



# Ardahan Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi

<https://dergipark.org.tr/pub/aruiibfdergisi>



## Economic news and availability heuristic in investor decisions

*Yatırımcı kararlarında ekonomik haberler ve bulunabilirlik hevristik*

Bilgehan Kübilay<sup>a\*</sup>

<sup>a</sup> Dr. Öğretim Üyesi, Zonguldak Bülent Ecevit Üniversitesi, Uygulamalı Bilimler Yüksekokulu, Finans ve Bankacılık Bölümü, Zonguldak, Türkiye, bilgehan.kubilay@beun.edu.tr, ORCID: 0000-0002-3117-0278

### ARTICLE INFO

#### Article history:

Received: 3 February 2022

Accepted: 14 April 2022

#### Keywords:

Economic News,  
Availability Heuristic,  
Financial Decisions,  
Individual Investors

#### Article type:

Review article

### MAKALE BİLGİSİ

#### Makale geçmişi:

Başvuru: 3 Şubat 2022

Kabul: 14 Nisan 2022

#### Anahtar kelimeler:

Ekonomi Haberleri,  
Bulunabilirlik Hevristik,  
Finansal Kararlar,  
Bireysel Yatırımcılar

#### Makale türü:

Derleme makale

### ABSTRACT

Economic news is important sources of information that affect investors' decisions. Investors are not rational enough and are therefore influenced by certain factors when choosing among alternatives. The abundance and frequency of information on economic news make it difficult for the public in general and the investors in particular to evaluate. Economic news draws the attention of investors, causing them to focus on certain point and ignore other factors, thus forming the basis of the availability heuristic. Considering the connection of economic news with the availability heuristic is important in financial decisions. In the studies carried out so far, different dimensions, conceptual frameworks and features of economic news and available heuristics have been examined separately. There are very few studies that deal with these two issues together. This study attempts to address the exposure points of investors to availability heuristic regarding economic news. The question of what the mainstays are causing investors to be exposed to the availability heuristic in the news has not been investigated much in the literature.

### ÖZET

Ekonomi haberleri yatırımcıların kararlarını etkileyen önemli bilgi kaynaklarıdır. Yatırımcılar yeterince rasyonel değildir ve dolayısıyla alternatifler arasından seçim yaparken belirli faktörlerden etkilenirler. Ekonomi haberlerine ilişkin bilgi fazlalığı ve sıklığı, genelde kamuoyunun özde ise yatırımcıların değerlendirme yapabilmesini zorlaştırabilmektedir. Ekonomi haberleri, yatırımcıların dikkatini çekerek belirli bir noktaya odaklanmalarına diğer faktörleri göz ardı etmelerine sebep olarak bulunabilirlik hevristikine temel dayanak oluşturmaktadır. Ekonomi haberlerinin bulunabilirlik hevristikine ile olan bağlantısının göz önünde bulundurulması alınacak finansal kararlarda önem taşımaktadır. Şimdiye kadar yapılan çalışmalarda ekonomi haberlerinin ve bulunabilirlik hevristikinin ayrı ayrı olmak üzere farklı boyutları, kavramsal çerçeveleri ve özellikleri incelenmiştir. Bu iki konuyu birlikte ele alan çok az çalışma vardır. Bu çalışma, yatırımcıların ekonomi haberlerine ilişkin bulunabilirlik hevristikine maruz kalma noktalarını ele almaya çalışmaktadır. Yatırımcıların haberlerde bulunabilirlik hevristikine maruz kalmalarına neden olan temel dayanakların neler olduğu literatürde fazla araştırılmamıştır.

\* Sorumlu yazar / Corresponding author

E-posta / E-mail: bilgesari67@gmail.com

Atf / Citation: Kübilay, B. (2022). Economic news and availability heuristic in investor decisions. *Ardahan Üniversitesi İİBF Dergisi*, 4(1), 68-74.

## 1. Introduction

Hegel argues that societies will modernize when news replaces religion in terms of guiding people and becoming the most fundamental authority. In developed economies, the news has reached the power of religion (Botton, 2015). The economy has been effective in this. Because the economy is an important component of life. Almost every citizen in the world is interested in the economy in some way, follows the economic developments and wants to receive news from economy. Especially in countries with high levels of education and development, economic situation and economic news gain more importance (Örs, 2015).

