is the firm-day standard deviation of *EVENT_SENTIMENT* across all articles about the firm. Large differences in event sentiment can generate high dispersion even when headline sentiment and body sentiment do not have opposite signs. Thus, these proxies capture broader sentiment dispersion rather than the specific headline-body conflict reflected by our main measure.

Panel A of Table 5 reports correlations between the news dispersion measures and the conflicting news indicator. Both measures are positively correlated with $D_{Conflict,i,t}$: the correlation is 0.43 for $HBGap_{i,t}$ and 0.51 for $NewsSD_{i,t}$. These correlations indicate that conflicting news is related to, but distinct from, broader dispersion in news sentiment. Table 5, Panel B re-estimates equation (1) using

the Fama and French six-factor abnormal return as the dependent variable. In Columns (1) and (2), we replace $D_{Conflict,i,t}$ with $HBGap_{i,t}$ and $NewsSD_{i,t}$, respectively. We find that both dispersion measures are significantly negatively associated with day *t* abnormal returns. In Column (3), however, the conflicting-news indicator remains negative and statistically significant in the presence of both dispersion measures. These results suggest that dispersion of opinions among investors partially contributes to the observed return predictability around conflicting news but does not fully explain the associated pricing effects.[5]

3.6 Negativity bias or analyst forecast dispersion?

For additional robustness, we perform a more direct test of the disagreement conjecture by examining forecast dispersion among sell-side analysts. If conflicting news primarily captures disagreement or uncertainty about firm fundamentals, it should be followed by greater forecast dispersion. However, if analysts place larger weight on the negative component of conflicting news, such news would generate more pessimistic forecast revisions rather than greater forecast dispersion.

We re-estimate equation (2) using analyst forecast outcomes in quarter q+1 as dependent variables. This set of outcome variables includes analyst forecast dispersion, $Disp_{i,q+1}$, revisions in median EPS forecasts, $MedRev_{i,q+1}$, the proportion of upward forecast revisions, $Prop_{UpRev,i,q+1}$, and the proportion of downward forecast revisions, $Prop_{DownRev,i,q+1}$. The key explanatory variable is $Prop_{Conflict,i,q}$. We include $Prop_{BothPos,i,q}$ and $Prop_{BothNeg,i,q}$, the same news controls, firm characteristics, firm fixed effects, and quarter fixed effects as in equation (2), and report standard errors double-clustered by firm and quarter.

Table 6 reports the results. The coefficient on $Prop_{Conflict,i,q}$ is insignificant in the forecast dispersion specification, indicating that conflicting news is not associated with greater analyst

[5] In untabulated results, we also examine whether $HBGap_{i,t}$ and $NewsSD_{i,t}$ explain the cross-sectional heterogeneity in the response to conflicting news. The estimates on both dispersion measures are statistically insignificant and not robust, whereas the conflicting-news indicator remains consistently negative and significant.

disagreement. In contrast, it predicts more pessimistic forecast revisions: a higher proportion of conflicting news days predicts downward revisions in median EPS forecasts, fewer upward revisions, and more downward revisions in quarter q+1. We also find that same sign news predicts forecast revisions consistent with its sentiment: both positive news is associated with more optimistic revisions in the future, whereas both negative news events are followed by more pessimistic revisions.

Taken together, these findings indicate that conflicting news generates more pessimistic forecast revisions without increasing forecast dispersion. Analysts also incorporate the direction of same sign news into their forecasts. These behavioral patterns are more consistent with analysts placing disproportionate weight on the negative component of conflicting information than with a pure disagreement-based interpretation.

3.7 Conflicting news induced mispricing: economic magnitudes

Our results so far show that conflicting news is associated with significantly negative abnormal returns. We next evaluate the economic magnitude of this pricing effect using daily rebalanced long-short portfolios. The resulting alphas do not necessarily reflect arbitrage profits; rather, they allow us to quantify the return patterns associated with conflicting news.

Each day, we use news events observed between 4:00 PM on day t-1 and 3:30 PM on day t to form portfolios at the market close on day t, and examine the close-to-close return from day t to day t+1. For portfolio formation, we require stocks to have non-missing headline sentiment and body sentiment. We take short positions in stocks with conflicting news and long positions in stocks with neutral news, defined strictly as firm days on which both headline sentiment and body sentiment equal zero, with no tolerance band around zero. We construct value-weighted and equal-weighted long-short portfolios and estimate their alphas using daily return regressions based on the same factor models used in the panel regressions.

Columns (1) to (3) of Table 7 report the alphas for value-weighted portfolios. Consistent with the panel regression estimates, stocks with conflicting news earn negative alphas across all factor models, while stocks with neutral news earn positive alphas. The value-weighted long-short portfolio generates an annualized alpha of 12%, significant at the 1% level. We note that the long leg of the neutral news portfolio contributes materially to the long-short spread.

Columns (4) to (6) report the corresponding alphas for equal-weighted portfolios. The conflicting news portfolio earns substantially larger negative alphas in equal-weighted specifications. The equal-weighted long-short portfolio generates an annualized alpha of 29%, comparable to the 23% annualized abnormal return from a similarly rebalanced daily news strategy in Tetlock et al. (2008). These results indicate that the pricing effect associated with conflicting news is economically meaningful and robust across weighting schemes and factor-model benchmarks. These estimates are conservative because portfolio returns are measured from the close of day t to the close of day t+1, whereas the strongest market reaction occurs on day t.

3.8 Investor sophistication, limits to arbitrage, and response to conflicting news

We next examine whether the stronger negative response to conflicting news varies with investor sophistication and arbitrage constraints. Lou et al. (2019) show that overnight returns are particularly sensitive to firm-specific news and are more influenced by retail or noise trading, whereas intraday trading is more likely to reflect the activities of institutional investors and arbitrageurs. Figure 3 shows that a substantial share of the news sample is released outside regular trading hours. If the return effects associated with conflicting news reflect biased processing of mixed sign information, we expect the effect to be stronger overnight. We also expect the effect to be stronger among stocks with lower institutional ownership and more severe limits to arbitrage, where the investor base is less sophisticated and mispricing is more difficult to correct.

We first decompose close-to-close returns into overnight and intraday components following Lou et al. (2019), and re-estimate equation (1). Since there is no widely accepted factor model for overnight or intraday returns, we use two risk-adjusted return measures. First, we compute overnight and intraday excess returns by subtracting the risk-free rate. Second, following Lou et al. (2019), we estimate abnormal returns using close-to-close Fama and French factors. The results are similar across the two measures.

Panel A of Table 8 reports the results. The negative response to conflicting news is substantially larger overnight than intraday. Using excess returns, the coefficient on $D_{Conflict,i,t}$ is -11.1 bps overnight, compared with -4.6 bps intraday. Both estimates are statistically significant at the 1% level, and the results are similar using Fama-French abnormal returns. These findings suggest that the negative pricing effect of conflicting news is more pronounced overnight, consistent with stronger reaction among less sophisticated investors.

We next examine the impact of heterogeneity among institutional investors and limits to arbitrage. We sort firms into quintiles based on ex-ante institutional ownership and stock lending supply. Institutional ownership is measured in the prior quarter; $D_{LowIO,i,t}$ equals one for firms in the bottom quintile and zero otherwise. We proxy for limits to arbitrage by the prior-month ratio of lendable share supply to market capitalization. Firms in the bottom quintile of lending supply are the most short-sale constrained and therefore face the highest arbitrage costs; $D_{HighLTA,i,t}$ equals one for these firms and zero otherwise. We re-estimate equation (1) by interacting the conflicting-news indicator with $D_{LowIO,i,t}$ and $D_{HighLTA,i,t}$.

Panel B of Table 8 reports the results. The interaction between $D_{Conflict,i,t}$ and $D_{LowIO,i,t}$ is negative and statistically significant, indicating that the negative response to conflicting news is stronger among stocks with low institutional ownership. The interaction between $D_{Conflict,i,t}$ and $D_{HighLTA,i,t}$ is also negative and statistically significant, suggesting that the effect is stronger when limits to arbitrage

are more severe. The main effect of $D_{Conflict,i,t}$ remains negative and significant in both specifications. These results are similar when we consider terciles or quartiles. Overall, the evidence suggests that the return patterns associated with conflicting news are amplified when investor sophistication is low and arbitrage costs are high.

4. Alternative Explanations and Additional Tests

For robustness, we consider additional alternative explanations for our findings, including headline salience, investor memory and availability heuristic, and confirmation bias. We also report additional results using firm days with a single article, filters for repeated news and source quality, and alternative sample periods.

4.1 Negativity bias or headline salience?

The first alternative explanation we consider is headline salience. Previous research shows that investors respond strongly to information featured in headlines (Huang et al., 2018). If headline salience explains the negative return response to conflicting news, the effect should be concentrated in cases where the headline is negative. When headline sentiment is positive and body sentiment is negative, investors should respond primarily to the positive headline, so the return response should be weaker or absent.

