

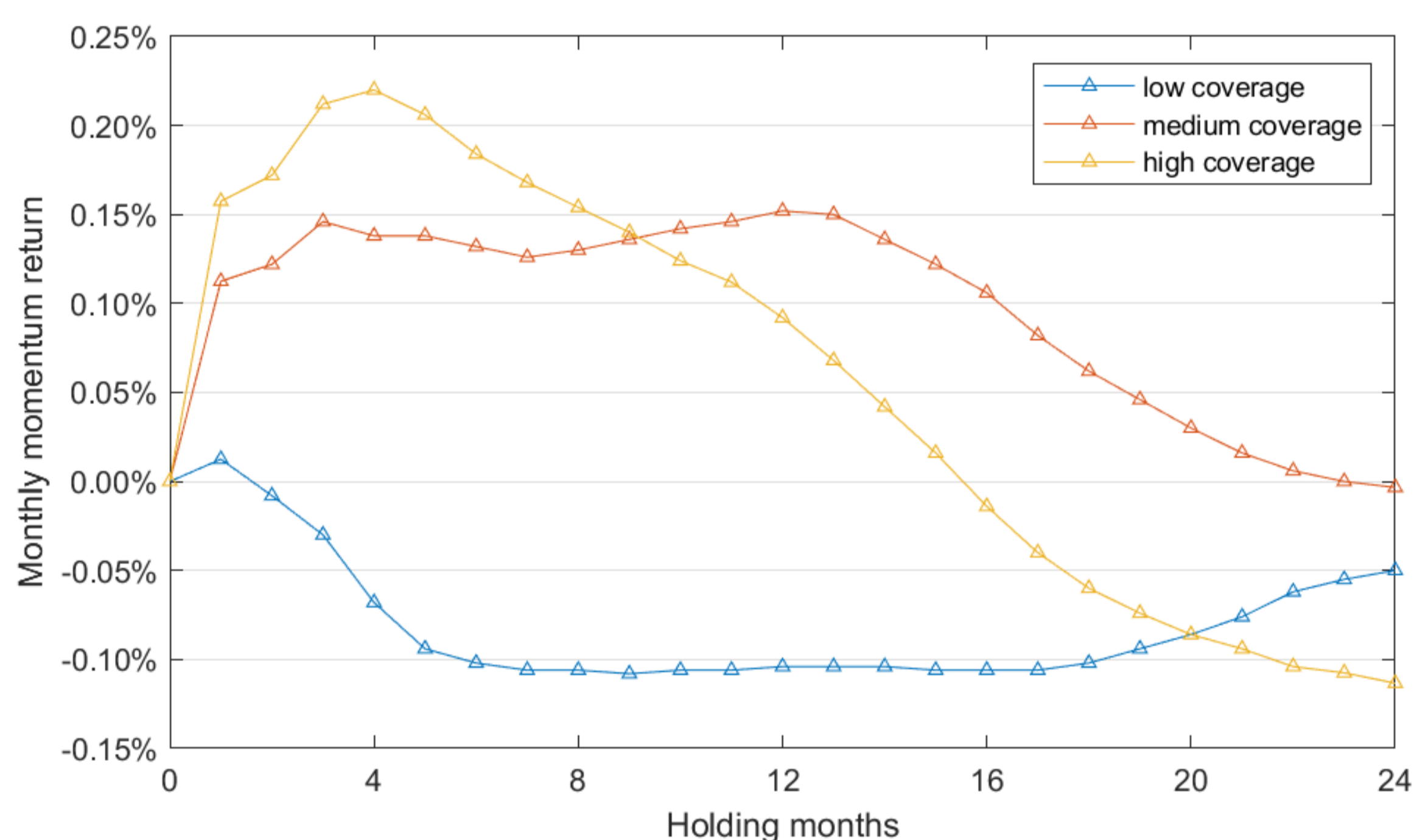
## Overview

- This paper shows that media information induces momentum in corporate bonds. Bonds with high media coverage exhibit stronger momentum than those with low coverage.
- This media-based momentum concentrates on non-investment-grade (NIG) bonds. Media coverage is a driving force for the NIG bond return momentum documented in the literature.
- Investors' overreaction is the underlying reason for media effect on bond momentum.