How the public follows the economy is important in terms of their economic decisions. People follow the economy and financial indicators from newspapers, television and radio, such as watching weather forecasts in their homes, workplaces. The economy is experiencing extraordinary changes from day to day, even from hour to hour, not year after year. Therefore, one by one individuals, groups and economic institutions are in close contact with the mass media and the effect of mass media on public opinion is increasing. In particular, individuals who suffer greatly from economic crises have decreased their interest in other agenda items of institutions, while increasing interest in the economy. The public gives full attention to the economy (Örs, 2003).

The increase in information about financial markets and the ease of access to information affect the decisions of investors. In this information inflation, it is important for investors to determine information that will be useful to them (Wei, Lu & Hsu, 2018). There is much research on the role and effect of news in financial markets. In the literature, researches on this subject are conducted in two ways. The first and older is about how the news affects stock prices (Chan, 2001; Vega, 2005; Fang & Peress, 2009; Tetlock, 2010). The second concerns the problem of how individual investors react to the news (Barber & Odean, 2007; Yuan, 2015). Research on the effect of news in investor decisions is more limited (Lillo, Micciche, Tumminello, Piilo, & Mantegna, 2012). This study focuses on the effect of news on individual investors' decisions. The attention-grabbing effect of economic news is discussed in the context of the availability heuristic.

When investing in financial markets, investors use some mental shortcuts as well as the analysis predicted by classical theories. News texts constitute one of the mainstays of these shortcuts. Each investors examines news texts from different sources, acquires information about companies, interprets the information obtained and ultimately decides with the effect of these news. Therefore, news has a significant effect on reviewing investment decisions, making new investment decisions and revising portfolios. While developments in financial markets affect news content, news content affects investors' emotions and behaviors. Therefore, there is mutual interaction between developments in financial markets and news content. In the financial markets, investors invest in the familiar stock that they are most familiar with. One of the main factors behind the familiarity of companies to investors is the frequent news about companies. The fact that firms frequently appear in the news attract the attention of investors and are more easily remembered by the effect of availability heuristic (Atan & Çınar, 2019). This indicates a mutual interaction between availability heuristic and economics news. In fact, the attention-grabbing effect of the news is related to the availability heuristic. In this study, the effect of availability heuristic on investment decisions due to financial news is examined. Accordingly, "Does economy-finance news affect investors' decisions by causing investors to use availability heuristic." This question constitutes the purpose of the study. For this, studies in the literature were searched. Statistical analysis was not performed.

This research also aimed to explore the following sub-questions in terms of the conceptual framework: What is the effect of the availability heuristic on investor decisions in terms of the studies examined? What is the effect of economic news on investor decisions in terms of the studies examined? What kind of interaction can there be between the availability heuristic and the economic news? Is the news the mainstay of shortcuts? What mainstays and attention-grabbing effects in economic news can be taken into consideration in leading to availability heuristic? Are there studies on this subject in the literature?

There are many studies in literature on the effect of economic news and availability heuristic on investment decisions. These studies are summarized below. However, there are very few studies addressing these two issues together. Therefore, this study is important for the connection between these two issues have been investigated. This research sheds light on the unexplored points in the literature and on filling this gap.

## 2. Literature Review

In this chapter, first of all, the availability heuristic is defined and the effect of availability heuristic on investor decisions is included. Then, the importance of the effect of economic news, which has the power to affect financial markets, on investor decisions and the effect of economic news on investor decisions with attention-grabbing effects -by means of availability heuristic- is emphasized.