To test this possibility, we re-estimate equation (1) by decomposing $D_{Conflict,i,t}$ into $D_{PosHeadNegBody,i,t}$ and $D_{NegHeadPosBody,i,t}$. The first indicator equals one when headline sentiment is positive and body sentiment is negative; the second indicator equals one when headline sentiment is negative and body sentiment is positive. Negativity dominance predicts negative coefficients on both indicators, whereas headline salience predicts a negative return response only when the headline is negative.

Column (1) of Table 9 reports the results. We find that the coefficients on both indicators are negative and statistically significant. Relative to the control group, firm days with positive headline sentiment and negative body sentiment have abnormal returns of -17.1 bps, while firm days with

negative headline sentiment and positive body sentiment have abnormal returns of -16.6 bps. These estimates are difficult to reconcile with a pure headline-salience explanation, under which the negative return response should be weaker or statistically insignificant when the headline is positive.

We also examine whether strongly positive sentiment offsets the negative return response to conflicting news. In Table 9, Column (2), we add indicators for strongly positive and strongly negative sentiment in the headline and body components, together with their interactions with the two conflicting-news indicators. We define these indicators by ranking the absolute values of non-zero headline sentiment and body sentiment cross-sectionally each day and assigning an indicator equal to one for observations in the top quintile.

We find that the interaction terms involving strongly positive sentiment are significantly positive, indicating partial offsetting effects. However, the combined effects remain negative and statistically significant. The total effects are -15.1 bps when the positive headline component is strong and -10.6 bps when the positive body component is strong. Strongly negative sentiment, in contrast, further strengthens the negative return response. These findings indicate that positive sentiment, even when strong, does not fully offset the negative component of conflicting news.

Collectively, the evidence in Table 9 does not support a headline-salience explanation. The negative response to conflicting news arises whether the negative component appears in the headline or the article body, and it remains negative even when the opposing positive component is strong.

4.2 Negativity bias or investor memory?

As a second alternative, we examine whether investor memory and availability heuristic explain the negative response to conflicting news. Memory-based models predict that similar recent events are more likely to be retrieved and used as reference points (Bordalo et al., 2020), while availability heuristic implies that easily recalled events receive greater weights in decisions (Tversky and Kahneman, 1973). These mechanisms predict stronger reactions when similar events occur recently.

We measure similarity and recency using *EVENT_SIMILARITY_DAY*, which records the number of days since the most recent similar event for the same firm within the past 365 days. We impose minimum gaps of 30, 60, 90, 180, and 365 days, excluding firm-specific events with a similar prior event inside each window. We then re-estimate equation (1) under each filter. If memory and availability drive the negative response to conflicting news, the coefficient on $D_{Conflict,i,t}$ should attenuate as the minimum gap increases.

Table 10 reports the results. We find that the negative coefficient on $D_{Conflict,i,t}$ becomes larger after imposing a 30-day minimum gap and remains similar as the required gap increases to 60, 90, 180, and 365 days. Thus, the market reaction to conflicting news is stronger when similar events are absent from the recent past. This pattern is inconsistent with memory- and availability-based explanations, which predict stronger effects when similar precedents are more recent.

4.3 Negativity bias or confirmation bias?

A third alternative explanation for our findings is that the negative response to conflicting news reflects confirmation bias. Confirmation bias implies that investors place greater weight on information that supports prior beliefs and discount disconfirming evidence (Pouget et al., 2017). If investors hold positive prior beliefs about a firm, they should discount negative information in conflicting news, weakening the negative response. Conversely, if prior beliefs are negative, investors should place less weight on positive information, strengthening the negative response.

We proxy for prior beliefs using past firm-level sentiment. Specifically, each day we sort firms into terciles based on *AvgCSS* over the past 21, 63, and 126 days. $D_{HighPastSent,i,t}$ equals one for firms in the top tercile, and $D_{LowPastSent,i,t}$ equals one for firms in the bottom tercile. We re-estimate equation (1) with interactions between $D_{Conflict,i,t}$ and these past-sentiment indicators, using the same controls and fixed effects as in the baseline specification.

Table 11 reports the results. The interaction between $D_{Conflict,i,t}$ and $D_{HighPastSent,i,t}$ is negative and significant, indicating a stronger negative response when prior sentiment is positive. In contrast, the interaction between $D_{Conflict,i,t}$ and $D_{LowPastSent,i,t}$ is positive and significant, suggesting that negative prior sentiment attenuates the conflicting news effect. The results are similar when prior sentiment is measured over three- and six-month windows. These findings are inconsistent with a confirmation bias explanation. Investors do not appear to discount the component of conflicting news that runs against prior sentiment. Instead, the negative component has a stronger price impact when prior sentiment is positive and a weaker impact when prior sentiment is negative.

4.4 Additional robustness tests: single article news, news filters, and subsamples

We conduct several additional robustness tests to assess the sensitivity of our findings to alternative sample definitions and data filters. First, our baseline measure aggregates headline sentiment and body sentiment at the firm-day level. This approach accounts for the fact that many firms, especially larger ones, receive multiple news articles per day. It is also useful after weekends and holidays, when a trading day window may contain news released over multiple calendar days. To ensure that our results are not driven by aggregation across multiple articles, we examine a more restrictive setting in which conflicting signals arise within a single article. Specifically, we focus on firm days with exactly one news article and require that article to exhibit headline-body conflict. Table 12 reports the results. The event-day response remains significantly negative in this restricted sample, regardless of whether the negative component appears in the headline or the article body.

Second, our main sample includes all articles and events from all outlets to reflect the information environment investors face. This choice implicitly admits echoed coverage and lower-ranked sources. We assess robustness to repeated coverage and source quality using two filters. To mitigate repeated coverage, we require $TITLE_SIMILARITY_DAY \geq 1$, retaining only the first occurrence of each article within a day, and $EVENT_SIMILARITY_DAY \geq 1$, removing firm-specific events already covered by

other articles on the same day. To address source quality, we retain only articles from premium providers with *SOURCE_RANK* ≤ 4.[6] Table A2 in the Appendix reports the results. The negative response to conflicting news becomes stronger when repeated coverage is removed and when the sample is restricted to premium sources, suggesting that the effect is not driven by repeated news or lower-ranked sources.

Third, we address time-series changes in database coverage and other potential sample-period concerns. RavenPack news coverage expands around 2015, suggesting a change in database coverage. To account for this change, we re-estimate the baseline specification using the post-2015 subsample and obtain similar results. Relatedly, we examine two additional period-based concerns. García (2013) documents that the predictive power of news sentiment is concentrated during recessions. In addition, RavenPack reports that some stories delivered between 2007 and 2012 may contain fewer or no paragraph breaks, which could affect *EVENT_RELEVANCE* and hence our classification of conflicting news. We therefore exclude National Bureau of Economic Research (NBER) recession periods and, separately, the 2007-2012 period, and re-estimate the baseline specification. The results remain similar across these subsamples, indicating that the negative response to conflicting news is not driven by changes in database coverage, recession periods, or RavenPack formatting issues. These results are available upon request.

5. Summary and Conclusions

This study examines the stock market reaction when firm-specific news contains conflicting signals. Our key conjecture is that investors exhibit negativity bias when processing firm-specific information. Using 407 million firm-specific news events from 2000 to 2024, we identify firm days on which

[6] Source Rank Classification: *SOURCE_RANK* = 1: Fully accountable, reputable, and balanced; *SOURCE_RANK* = 2: Official, reliable, and honest; *SOURCE_RANK* = 3: Acknowledged, formal, and credible; *SOURCE_RANK* = 4: Known, with reasonable credibility. After applying the *SOURCE_RANK* filter, the following outlets are included: Alliance News, Benzinga Pro, Dow Jones Newswires, LexisNexis, Factiva Analytics, Edgar SEC Filings, The Fly, FX Street News and Economic Calendar, MT Newswires, FactSet Transcripts, and RavenPack Machine Generated Content.

headline sentiment and body sentiment have opposite signs. We find that conflicting news is associated with significantly negative risk-adjusted returns, even after controlling for the average news sentiment, various news and firm-related controls, and a variety of fixed effects. The negative abnormal return remains significant through day $t + 2$ and subsequently reverses, consistent with temporary mispricing. The negative response is stronger overnight than intraday and is more pronounced among stocks with low institutional ownership and more severe limits to arbitrage. These patterns suggest that investors place disproportionate weight on the negative component when positive and negative firm-specific signals coexist.

We also examine whether the negative response to conflicting news reflects negative firm fundamentals or other biased information processing mechanisms. Our results indicate that conflicting news is not associated with worse future earnings outcomes or adverse earnings-announcement returns, whereas same sign news contains incremental information about subsequent earnings outcomes. Dispersion-based measures of news disagreement do not subsume the conflicting-news effect, and analyst forecast tests show pessimistic revisions rather than increased forecast dispersion. Additional tests do not support explanations based on headline salience, investor memory and availability heuristic, or confirmation bias. The results also remain robust in the single-article setting, after filtering repeated coverage and applying source-quality filters, and across alternative sample periods.

