The High Volume Return Premium and the Investor Recognition Hypothesis: International Evidence and Determinants

Abstract

We examine the high volume return premium across countries as a test of the investor recognition hypothesis. Our cross-country tests are consistent with the hypothesis in that we find the magnitude of the premium is associated with market characteristics that relate to the importance of a stock's visibility, including proxies for information dissemination, investor confidence, and investor demographics. Further, we find that the high volume return premium, first documented by Gervais, Kaniel, and Mingelgrin (2001) for the United States, is a persistent phenomenon found in almost all developed equity markets and in emerging equity markets as well.

by

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