### 2.1. Availability Heuristic

Traditional finance theory is based on the view that the investor behaves rationally. Accordingly, traditional finance model recognize that investors have unlimited cognitive capacity and are always active in processing information and making decisions. "The Expected Utility Theory" proposed by Neumann & Morgenstern in 1944 is one of the important studies carried out within the framework of rationality. Researches in the behavioral finance field show that the cognitive capacity of the human brain is limited and that people are not rational enough to consider all the information available before making decisions. In 1979, Daniel Kahneman & Tversky proposed the "Prospect Theory" versus the Expected Utility Theory. According to the Prospect Theory, the decision maker uses decision weights rather than probabilities. In the event of an overload of information, people use a number of heuristic when deciding to process information more easily (Kahneman & Tversky, 1979; Yuan, 2015; Ahmed & Saravanaraj, 2016). Decision making strategy without collecting information and analyzing it systematically is called heuristic. Heuristics are involuntarily used by many people (Meng, 2017). The use of heuristics and their effect on financial decisions are recognized by behavioral finance (Khan, Naz & Ghafour, 2017).

Financial decision making is an integral part of everyday life. As human beings, we generally take into consideration our past experiences when making decisions, even if they are not related to the present and future. We are exposed to various internal and external factors. Therefore, our behavior may vary depending on our emotions and feelings. As a result, our decisions and actions move away from rationality (Kliger & Kudryavtsev, 2010). Yet, when both can't be done together at the same time, the brain has difficulty deciding between efficiency and accuracy. In order to cope with this situation, the brain uses a number of shortcuts that are often, but not always, more reliable (Hendricks, 2018). Heuristics often simplify problems and do not result in completely rational behavior (Kliger & Kudryavtsev, 2010: 4). In other words, people who do not like to be wrong can distort their

ideas in order to comfort themselves. When a person makes important decisions, if his / her knowledge is inadequate and he / she seeks more evidence, he / she acts rationally; but if the person seeks evidence to support and validate his / her current beliefs, he / she is irrational (Sutherland, 2011: 5).

Kahneman & Tversky described three heuristics in a series of articles: “Availability”, “Anchoring” and “Representativeness” (Tversky & Kahneman, 1974; Ahmed & Saravanaraj, 2016). The availability heuristic is a type of cognitive heuristic that focuses on retrieving information from memory, evaluating the frequency and likelihood of events based on past experience and memory (Meng, 2017). The availability heuristic is defined as the error of determining the frequency of events according to the simplicity of the samples come to mind. Striking, dramatic events, pictures, vivid examples and personal experiences of people are more easily remembered and the frequency of such events is exaggerated. Low probability is attributed to unexciting, unobtrusive, silent and invisible situations. Because the brain thinks dramatically, not quantitatively. In other words, there is a difference between the world in the minds of people and statistics. The prevalence of the messages exposed, especially the role of the media on this issue, the emotional intensity experienced, distorts the expectations about the frequency of events (Dobelli, 2014; Kahneman, 2016).

Availability heuristic is affected by four factors. The first is situations which samples can be brought to mind. Investors tend to find ideas more reliable that come easily to their minds, even though they are not reliable source of information. For example, deaths caused by vehicle accidents are easier to remember than those caused by diabetes. Because accidents are more common in the media (Tversky & Kahneman, 1974; Khan et.al, 2017; Meng, 2017). News agencies inform airplane crashes with live images to the public in detail and for a long time. As a result, people do not prefer air travel for a while. Without availability heuristic, such events would not adversely affect people's belief in the safety of air travel. Because such incidents are not common and it is a known fact that airways are safer than other transport routes (Chiodo Guidolin, Owyang & Shimoji, 2004).

The second is imageability bias. It is the tendency of the person to evaluate a situation according to the rules given instead of the memory. The person performs probability and frequency assessments based on his ability to easily establish relevant examples. However, the ease of creating examples does not always reflect the actual frequency. Therefore, this type of evaluation leads to biases. The third is misleading correlation bias. It occurs that the person establish contact between two variables that have no relations to each other. People establish a misleading relationship between two unrelated events or variables (Tversky & Kahneman, 1974; Khan et.al, 2017; Meng, 2017). The Anne Hathaway effect can be shown an example for this situation. Anne Hathaway is an American actress and singer. It is claimed that there is a relationship between Anne Hathaway and Berkshire Hathaway stock performance. In the history of films in which Anne Hathaway played the leading role, it was observed that the price of Berkshire Hathaway stock increased. The news about Anne Hathaway increases the demand for Berkshire stock irrationally (Hendricks, 2018). The last factor is called “effectiveness of the search set”. What is easy to search makes one feel comfortable and this makes it perceived as more. For example, when the person is asked whether there are many words starting with the letter “r” in English, or if there are many words with the third letter “r”, most people say that there are more words starting with the letter “r”. Because it is easier to find words that start with the letter “r” (Tversky & Kahneman, 1974; Khan et.al, 2017; Meng, 2017).