Overall, our evidence is most consistent with a negativity dominance interpretation: when positive and negative signals arrive jointly within the same firm-level information set, the market responds disproportionately to the negative component. Thus, the structure of news sentiment matters for return predictability. Future research could examine whether negativity bias affects the decisions of other market participants, including institutional investors and corporate managers.

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Figure 1
Headline event detection and sentiment assessment in RavenPack EDGE

This figure illustrates how RavenPack EDGE detects and evaluates a positive headline event, classified as *hirings*, related to Apple Inc. within a news article. The event first appears in the headline and is subsequently mentioned in each of the first three paragraphs. EDGE assigns an *EVENT_RELEVANCE* score of 100, reflecting the event's first appearance in the headline, and a single *EVENT_SENTIMENT* score of 0.32, which aggregates information from all mentions of the event within the article. *Source*: RavenPack EDGE.

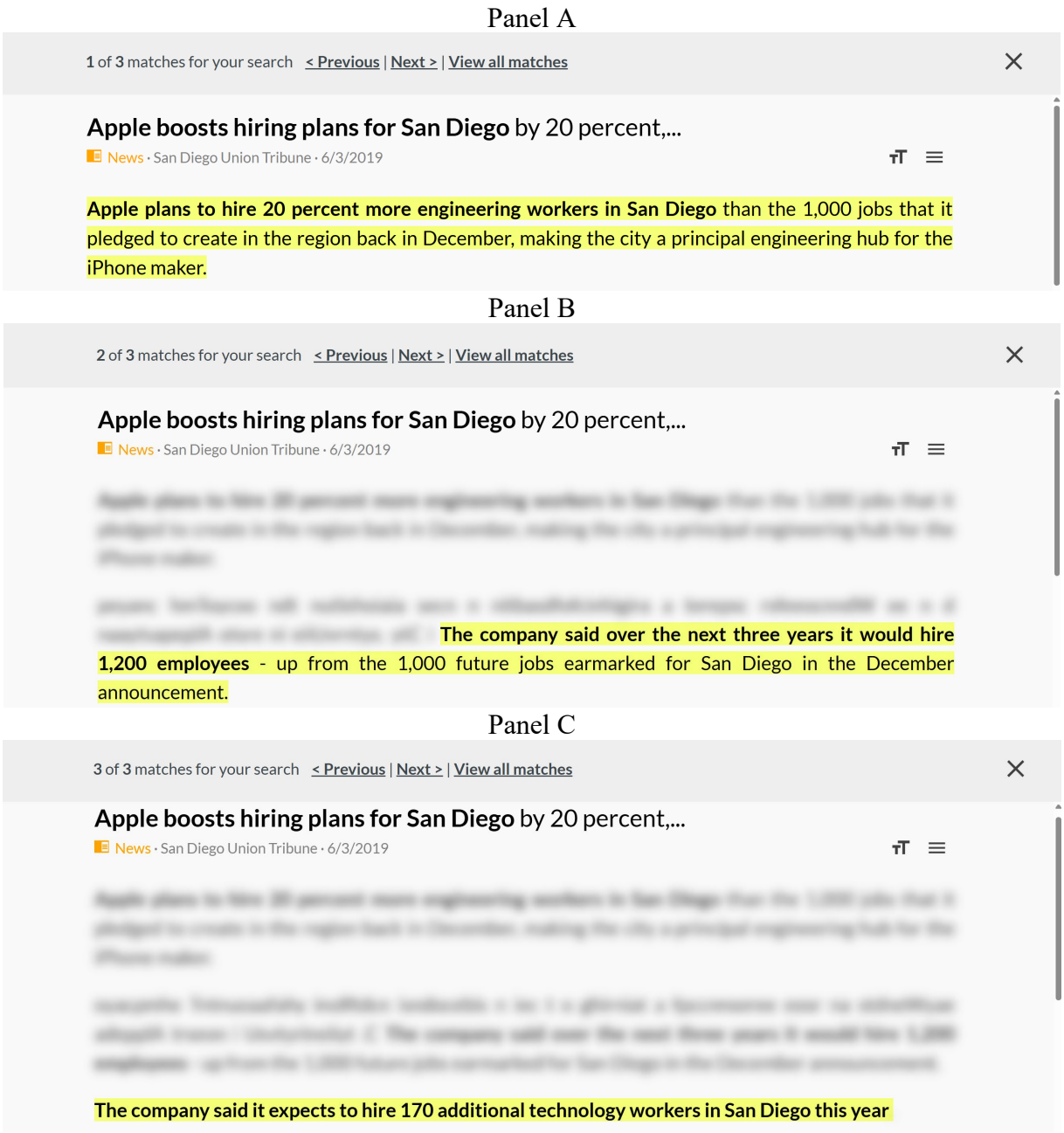


Figure 2
Body-only event detection and sentiment assessment in RavenPack EDGE

This figure illustrates how RavenPack EDGE detects and evaluates a negative body-only event, classified as *legal-issues-defendant*, related to Apple Inc. within the same news article as in Figure 1. The event is mentioned once near the end of the article and does not appear in the headline. EDGE assigns an *EVENT_RELEVANCE* score of 30, reflecting the event's first appearance in the body, and an *EVENT_SENTIMENT* score of -0.42. *Source:* RavenPack EDGE.

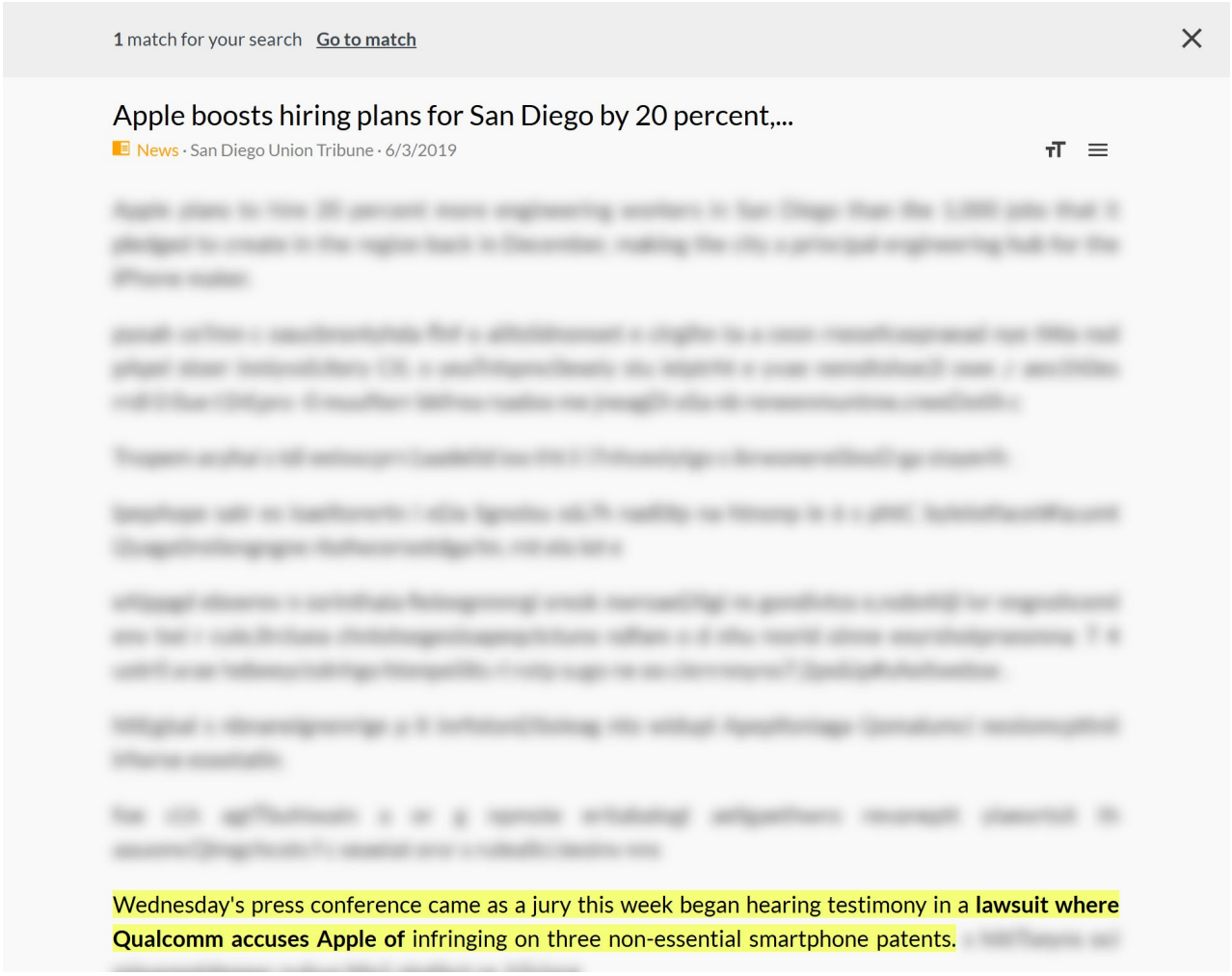


Figure 3
Distribution of news volume by hour of day

This figure shows the distribution of 154,941,416 news articles by hour of day over the 2000 to 2024 sample period. The X-axis denotes each hour (0 to 23), and the Y-axis reports the percentage of total articles published during each hour. Percentage values are displayed above each bar. Dashed vertical lines indicate market open (9:30 AM) and market close (4:00 PM).

