

UNIVERSITY OF CALIFORNIA

Los Angeles

An Investigation of the Trading Patterns and
Heuristics of Stockholders

A dissertation submitted in partial satisfaction of the
requirements for the degree Doctor of Philosophy
in Management

by

Laura L. Frieder

2004

Contents

1	Evidence on Behavioral Biases and Trading Activity	1
1.1	Related Literature and Definitions	4
1.1.1	Literature Review	4
1.1.2	Biases	7
1.2	Data and Hypotheses	9
1.2.1	Data	9
1.2.2	Hypotheses	11
1.3	Method	18
1.4	Results	22
1.4.1	Extrapolation (Representativeness)	22
1.4.2	Availability	32
1.5	Additional Comments, Evidence and Discussion	36
1.6	Concluding Remarks	42
2	Brand Perceptions and the Market for Common Stock	63
2.1	Theoretical Motivation and Hypotheses	67
2.1.1	The Model	68
2.1.2	Hypotheses	71

2.2	Data and Methodology	73
2.2.1	Brand Perception Data	73
2.2.2	Cross-sectional Determinants of Institutional Holdings	76
2.3	Regression Results	81
2.4	Robustness Checks	86
2.5	Concluding Remarks	94
3	Non-Secular Regularities in Trading Activity	116
3.1	Related Literature and Hypotheses	118
3.2	Data and Methodology	121
3.3	Results	125
3.4	Robustness Issues	131
3.5	Discussion and Conclusion	133
	Bibliography	147