## 2.2. The Effect of Availability Heuristic on Investor Decisions

Availability heuristic affects people's perception of risk in finance and can lead to wrong decisions. For example, an insignificant event in the media can cause panic and government intervention. In such a case risk is either ignored or overreacted (Kahneman, 2016). This causes investors to make irrational decisions. The availability heuristic affects investors financial decisions such as whether to invest, where and how they will invest (Hendricks, 2018). Many individual investors invest in the companies that they hear about in the news and attract their first attention. When a company takes part in the news, individual investors are more likely to buy the shares of that company (Barber & Odean, 2007).

While investors question the dividend growth of the companies they consider investing and the latest published profit notifications, current price earning rates, they do not question and do not care “What is it like to be a sales representative or factory consultant for these companies?” or “How is the management of these companies, production facilities, cafeteria?” or “What is the origin of raw materials?”. They do not question the meaning of commercial activity in the human dimension. That's why investors look like pilots flying through a landscape at night. While the pilots find their direction according to the signals and visual clues of only a few lights; similarly, investors make investments by paying attention to certain points (Botton, 2015). In this sense, the availability heuristic can be considered as a light signal or a visual clue that allows investors to pay attention to certain points when making decision.

There are many studies supporting the effect of availability heuristic on financial decisions. Kliger & Kudryavtsev (2010), investigated the effect of availability heuristic on financial markets. In the study, investors' responses to analysts' recommendations were tested in terms of the effect of availability heuristic. According to the results of the research, recommendations affect stock returns and availability affects heuristic stock prices. Khan et al., (2017), investigated the effect of availability heuristic in investors' stock purchase decisions. According to the research, highly educated and experienced investors are less affected by heuristic.

Research is also available on the effects of availability heuristic on advertising and marketing. Folkes (1988) investigated how availability heuristic affects consumers' judgment on defective products. In the study, the subjects were asked to estimate the probability of the products being faulty. In this regard, subjects were given distinctive scenarios and brand names for the products. Since distinctive scenarios and brand names remained in the minds of the subjects, they perceived these products as riskier by being influenced by them (availability heuristic). Availability heuristic also occurs when companies recall their defective products too. Jarell & Peltzman (1985) found that the companies suffered major losses when defective drug and automobile manufacturers withdrew these products from the market. They found that not only the companies producing these products, but also these companies adversely affected their competitors and ultimately the whole sector. Therefore, when the defective product is recalled from the market, this situation has a negative place in the minds of both the consumers who purchase these products and the shareholders who invest in these companies. As the news about defective products makes bad connotations to investors, they are kept in their mind due to the availability heuristic and so investors react accordingly.

One of the factors affecting the availability heuristic is that investors invest in financial products that are familiar to them or in their region. The term “home country bias” in English is used to mean that people invest in financial products in their own country or region. Investing their money in companies that are in front of their eyes is easier and safer for investors

(Huberman, 1999; Strong & Xu, 2003; Morse & Shive, 2004; Van Nieuwerburgh & Veldkamp, 2007).

According to the study of Liu, Sherman & Zhang (2013), investors prefer the most familiar stocks that attract their attention. This situation is especially the case when buying stocks. According to the study of Barber & Odean (2007), individual investors buy attention-grabbing stocks that they hear in the news, especially when buying stocks. When buying stocks, individual investors must face many stocks and do research. However, investors do not enough research when selling stocks. Because the investors sell their stocks which is ready and have at their disposal. This does not apply to institutional investors. Institutional investors do more research while buying or selling stocks. At the same time, institutional investors are doing similar research for buying and selling stocks. Because institutional investors have more stocks to sell in their hands than individual investors. Attention is a limited resource for individual investors, but not for institutional investors. In addition, institutional investors use computers to make trading decisions, conduct their research according to certain criteria or limit their research to certain sectors. Therefore, the irrational effect of attracting attention decreases in institutional investors. In summary, it is observed that the investors are exposed to the availability heuristic due to the factors that are familiar to them and attract the attention of them. So, they make decisions with the irrational effect of this.