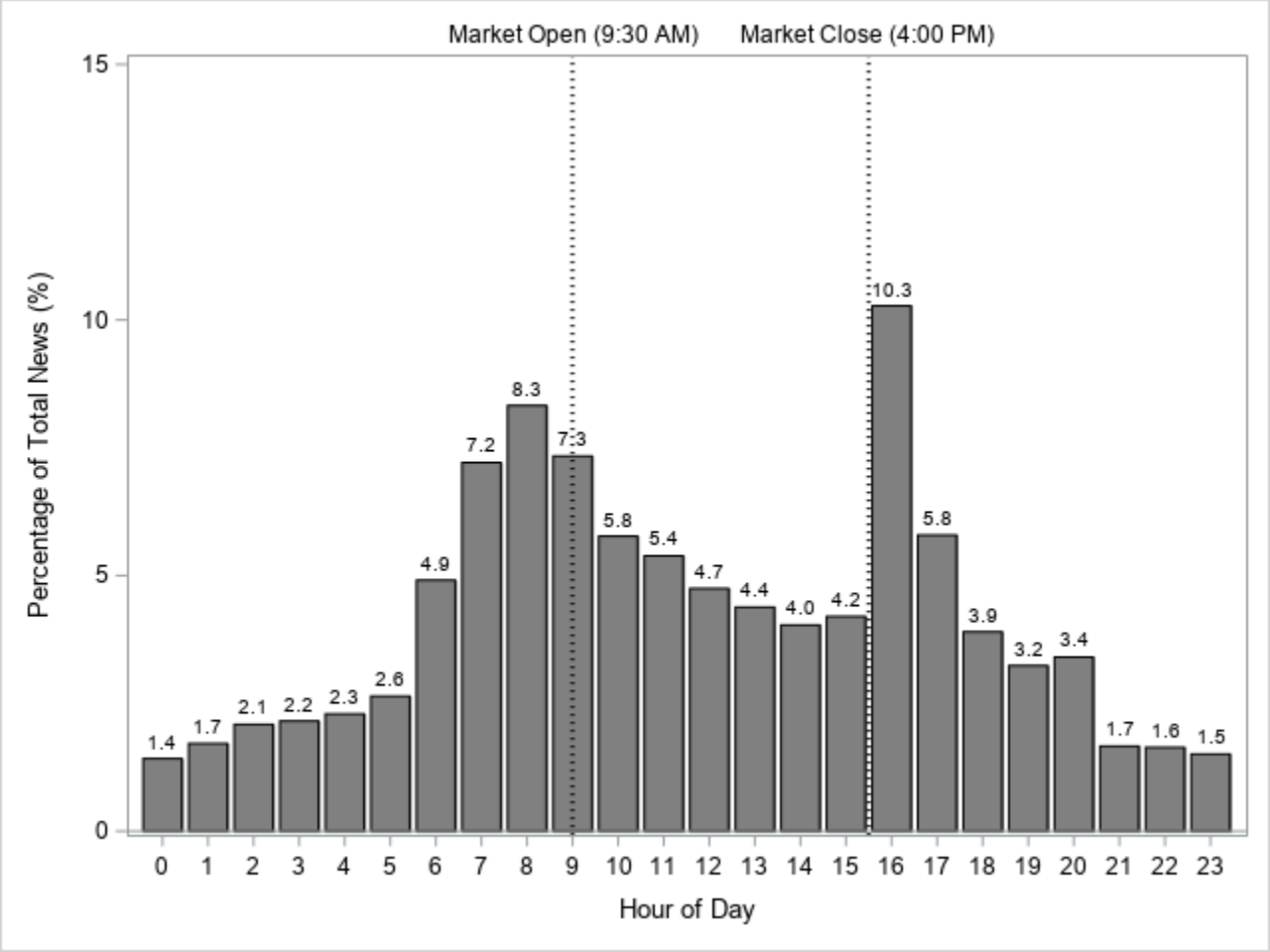


Table 1
Summary statistics

This table reports summary statistics for common stocks listed on the NYSE, Amex, and Nasdaq. The sample period is from 2000 to 2024. We report the mean and standard deviation of risk-adjusted returns, news attributes, and firm characteristics measured on day *t*. Columns (1) and (2) report statistics for the full sample, and Columns (3) and (4) report statistics for firm days with conflicting news. All variables are defined in Appendix Table A1.

	(1)	(2)	(3)	(4)
	Full sample		$D_{Conflict,i,t}$ =1	
	Mean	SD	Mean	SD
Risk-adjusted returns				
$Exret_{i,t}$	0.015	3.497	-0.204	3.472
$AR_{CAPM,i,t}$	-0.013	3.268	-0.250	3.162
$AR_{FF3,i,t}$	-0.017	3.228	-0.235	3.075
$AR_{C4,i,t}$	-0.017	3.237	-0.234	3.075
$AR_{FF5,i,t}$	-0.011	3.239	-0.229	3.073
$AR_{FF6,i,t}$	-0.011	3.250	-0.228	3.076
News attributes				
$AvgCSS_{i,t}$	0.005	0.035	-0.004	0.055
$ln(N_{Articles,i,t})$	0.723	1.117	2.173	1.084
$ln(Avg_{Paras,i,t})$	0.982	1.280	2.487	0.698
$ln(Avg_{Words,i,t})$	2.469	3.007	6.220	0.708
Firm attributes				
$ln(Size_{i,t-1})$	6.013	2.159	7.726	2.071
$BM_{i,m-1}$	0.695	0.632	0.560	0.529
$RET_{i,t-1}$	0.024	3.500	-0.164	3.417
$RET_{i,t-2}$	0.024	3.499	-0.041	3.299
$RET_{i,t-3}$	0.025	3.499	0.005	3.244
$RET_{i,t-4}$	0.025	3.499	0.028	3.197
$RET_{i,t-5}$	0.025	3.499	0.030	3.167
$Turnover_{i,t-1}$	12.613	87.088	10.035	74.816
$TVOL_{i,t,[-252,-1]}$	0.036	0.023	0.030	0.019
$IVOL_{CAPM,i,t,[-252,-1]}$	0.528	0.357	0.424	0.291
$IVOL_{FF3,i,t,[-252,-1]}$	0.515	0.356	0.406	0.287
$IVOL_{C4,i,t,[-252,-1]}$	0.513	0.356	0.403	0.286
$IVOL_{FF5,i,t,[-252,-1]}$	0.512	0.356	0.401	0.286
$IVOL_{FF6,i,t,[-252,-1]}$	0.511	0.355	0.398	0.285
Obs.	23,496,154		1,451,652	

