



Asper Research Webinar Series

# Market Feedback: Evidence from the Horse's Mouth

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**Friday, February 3**

3–4:15 PM (CST)

Zoom Webinar

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We surveyed all Chinese public firms in 2019 and 2022 to examine the real effects of financial markets. More than 90% of firms reported that they closely monitor the stock market for the purposes of learning information to guide real investment decisions and of accessing external financing. These findings provide direct evidence for the wide existence of market feedback via a learning channel and a financing channel. Firms are more likely to monitor their stock prices for the learning purpose when their stocks have higher analyst coverage, their managers are less informed, and market traders are more informed. Firms are more likely to monitor prices for the financing purpose when they are more financially constrained and when they have greater capital needs. We also show what firms do is highly consistent with what they report in our survey by exploring their actions on trading suspensions, real investments, equity financing, and price informativeness. Overall, our analysis suggests that financial markets are not only a side show, but instead, do affect the real economy.