### **2.3. The Effects of Economic News on Investor Decisions**

The world's richest news organizations spend much of their time preparing news about company developments to meet the needs of a particular audience. This audience are investors who need urgent, exact and accurate data on the commercial wealth of companies that want to increase their wealth want to decide where, when and how to invest their wealth. For this reason, news organizations give a wide range of real-time information and developments to the latest figures on the stock exchanges around the world and the growing and falling wealth of hundreds of thousands of companies (Botton, 2015). Therefore, the news media has the power to affect financial markets, except simply reporting events. Economy-finance journalists, in particular, affect the behavior of individual investors in the short term. Therefore, interpretation of economic news is important (Dougal, Engelberg, Garcia & Parsons, 2012). The news in the media, the content of the news, the categories of the news or the location of the press each have effect on decisions of investors. The information obtained from the news affects many financial factors such as market return, portfolio selection and volatility (Wei et al., 2018).

Financial markets are highly heterogeneous systems and investors are an important heterogeneous resource also. Investors vary in many ways. The risk profiles of investors, the size of their investments, the information they can access to and the regulations they face are different. For this reason, households, foreign institutions, public institutions, non-profit organizations react differently to the news (Lillo et al., 2012). As investors' market composition is complex, reactions and replies to good or bad news can be different. For example, an important component of the Taiwan Stock Exchange is individual investors. Individual investors do not have professional qualifications. Therefore, these investors do not distinguish between information sources or make optimal investment decisions (Wei et al., 2018). Inexperienced investors, in particular, rely more on mass media than professional investors. Because there are not many information channels that inexperienced investors can access like professional investors. For this reason, the media is a fundamental mechanism for attracting the attention of individual investors (Yuan, 2015).

Tetlock (2010), investigated the effect of the news on stock prices. As a result of the research, it was stated that the news played a key role for some experienced investors and this was not the case for other investors. Chan (2001) investigated whether there was a difference in stock returns after the news. In this study, it is concluded that stock returns are affected negatively by bad news and investors are sensitive to information. Klibanoff, Lamont & Wizman (1998) investigated that the hypothesis that individual investors gave more importance to the salient news and paid less attention to the less emphasized news.

The question of "Does the news provide investors with significant earnings opportunities?" was evaluated from Engelberg, Reed & Ringgenberg (2012), in terms of short – selling investors. There are two views on the issue. Accordingly, news reduces information asymmetry among investors. Thus, short sellers cannot make a significant profit. On the other hand, there are investors with different skills in the ability to process information in real life. The person who reads the same news can interpret the information in a different way according to himself/herself. This news creates an opportunity for the investor who has the ability to process information. Short seller investors can make profitable transactions because they have the ability to analyze information correctly. Vega (2005), stated in his research that it does not matter whether the news was public or private. According to him, the important point was the information obtained from the news was the rate of reaching the informed investor. He stated that not all the information obtained had the same effect on the efficiency of the market. Therefore, according to the demographic characteristics of the investors (such as gender, age, education level, marital status, income status), it is important to investigate the effect of the news.

In addition to the demographic characteristics of the investors, the effect of the news may differ depending on whether they are corporate or individual. Nofsinger (2001), investigated the reactions of corporate and individual firms to the news. Nofsinger argues that corporate and individual investors react differently to specific news and macro news published about companies on Wall Street. According to him, when special news about companies is published, especially when it comes to earnings and dividend news, investors make more transactions in the financial markets. While institutional investors trade both good news and bad news, individual investors only trade good news. In addition, the length of the news can be effective for individual investors. Individual and corporate investors invest in large corporations after good economic news and dispose of large corporations after bad news. Engelberg & Parsons (2011) compared the behavior of investors accessing the same information published in different media. They investigated how financial events in the media affect investor behavior.