Table 2
Conflicting news and market reaction: panel regression estimates

This table reports estimates from the regressions in equation (1). Daily excess returns and abnormal returns, estimated using five different factor models, are regressed on the conflicting-news indicator, $D_{Conflict,i,t}$, the same sign news indicators, $D_{BothPos,i,t}$ and $D_{BothNeg,i,t}$, and control variables. The controls include average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Indep. Var.	*Exret*	AR_{CAPM}	AR_{FF3}	AR_{C4}	AR_{FF5}	AR_{FF6}
$D_{Conflict,i,t}$	-0.167***	-0.167***	-0.165***	-0.166***	-0.166***	-0.167***
	(-30.053)	(-31.717)	(-32.907)	(-33.388)	(-33.564)	(-33.966)
$D_{BothPos,i,t}$	0.393***	0.389***	0.386***	0.385***	0.384***	0.383***
	(61.050)	(62.831)	(63.902)	(63.859)	(63.883)	(63.863)
$D_{BothNeg,i,t}$	-1.100***	-1.086***	-1.080***	-1.079***	-1.079***	-1.078***
	(-73.214)	(-74.839)	(-75.804)	(-75.822)	(-75.865)	(-75.797)
$AvgCSS_{i,t}$	4.337***	4.163***	4.029***	4.002***	3.995***	3.973***
	(81.510)	(83.470)	(84.430)	(84.693)	(85.078)	(85.269)
$ln(N_{Articles,i,t})$	0.070***	0.070***	0.068***	0.068***	0.068***	0.068***
	(27.367)	(28.968)	(29.871)	(29.692)	(30.188)	(29.957)
$ln(Avg_{Paras,i,t})$	-0.016***	-0.013***	-0.014***	-0.014***	-0.014***	-0.013***
	(-5.127)	(-4.197)	(-5.063)	(-5.034)	(-5.050)	(-4.967)
$ln(Avg_{Words,i,t})$	0.000	-0.001	0.000	0.000	0.000	0.000
	(0.004)	(-1.051)	(0.030)	(0.226)	(0.196)	(0.281)
$ln(Size_{i,t-1})$	-0.113***	-0.105***	-0.100***	-0.101***	-0.096***	-0.098***
	(-16.191)	(-18.766)	(-24.581)	(-26.464)	(-24.387)	(-26.138)
$BM_{i,m-1}$	0.024***	0.023***	0.025***	0.024***	0.027***	0.025***
	(4.194)	(4.427)	(5.351)	(5.401)	(5.850)	(5.708)
$RET_{i,t-1}$	-0.085***	-0.083***	-0.085***	-0.087***	-0.086***	-0.088***
	(-43.908)	(-47.502)	(-55.235)	(-56.591)	(-57.805)	(-58.792)
$RET_{i,t-2}$	-0.026***	-0.024***	-0.025***	-0.025***	-0.024***	-0.024***
	(-17.422)	(-22.230)	(-28.458)	(-29.396)	(-29.341)	(-29.959)
$RET_{i,t-3}$	-0.016***	-0.016***	-0.017***	-0.017***	-0.016***	-0.016***
	(-11.597)	(-15.689)	(-21.450)	(-22.056)	(-22.789)	(-23.261)
$RET_{i,t-4}$	-0.009***	-0.009***	-0.009***	-0.009***	-0.009***	-0.009***
	(-6.874)	(-9.000)	(-13.088)	(-13.145)	(-13.888)	(-13.723)
$RET_{i,t-5}$	-0.008***	-0.007***	-0.007***	-0.007***	-0.007***	-0.007***
	(-6.063)	(-7.155)	(-9.945)	(-10.110)	(-10.660)	(-10.532)
$Turnover_{i,t-1}$	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***
	(-4.444)	(-4.724)	(-5.123)	(-4.988)	(-5.111)	(-5.029)
$TVOL_{i,t,[-252,-1]}$	0.454	-1.380	-1.467	-0.802	-0.336	-0.037
	(0.244)	(-1.140)	(-1.578)	(-0.922)	(-0.422)	(-0.049)
$IVOL_{i,t,[-252,-1]}$	-0.154	-0.028	-0.019	-0.068	-0.072	-0.101**
	(-1.394)	(-0.386)	(-0.334)	(-1.253)	(-1.446)	(-2.067)
Constant	0.673***	0.603***	0.565***	0.572***	0.530***	0.543***
	(13.625)	(15.679)	(20.634)	(21.949)	(20.241)	(21.633)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	23,496,151	23,496,151	23,496,151	23,496,151	23,496,151	23,496,151
Adj. R^2	0.131	0.037	0.021	0.020	0.020	0.019

Table 3
Firm fundamentals predictability regression estimates

This table reports estimates from the regressions in equation (2), where the dependent variables are three SUE measures from Livnat and Mendenhall (2006) for quarter q+1 and two CAR measures around subsequent earnings announcements. These outcomes are regressed on the conflicting-news proportion, $Prop_{Conflict,i,q}$, the same sign news proportions, $Prop_{BothPos,i,q}$ and $Prop_{BothNeg,i,q}$, and control variables. The controls include average news sentiment, news attributes, firm characteristics, firm fixed effects, and quarter fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The t-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and quarter. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Indep. Var.	$SUE1_{i,q+1}$	$SUE2_{i,q+1}$	$SUE3_{i,q+1}$	$CAR1_{i,q+1}$	$CAR2_{i,q+1}$
$Prop_{Conflict,i,q}$	0.001	0.000	-0.000	0.000	0.011
	(0.374)	(0.016)	(-0.190)	(0.099)	(0.792)
$Prop_{BothPos,i,q}$	0.008***	0.007***	-0.000	-0.007***	0.028***
	(3.125)	(3.511)	(-0.343)	(-3.005)	(2.867)
$Prop_{BothNeg,i,q}$	-0.111***	-0.089***	-0.004**	-0.000	-0.012
	(-11.274)	(-11.262)	(-2.314)	(-0.003)	(-0.345)
$AvgCSS_{i,q}$	0.091***	0.081***	0.011***	-0.013	0.061*
	(7.887)	(8.509)	(5.086)	(-1.560)	(1.881)
$ln(N_{Articles,i,q})$	-0.004***	-0.002***	-0.000***	-0.001**	-0.006***
	(-7.145)	(-6.025)	(-3.877)	(-2.611)	(-3.093)
$ln(Avg_{Paras,i,q})$	-0.001	-0.000	0.000	0.000	-0.003
	(-1.315)	(-1.040)	(1.630)	(0.457)	(-1.276)
$ln(Avg_{Words,i,q})$	0.000	0.000	-0.001***	-0.000	-0.000
	(0.463)	(0.204)	(-3.930)	(-0.680)	(-0.119)
$ln(Size_{i,q})$	-0.007***	-0.006***	-0.000**	-0.009***	-0.049***
	(-9.466)	(-10.706)	(-2.159)	(-17.856)	(-17.328)
$BM_{i,q}$	-0.023***	-0.017***	-0.002***	-0.003***	0.001
	(-12.823)	(-12.154)	(-4.780)	(-3.588)	(0.253)
$RET_{i,q}$	0.024***	0.018***	0.003***	0.003**	-0.006
	(10.229)	(10.454)	(6.689)	(2.197)	(-0.659)
$Turnover_{i,q}$	-0.005***	-0.004***	0.000	0.000	0.002
	(-4.608)	(-4.678)	(0.151)	(0.711)	(1.062)
$TVOL_{i,q,[-252,-1]}$	-0.553**	-0.528***	-0.036	0.031	1.033
	(-2.464)	(-3.747)	(-1.376)	(0.207)	(1.130)
$IVOL_{i,q,[-252,-1]}$	0.069***	0.060***	0.001	-0.000	-0.049
	(5.721)	(7.774)	(0.403)	(-0.042)	(-0.879)
Constant	0.064***	0.050***	0.008***	0.068***	0.329***
	(10.584)	(10.811)	(7.021)	(14.551)	(13.929)
Firm FE	Yes	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes	Yes
Obs.	294,272	294,319	211,715	294,719	294,734
Adj. R^2	0.087	0.102	0.092	0.022	0.044

Table 4
Mispricing and correction pattern

This table reports estimates from the regressions in equation (1). Daily abnormal returns from t+1 to t+3 and cumulative abnormal returns from t+2 to t+10 or from t+2 to t+21, estimated using the Fama and French six-factor model, are regressed on the conflicting-news indicator, $D_{Conflict,i,t}$, the same sign news indicators, $D_{BothPos,i,t}$ and $D_{BothNeg,i,t}$, and control variables. For comparison, Column (1) repeats the estimate from Column (6) of Table 2. The controls include average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The t-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	AR_{FF6}	AR_{FF6}	AR_{FF6}	AR_{FF6}	CAR_{FF6}	CAR_{FF6}
Indep. Var.	[0]	[+1]	[+2]	[+3]	[+2, +10]	[+2, +21]
$D_{Conflict,i,t}$	-0.167***	-0.024***	-0.012***	-0.002	0.024**	0.098***
	(-33.966)	(-6.989)	(-3.806)	(-0.473)	(1.975)	(4.052)
$D_{BothPos,i,t}$	0.393***	0.018***	0.001	0.001	0.060***	0.121***
	(61.050)	(5.998)	(0.486)	(0.239)	(5.444)	(6.656)
$D_{BothNeg,i,t}$	-1.100***	-0.111***	-0.061***	-0.029***	-0.116***	-0.106***
	(-73.214)	(-16.970)	(-9.798)	(-4.751)	(-5.276)	(-2.816)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	23,496,151	23,489,575	23,482,832	23,475,949	23,483,625	23,483,218
Adj. R^2	0.019	0.005	0.005	0.005	0.020	0.036

Table 5
Conflicting news, dispersion, and return predictability

This table evaluates two news-dispersion measures, $HBGap_{i,t}$ and $NewsSD_{i,t}$, together with the conflicting-news indicator, $D_{Conflict,i,t}$. $HBGap_{i,t}$ is constructed by computing, for each article about firm i on day t, the absolute difference between average headline and body sentiment, and then averaging across all articles about firm i on that day. $NewsSD_{i,t}$ is the cross-article standard deviation of event sentiment scores for firm i on day t. Panel A reports correlations between $D_{Conflict,i,t}$ and the two dispersion measures. Panel B reports estimates from equation (1). Columns (1) and (2) use $HBGap_{i,t}$ and $NewsSD_{i,t}$ as the main explanatory variables, respectively. Column (3) includes both dispersion measures, the conflicting-news indicator, $D_{Conflict,i,t}$, and the same sign news indicators, $D_{BothPos,i,t}$ and $D_{BothNeg,i,t}$. All columns include average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The t-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Correlations

