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Individual Investors' Sentiment and Malaysian IPO Aftermarket Performance: Evidence from Pre-Market and Post-Market

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Abstract: *IPO aftermarket performance, particularly in the early listing days, can be viewed from two main aspects: initial return and trading volume. Past studies report that individual investors' sentiment explains IPO aftermarket performance. However, the influence of individual investors' sentiment in the pre-market and post-market on IPO aftermarket performance may differ in responding to individual investors' different reactions in different time frames (pre-market and post-market). Capturing the individual investors' sentiment in both the pre-market and post-market and its influence on IPO initial return and trading volume is of paramount importance as the sentiment can cause unnecessary fluctuation in IPO demands and prices. The fluctuation in IPO performance is claimed as the result of information asymmetry and the investors' difficulty identifying the true quality of firms. Google search volume index (GSVI) is a reliable proxy to measure the sentiment of individual investors as individual investors are the primary users of Google to search information, particularly of the newly issued stocks. Using a total of 271 IPOs listed in Main Market and ACE Market of Bursa Malaysia from 2004 to 2020, tested using ordinary least square regression models, this study found that pre-market and post-market individual investors' sentiment significantly and positively influence both IPO initial return and trading volume.*

Keywords: Pre-Market and Post-Market Individual Investors' Sentiment, Initial Public Offerings (IPOs), IPO Initial Return, IPO Trading Volume