### **2.4. Effect of Economic News on Investor Decisions by means of Availability Heuristic**

There are very few studies dealing with the economic news and availability heuristic. Unlike other studies, the effect of news to attract investors' attention has been handled within the context of availability heuristic. Unique factors of news such as sticking in the mind, attention-grabbing, looking familiar, repetition constitute the basis for the availability heuristic. In order for availability heuristic to process, investors' goals to follow the news, the frequency of investors following the news, the news content they follow are the points that should be taken into consideration according to the demographic characteristics of the investors. Studies in the literature mostly focused on the attention-grabbing effect of the news (Barber & Odean, 2007; Da, Engelberg & Gao, 2011; Yuan, 2015). In fact,

the attention-grabbing effect of the news constitute basis for availability heuristic.

Investors have difficulty deciding which stock to buy. Therefore, they focus only on the stocks that attract their attention. Similarly, advertisements use investors' behavioral biases in processing information. The increase in advertisements increases the visibility and value of a company among investors. When investors see a company in advertisements on a continuous basis, they tend to think that the probability of the company's growth will be high. This leads to an increase in the price of the stock (Lou, 2009).

When investors are faced with a lot of information when making an investment decision, they must be selective in processing the information (Peng & Xiong, 2006). If the return of a stock is high or the stocks' name is mentioned in the news media, it attracts the attention of investors. However, this may be due to factors that are not related to the attention of the investor. On the other hand, news published in the newspapers does not guarantee that the investors will always attract attention. The prerequisite for attracting attention is that the investor reads the news. Moreover, the wealth of information can also create attention constraints (Da, Engelberg & Gao, 2011). Information is meaningful if it is used appropriately. Human behavior, which learns a lot but is unable to put this knowledge into practice, is incompatible with rationality (İlarslan, 2015). On the other hand, it is difficult to draw the attention of the uneducated population to economic news. Numerical expressions can get confuse people from time to time. Most people don't know what these numerical expressions' mean (Botton, 2015). Considering these factors, investors' decisions may also differ.

Yuan (2015) pointed out that the front page news had a significant effect on investors' trading decisions. On the other hand, Fang & Peress (2009) found that stocks that were not included in the media had higher earnings than those in the media. The press gives place to companies that will attract the attention of the market and affect the market (Liu et al., 2013). Therefore, the press's attempts to attract the attention of the market through the news cause availability heuristic in investors.

In addition to news, the search engine Google is the main source of information for investors to conduct research, gather information. Accordingly, Google's research can be used to measure investors' attention. Da et al., (2011), looked at the frequency of Google search to measure the attention of their investors. Accordingly, they found a relationship between the stock prices and investors' attention. Therefore, besides the news, the frequently encountered data in google can be considered as one of the remarkable factors.

Sağiroğlu (2013), investigated the extent to which the corporate /brand news on the economy pages of newspaper had effect on general and business readers. In this study, it was sought to answer the question whether brand news on the economy pages had effect on the sectorial environment and the end consumer, and whether visibility in the economy press had a positive effect on reputation. As a result of the research, it was found out that the respondents sometimes followed the economic pages of the newspapers and followed the news content mostly related to the country's economy and financial and money markets. In order to be exposed to availability heuristic, it is important whether investors follow the news, and if so, what news content they pay attention to. Firms frequently included in the news and the contents of the economic news are effective in the investors' exposure to availability heuristic. In addition to the news, advertisements in financial markets are also used to attract investors' attention. Advertisements attract investors' attention by increasing the

visibility of a company. As investors' attention levels increase, returns on stocks also increase (Chemmanur & Yan, 2019).

In short, external stimuli (news, the content of the news, the way it is presented, etc.) affect the ability of investors to process information and their financial decisions. Economic news as an external stimulus is important factor in causing the availability heuristic.

### 3. Methodology

In this study, a literature review was conducted. This study does not include statistical analysis. The purpose of the literature review is not to report the known, but to determine the unknown (Lingard, 2018). In this study, the effect of economic news on attracting the attention of investors is discussed in the context of the availability heuristic, and an attempt is made to summarize the contributions and findings of various researchers in the literature.