	$D_{Conflict,i,t}$	$HBGap_{i,t}$	$NewsSD_{i,t}$
$D_{Conflict,i,t}$	1.000		
$HBGap_{i,t}$	0.431	1.000	
$NewsSD_{i,t}$	0.509	0.569	1.000

Panel B: Return predictability

	(1)	(2)	(3)
Dep. Var.		AR_{FF6}	
$D_{Conflict,i,t}$			-0.103***
			(-20.084)
$HBGap_{i,t}$	-0.110***		-0.030**
	(-10.387)		(-2.576)
$NewsSD_{i,t}$		-0.280***	-0.204***
		(-33.351)	(-22.088)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Day FE	Yes	Yes	Yes
Obs.	23,496,151	23,496,151	23,496,151
Adj. R^2	0.016	0.016	0.019

Table 6
Analyst forecast dispersion and revision regression estimates

This table reports estimates from the regressions in equation (2), where the dependent variables are analyst forecast dispersion, median forecast revisions, the proportion of upward forecast revisions, and the proportion of downward forecast revisions for quarter q+1. These outcomes are regressed on the conflicting-news proportion, $Prop_{Conflict,i,q}$, the same sign news proportions, $Prop_{BothPos,i,q}$ and $Prop_{BothNeg,i,q}$, and control variables. The controls include average news sentiment, news attributes, firm characteristics, firm fixed effects, and quarter fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and quarter. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
Indep. Var.	$Disp_{i,q+1}$	$MedRev_{i,q+1}$	$Prop_{UpRev,i,q+1}$	$Prop_{DownRev,i,q+1}$
$Prop_{Conflict,i,q}$	1.254	-0.130***	-0.176***	0.141***
	(1.275)	(-4.498)	(-5.710)	(4.257)
$Prop_{BothPos,i,q}$	0.912	0.144***	0.109***	-0.162***
	(1.395)	(5.644)	(3.611)	(-5.855)
$Prop_{BothNeg,i,q}$	0.118	-0.533***	-0.285***	0.508***
	(0.086)	(-9.262)	(-5.809)	(9.794)
$AvgCSS_{i,q}$	-4.695*	1.046***	1.493***	-1.572***
	(-1.788)	(9.486)	(11.576)	(-12.347)
$ln(N_{Articles,i,q})$	0.649***	0.003	-0.018***	-0.011***
	(4.472)	(0.889)	(-4.247)	(-2.647)
$ln(Avg_{Paras,i,q})$	0.069	0.002	0.009**	0.007**
	(0.333)	(0.704)	(2.416)	(2.277)
$ln(Avg_{Words,i,q})$	0.031	-0.018***	-0.006	0.039***
	(0.183)	(-5.664)	(-1.451)	(7.632)
$ln(Size_{i,q})$	-0.563***	-0.008***	0.021***	0.020***
	(-2.665)	(-3.032)	(5.996)	(6.750)
$BM_{i,q}$	1.356***	-0.017***	-0.005	0.032***
	(3.385)	(-3.271)	(-1.298)	(6.673)
$RET_{i,q}$	0.305	0.098***	0.110***	-0.158***
	(0.857)	(10.124)	(10.316)	(-11.457)
$Turnover_{i,q}$	5.790***	-0.003	-0.001	0.001
	(6.485)	(-0.587)	(-0.215)	(0.565)
$TVOL_{i,q,[-252,-1]}$	-152.169***	0.113	-5.603***	-5.193***
	(-4.332)	(0.228)	(-5.967)	(-5.713)
$IVOL_{i,q,[-252,-1]}$	13.297***	-0.008	0.415***	0.332***
	(6.259)	(-0.250)	(6.378)	(6.033)
Constant	1.134	0.137***	0.180***	-0.100***
	(0.558)	(4.623)	(5.749)	(-2.734)
Firm FE	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes
Obs.	205,584	210,227	210,227	210,227
Adj. R^2	0.504	0.069	0.252	0.225

Table 7
Performance of long-short portfolios

This table reports the performance of value-weighted portfolios in Columns (1) to (3) and equal-weighted portfolios in Columns (4) to (6). Portfolios are formed daily at the market close using news observed up to 30 minutes before the market close. For portfolio formation, stocks must have non-missing headline and body sentiment. The long portfolio consists of stocks with neutral news, defined strictly as firm days on which both headline sentiment and body sentiment equal zero, with no tolerance band around zero. The short portfolio consists of stocks with conflicting news. Abnormal returns are measured as intercepts from daily regressions using the CAPM, the Fama and French (1993) three-factor model, the Carhart (1997) four-factor model, the Fama and French (2015) five-factor model, and a six-factor model that includes momentum. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using Newey and West (1987) standard errors. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Value-weighted portfolios			Equal-weighted portfolios		
	Long	Short	Long-Short	Long	Short	Long-Short
$Alpha_{CAPM}$	0.035**	-0.012**	0.047***	0.049***	-0.067***	0.115***
	(2.558)	(-2.207)	(3.217)	(3.753)	(-8.790)	(9.503)
$Alpha_{FF3}$	0.032**	-0.013**	0.045***	0.045***	-0.070***	0.115***
	(2.469)	(-2.415)	(3.208)	(3.949)	(-12.160)	(9.509)
$Alpha_{C4}$	0.033**	-0.011**	0.044***	0.047***	-0.067***	0.113***
	(2.536)	(-2.074)	(3.135)	(4.153)	(-12.595)	(9.394)
$Alpha_{FF5}$	0.032**	-0.010**	0.043***	0.048***	-0.064***	0.112***
	(2.522)	(-2.002)	(3.094)	(4.353)	(-11.470)	(9.391)
$Alpha_{FF6}$	0.033**	-0.009*	0.042***	0.049***	-0.062***	0.112***
	(2.557)	(-1.829)	(3.056)	(4.470)	(-12.039)	(9.339)
No. of Days	6,286	6,286	6,286	6,286	6,286	6,286

Table 8
Heterogeneity in the pricing impact of conflicting news

This table examines whether the pricing impact of conflicting news varies across trading periods and firm characteristics. Panel A uses overnight and intraday returns as dependent variables, measured as excess returns or Fama-French six-factor abnormal returns. Panel B interacts the conflicting-news indicator, $D_{Conflict,i,t}$, with an indicator for low institutional ownership, $D_{LowIO,i,t}$, in Column (1), and with an indicator for greater limits to arbitrage, $D_{HighLTA,i,t}$, in Column (2). Both panels include the same sign news indicators and the same controls and fixed effects as in equation (1). All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024 in Panel A and Column (1) of Panel B, and from June 2002 to December 2020 in Column (2) of Panel B. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Overnight and intraday decomposition

	(1)	(2)	(3)	(4)
Indep. Var.	$Exret_{Overnight}$	$AR_{FF6,Overnight}$	$Exret_{Intraday}$	$AR_{FF6,Intraday}$
$D_{Conflict,i,t}$	-0.111***	-0.111***	-0.046***	-0.047***
	(-35.896)	(-37.669)	(-10.958)	(-12.107)
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
Obs.	22,870,436	22,870,436	22,870,436	22,870,436
Adj. R^2	0.119	0.083	0.101	0.029

Panel B: Heterogeneity by institutional ownership and limits to arbitrage

	(1)	(2)
Indep. Var.	AR_{FF6}	
$D_{Conflict,i,t}$	-0.144***	-0.147***
	(-30.318)	(-27.033)
$D_{Conflict,i,t} \times D_{LowIO,i,t}$	-0.299***	
	(-14.909)	
$D_{Conflict,i,t} \times D_{HighLTA,i,t}$		-0.526***
		(-10.340)
$D_{LowIO,i,t}$	0.027***	
	(5.454)	
$D_{HighLTA,i,t}$		0.015**
		(2.268)
Controls	Yes	Yes
Firm FE	Yes	Yes
Day FE	Yes	Yes
Obs.	23,496,151	15,868,660
Adj. R^2	0.019	0.019

Table 9
Conflicting news and market reaction: negative content location and sentiment strength