## Research Questions

- What is the role of business media in corporate bond market momentum?
  - ✓ Does high or low media coverage induce bond momentum?
  - ✓ What is the effect of different media tone on bond momentum?
- Why is momentum only significant for NIG bonds, while insignificant for IG bonds?
- What is the economic mechanism?

## Main Findings



- In the short run, media coverage is monotonically and positively related with momentum return.
- In the long run, momentum profits turn to reversal and high media coverage portfolio has the most pronounced reversal.

## Baseline Results

- Portfolio analysis: Higher media coverage → higher bond momentum

	Loser (L)	Winner (W)	W-L	t-stat
Coverage portfolio 1	0.89	0.79	-0.10	(-1.65)
Coverage portfolio 2	0.86	1.00	0.13*	(1.76)
Coverage portfolio 3	0.72	0.89	0.18**	(2.26)
Return spread 3-1	-0.18***	0.10*	0.28***	→ media-based momentum
t-stat	(-3.41)	(1.84)	(3.59)	

- OLS regression

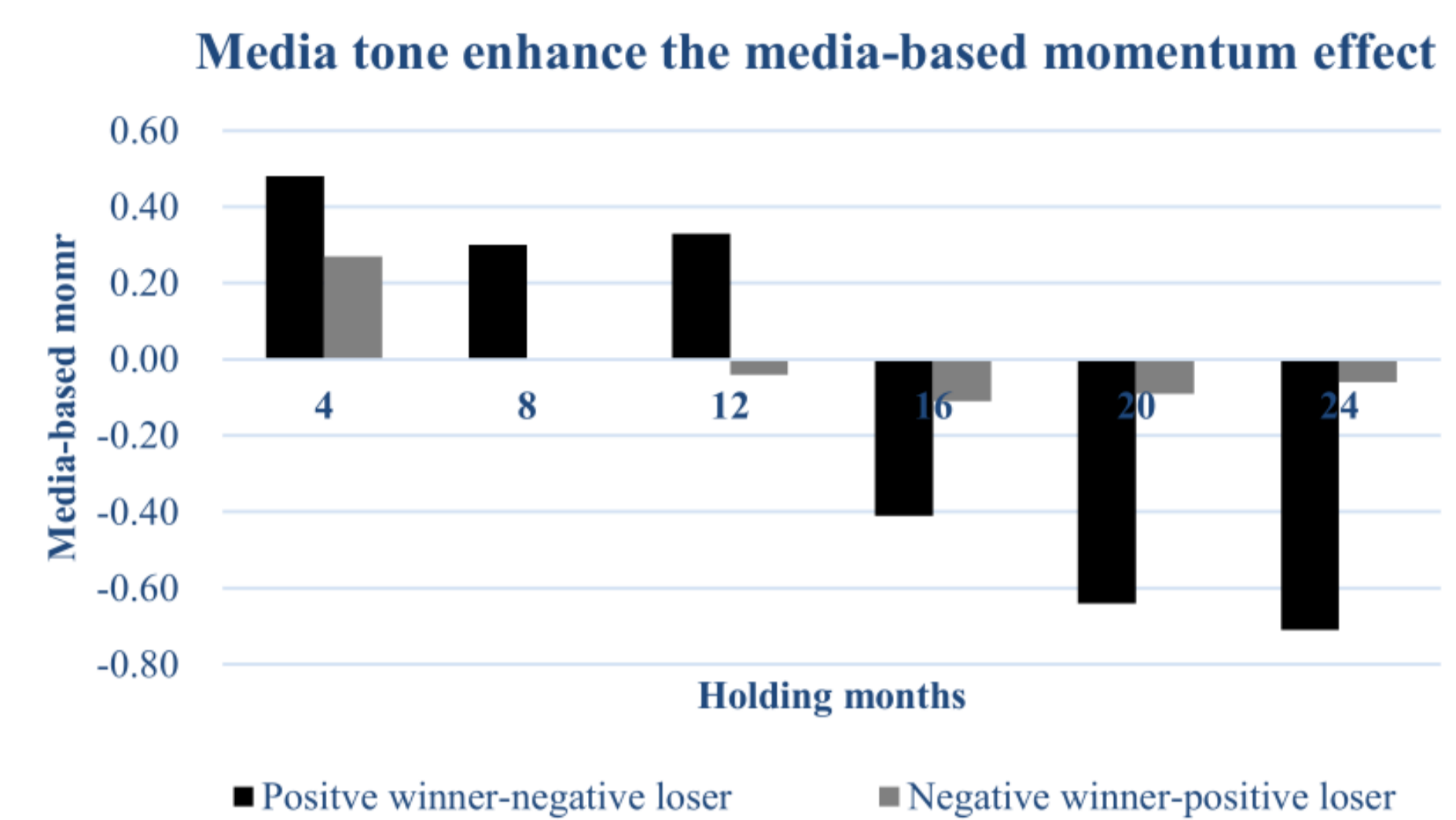
$$r_{i,t+1,t+6} = \alpha + \beta_1 \cdot r_{i,t-6,t-1} + \beta_2 \cdot Res\_coverage_{i,t-6,t-1} + \beta_3 \cdot r_{i,t-6,t-1} \times Res\_coverage_{i,t-6,t-1} + Controls + FES + \varepsilon_{i,t}$$