### 4. Conclusion

In recent years, rapid changes can be experienced in the economy in short time intervals and the investor wants to learn these changes instantly. In general, it is known that investment decisions focus on news in the economy. News provides investors with easy access to information and ease of recall. News has a significant effect on reviewing investment decisions, making new investment decisions and revising portfolios. So economic news is important sources of information for investors. As Tversky & Kahneman (1973) stated for the availability heuristic, people use shortcuts while making decisions by focusing the information that is frequently repeated, remarkable, easily remembered, and familiar to them. Economic news underpins the availability heuristic for reasons such as frequent repetition of news, memorable, attracting attention and providing familiarity. This situation causes investors to make irrational decisions. It is important to analyze the economic news correctly.

As stated in the literature review, economic news (Wei et al., 2018; Yuan, 2015; Dougal, Engelberg, Garcia & Parsons, 2012; Tetlock, 2010) and availability heuristic (Khan et al., 2017; Kliger & Kudryavtsev, 2010) affect investor decisions. Companies that appear in the news are more remembered, investors more importance to the salient news. After the news there can be difference in stock returns and this may cause the stock of that company to be purchased more (Chemmanur & Yan, 2019; Barber & Odean, 2007; Chan, 2001). The information obtained from the news affects many financial factors such as market return, portfolio selection and volatility (Wei et al., 2018). The economic news can distort investors perception of risk in finance and can lead to wrong decisions. Investors should not ignore the stocks of companies that do not appear in the news much. Because earning opportunities can be here as well.

In the literature research, it has been seen that the news does not have the same effect on every investor. The attention-grabbing effect of the news differs according to the investor profile. Individual-institutional investor; experienced-inexperienced investor, informed-ignorant investors, households, foreign institutions, public institutions, non-profit organizations react differently to the economic news. In addition, the attention-grabbing effect of the economic news differs according to the demographic characteristics of the investors and their ability to process information (Yuan, 2015; Engelberg, Reed & Ringgenberg, 2012; Tetlock, 2010; Lillo et al., 2012; Barber & Odean 2007; Vega, 2005; Nofsinger, 2001).

In this study, it is revealed in which contexts the economic news and availability heuristic in the literature is discussed. The mainstays and attention-grabbing effects that lead to the availability heuristic in economic news are investigated. Due to its structure, the news may expose investors to the availability heuristic in many ways. The content, frequency, format and length of the news, good and bad news can be considered as shortcuts in investor decisions (Wei et al., 2018; Chan, Sağıroğlu, 2013; 2001; Nofsinger, 2001).

On the other hand, according to literature research investors choose the stocks of companies that are familiar to them and that they frequently encounter in the news. Apart from news, advertisements, social media and search engines such as google also have attention-grabbing effect. These tools can be searched within the scope of the availability heuristic. Because investors are constantly faced with these stimuli. Therefore, investors become vulnerable to manipulation. With this study, it can help investors gain awareness.

The connection of economic news with the availability heuristic can be clarified in terms of conceptual and theoretical foundations. Studies on economic news and the availability heuristic can also open up research avenues in the field of behavioral finance.

This study has some limitations. This study is limited to a literature review only. The relationship between the economic news and the availability heuristic can be revealed by different methods and tools. Research on this subject should deepen in the literature.

### Yazar Katkı Oranı Beyanı

Tüm süreç sorumlu yazar Bilgehan Kübilay tarafından yürütülmüştür.

### Çatışma Beyanı

Çalışmada yazarlar arasında çıkar çatışması yoktur.

### Destek Beyanı

Bu çalışma için herhangi bir kurumdan destek alınmamıştır.