This table examines whether the market reaction to conflicting news depends on the location and intensity of the negative and positive components. Daily abnormal returns, estimated using the Fama and French six-factor model, are regressed on two conflicting-news indicators: $D_{PosHeadNegBody,i,t}$ and $D_{NegHeadPosBody,i,t}$. Column (1) tests whether the location of the negative component, headline versus body, matters. Column (2) adds indicators for strongly positive and strongly negative sentiment in the headline and body, together with their interactions with the two conflicting-news indicators. The bottom rows report the corresponding linear combinations, calculated as the base effect plus the interaction effect. The controls include same sign news indicators, average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)
Indep. Var.	AR_{FF6}	
$D_{PosHeadNegBody,i,t}$	-0.171***	-0.197***
	(-19.695)	(-20.497)
$D_{NegHeadPosBody,i,t}$	-0.166***	-0.176***
	(-30.935)	(-29.352)
$D_{PosHeadNegBody,i,t} \times D_{StrongPosHead,i,t}$		0.047***
		(2.603)
$D_{PosHeadNegBody,i,t} \times D_{StrongNegBody,i,t}$		-0.071***
		(-3.128)
$D_{NegHeadPosBody,i,t} \times D_{StrongNegHead,i,t}$		-0.108***
		(-9.233)
$D_{NegHeadPosBody,i,t} \times D_{StrongPosBody,i,t}$		0.070***
		(6.522)
Controls	Yes	Yes
Firm FE	Yes	Yes
Day FE	Yes	Yes
Obs.	23,496,151	23,496,151
Adj. R^2	0.019	0.019
$D_{PosHeadNegBody,i,t} + D_{PosHeadNegBody,i,t} \times D_{StrongPosHead,i,t}$		-0.151***
		(-8.771)
$D_{PosHeadNegBody,i,t} + D_{PosHeadNegBody,i,t} \times D_{StrongNegBody,i,t}$		-0.269***
		(-11.765)
$D_{NegHeadPosBody,i,t} + D_{NegHeadPosBody,i,t} \times D_{StrongNegHead,i,t}$		-0.285***
		(-24.912)
$D_{NegHeadPosBody,i,t} + D_{NegHeadPosBody,i,t} \times D_{StrongPosBody,i,t}$		-0.106***
		(-10.238)

Table 10
Conflicting news and market reaction: recency of similar past events

This table reports estimates from equation (1) after imposing minimum gaps between similar firm-specific events. Daily abnormal returns, estimated using the Fama and French six-factor model, are regressed on the conflicting-news indicator, $D_{Conflict,i,t}$, and control variables. Column (1) repeats the estimate from Column (6) of Table 2 for comparison. Columns (2) to (6) exclude firm-specific events with a similar prior event within the minimum gap indicated at the top of each column. The controls include same sign news indicators, average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
			AR_{FF6}			
Indep. Var.	0 day	30 days	60 days	90 days	180 days	365 days
$D_{Conflict,i.t}$	-0.167***	-0.243***	-0.251***	-0.252***	-0.256***	-0.256***
	(-33.966)	(-39.758)	(-39.274)	(-38.448)	(-37.177)	(-36.013)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	23,496,151	23,496,151	23,496,151	23,496,151	23,496,151	23,496,151
Adj. R^2	0.019	0.019	0.019	0.019	0.019	0.019

Table 11
Conflicting news and market reaction, conditional on past sentiment

This table reports how prior news sentiment affects the market reaction to conflicting news. Daily abnormal returns, estimated using the Fama and French six-factor model, are regressed on the conflicting-news indicator, $D_{Conflict,i,t}$, indicators for high and low past sentiment, $D_{HighPastSent,i,t}$ and $D_{LowPastSent,i,t}$, and their interaction terms. The bottom rows report the corresponding linear combinations, calculated as the base effect plus the interaction effect. The controls include same sign news indicators, average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. The estimation windows used to construct $D_{HighPastSent,i,t}$ and $D_{LowPastSent,i,t}$ are shown at the top of each column. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)
		AR_{FF6}	
Indep. Var.	Past 1 month	Past 3 months	Past 6 months
$D_{Conflict,i.t}$	-0.153***	-0.158***	-0.163***
	(-26.326)	(-26.992)	(-27.186)
$D_{Conflict,i.t} \times D_{HighPastSent,i,t}$	-0.084***	-0.068***	-0.048***
	(-11.494)	(-8.858)	(-5.985)
$D_{Conflict,i.t} \times D_{LowPastSent,i,t}$	0.036***	0.029***	0.029***
	(4.886)	(3.876)	(3.711)
$D_{HighPastSent,i,t}$	0.008***	0.004*	0.001
	(4.203)	(1.757)	(0.362)
$D_{LowPastSent,i,t}$	0.003	0.005**	0.005**
	(1.300)	(2.143)	(2.164)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Day FE	Yes	Yes	Yes
Obs.	21,771,049	23,138,941	23,228,091
Adj. R^2	0.018	0.019	0.019
$D_{Conflict,i.t} + D_{Conflict,i.t} \times D_{HighPastSent,i,t}$	-0.236***	-0.226***	-0.211***
	(-32.454)	(-29.341)	(-26.745)
$D_{Conflict,i.t} + D_{Conflict,i.t} \times D_{LowPastSent,i,t}$	-0.117***	-0.129***	-0.135***
	(-16.956)	(-18.232)	(-19.078)

Table 12
Single-article conflicting news and event-day returns

This table reports event-study results for firm days with exactly one news article in which headline sentiment and body sentiment have opposite signs. We report mean daily abnormal returns for event firms, estimated using five factor models, and the associated *t*-statistics. Panel A includes all single-article conflicting news firm days. Panel B focuses on cases with positive headline sentiment and negative body sentiment. Panel C focuses on cases with negative headline sentiment and positive body sentiment. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: $D_{Conflict}$

	(1)	(2)	(3)
	Mean	*t*-stat	N
AR_{CAPM}	-0.135***	(-17.131)	127,036
AR_{FF3}	-0.119***	(-15.692)	127,036
AR_{C4}	-0.118***	(-15.563)	127,036
AR_{FF5}	-0.111***	(-14.586)	127,036
AR_{FF6}	-0.110***	(-14.342)	127,036

Panel B: $D_{PosHeadNegBody}$

	(1)	(2)	(3)
	Mean	*t*-stat	N
AR_{CAPM}	-0.091***	(-4.040)	22,094
AR_{FF3}	-0.074***	(-3.350)	22,094
AR_{C4}	-0.071***	(-3.196)	22,094
AR_{FF5}	-0.065***	(-2.941)	22,094
AR_{FF6}	-0.062***	(-2.793)	22,094

Panel C: $D_{NegHeadPosBody}$

	(1)	(2)	(3)
	Mean	*t*-stat	N
AR_{CAPM}	-0.144***	(-17.209)	104,942
AR_{FF3}	-0.128***	(-16.111)	104,942
AR_{C4}	-0.128***	(-16.028)	104,942
AR_{FF5}	-0.120***	(-15.030)	104,942
AR_{FF6}	-0.119***	(-14.844)	104,942

Appendix

Table A1
Variable definitions

This table reports definitions and data sources for all variables used in the analysis. The sample period is from 2000 to 2024. Unless otherwise stated, trading-day news variables use articles recorded from 4:00 PM on trading day t-1 to 3:59 PM on trading day t. Quarterly news variables are defined analogously over quarter q.

Variable	Definition	Source
$Exret_{i,t}$	Daily excess return, computed as the daily stock return minus the risk-free rate.	CRSP; French Data Library
$AR_{i,t}$	Daily abnormal return, computed using five factor models: the CAPM, Fama and French (1993) three-factor model, Carhart (1997) four-factor model, Fama and French (2015) five-factor model, and a Fama-French six-factor model that adds momentum. Factor loadings are estimated over a rolling window from t-252 to t-1, requiring at least 63 days of data.	CRSP; French Data Library
$D_{Conflict,i,t}$	Conflicting headline-body sentiment indicator, equal to one when firm i's average headline-event sentiment and average body-only-event sentiment have opposite signs on trading day t, and zero otherwise.	RavenPack EDGE
$D_{PosHeadNegBody,i,t}$ ($D_{NegHeadPosBody,i,t}$)	Positive-headline and negative-body sentiment indicator, equal to one when firm i's average headline-event sentiment is positive and average body-only-event sentiment is negative on trading day t, and zero otherwise. $D_{NegHeadPosBody,i,t}$ is defined analogously for negative headline-event sentiment and positive body-only-event sentiment.	RavenPack EDGE
$D_{BothPos,i,t}$ ($D_{BothNeg,i,t}$)	Both-positive sentiment indicator, equal to one when firm i's average headline-event sentiment and average body-only-event sentiment are both positive on trading day t, and zero otherwise. $D_{BothNeg,i,t}$ is defined analogously for negative headline-event sentiment and negative body-only-event sentiment.	RavenPack EDGE
$Prop_{Conflict,i,q}$	Proportion of trading days in quarter q on which $D_{Conflict,i,t}$ equals one for firm i.	RavenPack EDGE
$Prop_{BothPos,i,q}$ ($Prop_{BothNeg,i,q}$)	Proportion of trading days in quarter q on which $D_{BothPos,i,t}$ equals one for firm i. $Prop_{BothNeg,i,q}$ is defined analogously using $D_{BothNeg,i,t}$.	RavenPack EDGE
$AvgCSS_{i,t}$ ($AvgCSS_{i,q}$)	Average RavenPack Composite Sentiment Score across all news articles about firm i on trading day t. $AvgCSS_{i,q}$ is defined analogously over quarter q.	RavenPack EDGE

