DOCTORAL PROGRAMME

TRADING VOLUME AND DISPERSION OF SIGNALS

By

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Abstract

I propose a new measure of investor disagreement based on thirty-nine factors from the return-predicting anomaly literature. Consistent with theoretical work on volume, I show that a one standard deviation change in anomaly-based disagreement is associated with a 16.7% higher turnover in the next period. The positive and significant relationship is robust to different specifications, alternative measures of turnover and disagreement, and different periods. I document that a firm's information environment moderates the effect of disagreement on volume. Disagreement effects are stronger for firms with less public information and more complex information releases. Anomaly-based disagreement also explains analyst behavior — it is positively related to their forecast dispersion and absolute forecast errors in earnings and target prices.