Variable / Models	I	II	III	IV
$r_{t-6,t-1}$	3.253*** (9.14)	1.251*** (3.17)	1.156** (2.27)	8.980*** (14.71)
$Res\_coverage$		0.002 (1.44)	0.007*** (4.41)	0.006*** (2.75)
$Res\_coverage \times r_{t-6,t-1}$		0.820*** (11.71)	0.393*** (4.98)	0.342*** (3.18)
Bond controls	No	No	Yes	Yes
Firm controls	No	No	No	Yes
Industry dummy	Yes	Yes	Yes	Yes
Month fixed effect	Yes	Yes	Yes	Yes

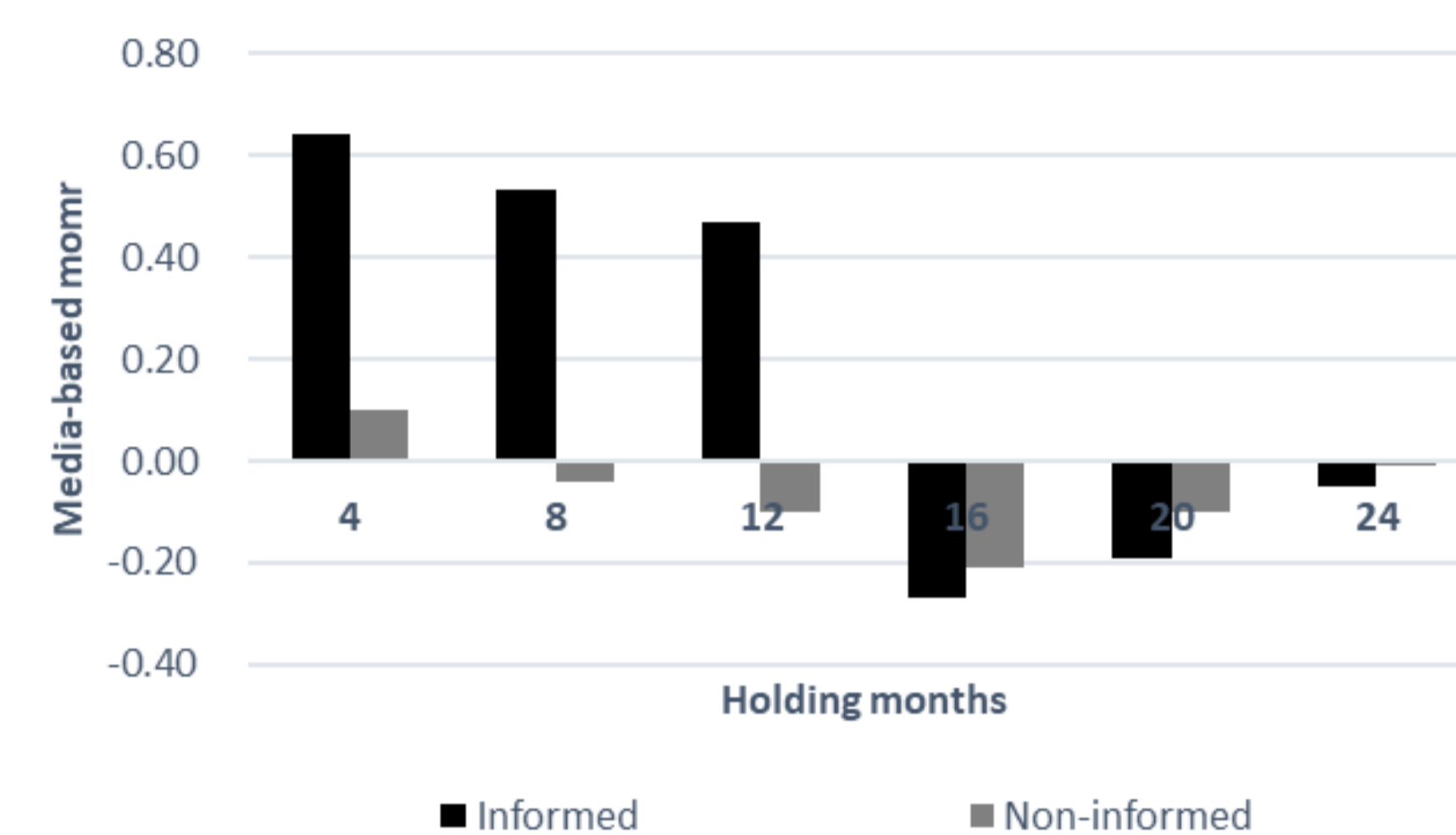
## Economic Mechanism

- Long term reversal
  - ✓ High media coverage → more spotlight to investors → enhance overreaction; In the long run: more pronounced reversal

- Tone-enhanced momentum returns



- High media coverage and informed trading trigger further and higher momentum



## By Bond Rating

- Momentum is only significant for NIG bonds, while insignificant for IG bonds.

Holding months	IG bonds			NIG bonds		
	K=4	K=8	K=12	K=4	K=8	K=12
Return spread 3-1	0.01 (0.15)	-0.04 (-0.86)	-0.12*** (-2.71)	0.92*** (2.70)	0.44* (1.70)	0.46** (1.98)
Alpha	0.01 (0.07)	-0.05 (-0.63)	-0.13* (-1.94)	0.93* (1.77)	0.47 (1.27)	0.48 (1.41)

- Media coverage can drive the momentum effect of NIG bonds.

Variable / Models	I	II	III	IV	V	VI
$r_{t-6,t-1}$	0.196*** (15.41)	0.118*** (7.54)	0.211*** (14.51)	0.111*** (6.47)	0.185*** (11.21)	0.094*** (5.13)
$Res\_coverage$		0.023 (1.36)		0.036** (1.99)		0.037* (1.73)