Variable	Definition	Source
$ln(N_{Articles,i,t})$ ($ln(N_{Articles,i,q})$)	Natural logarithm of one plus the number of firm-specific news articles about firm *i* on trading day *t*. $ln(N_{Articles,i,q})$ is defined analogously over quarter *q*.	RavenPack EDGE
$ln(Avg_{Paras,i,t})$ ($ln(Avg_{Paras,i,q})$)	Natural logarithm of the average number of paragraphs across news articles about firm *i* on trading day *t*. $ln(Avg_{Paras,i,q})$ is defined analogously over quarter *q*.	RavenPack EDGE
$ln(Avg_{Words,i,t})$ ($ln(Avg_{Words,i,q})$)	Natural logarithm of the average word count across news articles about firm *i* on trading day *t*. $ln(Avg_{Words,i,q})$ is defined analogously over quarter *q*.	RavenPack EDGE
$D_{StrongHead,i,t}$ ($D_{StrongBody,i,t}$)	Strong headline-event sentiment indicator, equal to one when the absolute value of firm *i*'s average headline-event sentiment on trading day *t* falls in the top quintile of the daily cross-sectional distribution, excluding zeros, and zero otherwise. $D_{StrongBody,i,t}$ is defined analogously using average body-only-event sentiment. For the interaction terms, these indicators are separated into sign-specific dummies: $D_{StrongPosHead,i,t}$ and $D_{StrongNegBody,i,t}$ are used with $D_{PosHeadNegBody,i,t}$, whereas $D_{StrongNegHead,i,t}$ and $D_{StrongPosBody,i,t}$ are used with $D_{NegHeadPosBody,i,t}$.	RavenPack EDGE
$D_{HighPastSent,i,t}$ ($D_{LowPastSent,i,t}$)	High past news sentiment indicator, equal to one if firm i's average Composite Sentiment Score over the past 21, 63, or 126 trading days falls in the top tercile of the daily cross-sectional distribution, and zero otherwise. $D_{LowPastSent,i,t}$ is defined analogously using the bottom tercile.	RavenPack EDGE
$HBGap_{i,t}$	Headline-body gap for firm *i* on trading day *t*, calculated as the firm-day average of the absolute difference between headline-event sentiment and body-only-event sentiment within each article.	RavenPack EDGE
$NewsSD_{i,t}$	News sentiment dispersion for firm *i* on trading day *t*, calculated as the standard deviation of RavenPack *EVENT_SENTIMENT* across all firm-specific events about firm *i* on trading day *t*.	RavenPack EDGE
$RET_{i,t-n}$ ($RET_{i,q}$)	Daily stock return for firm *i* on trading day *t-n*. $RET_{i,q}$ is the cumulative daily stock return over quarter q..	CRSP
$ln(Size_{t-1})$ ($ln(Size_{i,q})$)	Natural logarithm of market capitalization, in millions of USD, on trading day *t*-1. $ln(Size_{i,q})$ is defined analogously at the end of quarter q.	CRSP
BM_{m-1} ($BM_{i,q}$)	Book-to-market ratio in the previous month, calculated as the most recently available book value of equity divided by market capitalization measured at month-end. $BM_{i,q}$ is defined analogously at quarter-end.	CRSP; Compustat
$Turnover_{t-1}$ ($Turnover_{i,q}$)	Turnover ratio on trading day *t*-1, calculated as total trading volume divided by shares outstanding. $Turnover_{i,q}$ is the average daily turnover ratio over quarter *q*.	CRSP

Variable	Definition	Source
$TVOL_{i,t,[-252,-1]}$ ($TVOL_{i,q,[-252,-1]}$)	Total volatility of daily stock returns, calculated as the standard deviation of daily returns from t-252 to t-1, requiring at least 63 days of data. $TVOL_{i,q,[-252,-1]}$ is defined analogously using the 252 trading days ending at quarter-end.	CRSP
$IVOL_{i,t,[-252,-1]}$ ($IVOL_{i,t,[-252,-1]}$)	Idiosyncratic volatility of daily stock returns, calculated as the standard deviation of residuals from the CAPM, Fama and French (1993) three-factor model, Carhart (1997) four-factor model, Fama and French (2015) five-factor model, or Fama-French six-factor model, using daily returns from t-252 to t-1. A minimum of 63 days of data is required. $IVOL_{i,t,[-252,-1]}$ is defined analogously using the 252 trading days ending at quarter-end.	CRSP; French Data Library
$D_{LowIO,i,t}$	Low institutional ownership indicator, equal to one if institutional ownership for firm i in the prior quarter falls in the bottom quintile of the daily cross-sectional distribution, and zero otherwise.	LSEG
$D_{HighLTA,i,t}$	Strong limits-to-arbitrage indicator, equal to one if the most recently available ratio of lendable share supply to market capitalization for firm i in the prior month falls in the bottom quintile of the daily cross-sectional distribution, and zero otherwise.	Markit
$SUE1_{i,q+1}$ ($SUE2_{i,q+1}$) ($SUE3_{i,q+1}$)	Standardized unexpected earnings measures for firm i in quarter q+1, constructed following Livnat and Mendenhall (2006).	I/B/E/S; Compustat
$CAR1_{i,q+1}$ ($CAR2_{i,q+1}$)	Cumulative abnormal returns around earnings announcements. $CAR1_{i,q+1}$ is the three-day abnormal return around the quarter q+1 earnings announcement. $CAR2_{i,q+1}$ is the cumulative abnormal return from the quarter q earnings announcement to the quarter q+1 earnings announcement.	CRSP; Compustat; I/B/E/S
$Disp_{i,q+1}$	Analyst forecast dispersion for firm i in quarter q+1, calculated over the forecast window ending with the quarter q+1 earnings announcement as the standard deviation of analyst EPS forecasts multiplied by 100 and scaled by the lagged fiscal year-end stock price.	I/B/E/S
$MedRev_{i,q+1}$	Median analyst forecast revision for firm i in quarter q+1, calculated over the forecast window ending with the quarter q+1 earnings announcement.	I/B/E/S
$Prop_{UpRev,i,q+1}$	Proportion of analyst forecast revisions for firm i in quarter q+1 that are upward revisions, calculated over the forecast window ending with the quarter q+1 earnings announcement.	I/B/E/S
$Prop_{DownRev,i,q+1}$	Proportion of analyst forecast revisions for firm i in quarter q+1 that are downward revisions, calculated over the forecast window ending with the quarter q+1 earnings announcement.	I/B/E/S

Table A2
Impact of conflicting news on risk-adjusted returns: robustness test results

This table reports estimates from equation (1). Daily excess returns and abnormal returns, estimated using five factor models, are regressed on the conflicting-news indicator, $D_{Conflict,i,t}$, and control variables. Panel A reports results after mitigating repeated news coverage by keeping only the first appearance within each calendar day, requiring *EVENT_SIMILARITY_DAY* ≥ 1 and *TITLE_SIMILARITY_DAY* ≥ 1. Panel B reports results using only news from premium sources, defined as *SOURCE_RANK* ≤ 4. The controls include same sign news indicators, average news sentiment, news attributes, firm characteristics, firm fixed effects, and day fixed effects. All variables are defined in Appendix Table A1. The sample period is from 2000 to 2024. The *t*-statistics, reported in parentheses, are computed using standard errors double-clustered by firm and day. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Independent news events

	(1)	(2)	(3)	(4)	(5)	(6)
Indep. Var.	*Exret*	AR_{CAPM}	AR_{FF3}	AR_{C4}	AR_{FF5}	AR_{FF6}
$D_{Conflict,i,t}$	-0.192***	-0.192***	-0.191***	-0.192***	-0.191***	-0.192***
	(-33.084)	(-34.845)	(-36.015)	(-36.465)	(-36.607)	(-36.969)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	23,496,151	23,496,151	23,496,151	23,496,151	23,496,151	23,496,151
Adj. R^2	0.131	0.038	0.021	0.021	0.020	0.019

Panel B: Premium news sources

	(1)	(2)	(3)	(4)	(5)	(6)
Indep. Var.	*Exret*	AR_{CAPM}	AR_{FF3}	AR_{C4}	AR_{FF5}	AR_{FF6}
$D_{Conflict,i,t}$	-0.247***	-0.245***	-0.244***	-0.245***	-0.244***	-0.245***
	(-32.776)	(-33.181)	(-33.751)	(-34.045)	(-33.946)	(-34.204)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	23,492,175	23,492,175	23,492,175	23,492,175	23,492,175	23,492,175
Adj. R^2	0.131	0.038	0.021	0.021	0.020	0.020