$Res\_coverage \times r_{t-6,t-1}$		2.348*** (8.79)		2.618*** (9.55)		3.747*** (9.33)
Bond controls	No	No	Yes	Yes	Yes	Yes
Firm controls	No	No	No	No	Yes	Yes
Industry dummy	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed	Yes	Yes	Yes	Yes	Yes	Yes

- Economic Channels

Variable / Models	Information asymmetry		Liquidity	
	Volume	Dispersion	Bond liquidity	Stock liquidity
$r_{t-6,t-1}$	0.092*** (3.49)	0.103*** (5.50)	0.102*** (5.62)	0.105*** (5.12)
$Res\_coverage$	0.066** (2.55)	0.032 (1.21)	-0.008 (-0.44)	0.032 (1.43)
$Res\_coverage \times r_{t-6,t-1}$	1.137* (1.79)	2.088*** (3.85)	5.634*** (14.63)	4.116*** (9.55)
$Res\_coverage \times r_{t-6,t-1} \times \Delta$	1.089*** (5.51)	5.540*** (4.96)	1.631*** (8.02)	8.559*** (4.32)
Control variables	Yes	Yes	Yes	Yes
Industry dummy	Yes	Yes	Yes	Yes
Month fixed effect	Yes	Yes	Yes	Yes

## Conclusions

- Media coverage has significant effect on bond momentum. High media coverage group is the main source of bond momentum return.
- Investors' overreaction to information is the main mechanism for media-based momentum.
  - ✓ Long-term reversal;
  - ✓ Media tone can enhance the coverage effect on momentum;
  - ✓ Informed trading with high media coverage gets more pronounced momentum in the short run and deeper reversal in the long run.
- The concentration of momentum in NIG bonds is explained by the concentration of the media coverage effect.