### Kaynaklar

- Ahmed, R. and Saravananaraj, M. (2016). Implications of heuristic in financial decision making. *Asian Journal of Research in Social Sciences and Humanities*, 6 (7), 1245-1251, doi: 10.5958/2249-7315.2016.00509.8.
- Atan, S., and Çınar, Y. (2019). Borsa İstanbul'da finansal haberler ile piyasa değeri ilişkisinin metin madenciliği ve duygu (sentiment) analizi ile incelenmesi. *Ankara Üniversitesi Siyasal Bilgiler Fakültesi Dergisi*, 74 (1), 1-34, doi: 10.33630/ausbf.523199.
- Barber, B. M., and Odean, T. (2007). All that glitters: The effect of attention and news on the buying behavior of individual and institutional investors. *The Review of Financial Studies*, 21 (2), 785-818, doi: 10.1093/rfs/hhm079.
- Botton, A. (2015). Haberler: Bir kullanma klavuzu. (Çev. Zeynep Baransel), İstanbul: Sel Yayıncılık.
- Chan, W. S. (2001). Stock price reaction to news and no-news: drift and reversal after headlines. *Journal of Financial Economics*, 70(2), 223-260, doi: 10.1016/S0304-405X(03)00146-6.
- Chemmanur, T., and Yan, A. (2019). Advertising, Attention, and stock returns. *Quarterly Journal of Finance*, 9(3), 1950009 (2019), doi: 10.1142/S2010139219500095.
- Chiodo, A. J., Guidolin, M., Owyang, M. T., and Shimoji, M. (2004). Subjective probabilities: psychological theories and economic applications. *Federal Reserve Bank of St. Louis Review*, 86(1), 33-48, doi:10.20955/wp.2003.009.
- Da, Z. Engelberg, J., and Gao, P. (2011). In search of attention. *The Journal of Finance*, LXVI (5), doi: 10.1111/j.1540-6261.2011.01679.x.

- Dobelli, R. (2014). Hatasız düşünme sanatı: Yapmamanız gereken 52 düşünce hatası. İstanbul: NTV Yayınları.
- Dougal, C., Engelberg, J. Garcia and D. Parsons, C. A. (2012). Journalists and the stock market. *The Review of Financial Studies*, 25 (3), 639-679, doi: 10.1093/rfs/hhr133.
- Engelberg, J. E., Reed, A. V. and Riggenberg, M. C. (2012). How are shorts informed? short sellers, news, and information processing. *Journal of Financial Economics*, 105 (2), 260-278, doi: 10.2139/ssrn.1535337.
- Engelberg, J. and Parsons, C. A. (2011). The causal impact of media in financial markets. *Journal of Finance*, 66(1), 67-97, doi: 10.1111/j.1540-6261.2010.01626.x.
- Fang, L. H. and Peress J. (2009). Media coverage and cross-section of stock returns. *The Journal of Finance*, 64(5), 2023-2052, doi: 10.2139/ssrn.971202.
- Huberman, G. (1999). Familiarity breeds investment. *Review of Financial Studies*, 14 (3), 659-80, doi: 10.2139/SSRN.199314.
- İlarslan, K. (2014). Hisse senedi fiyat hareketlerinin tahmin edilmesinde markov zincirlerinin kullanılması: İMKB 10 bankacılık endeksi işletmeleri üzerine ampirik bir çalışma. *Journal of Yasar University*, 9 (35), 6099-6260, doi: 10.19168/jyu.32384.
- Jarell, G. and Peltzman, S. (1985). The impact of product recalls on the wealth of sellers. *The Journal of Political Economy*, 93 (3), 512-536.
- Kahneman, D. (2016). Hızlı ve yavaş düşünme. (Çev. Deniztekin, Filiz ve Deniztekin O. Ç.) İstanbul, Varlık Yayınları.
- Kahneman, D., and Tversky A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica Journal of the Econometric Society*, 47 (2), 263-292, doi: 10.2307/1914185.
- Khan, H., H. Naz, I. Qureshi F. and Ghafoor A. (2017). Heuristic and stock buying decision: evidence from malaysian and pakistani stock markets. *Borsa İstanbul Review*, 17-2, 97-110, doi: 10.1016/j.bir.2016.12.002.
- Klibanoff, P., Lamont, O. and Wizman, T. A. (1998). Investor reaction to salient news in closed-end country funds. *Journal of Finance*, 53 (2), 673-699, doi: 10.3386/w5588.
- Kliger, D., and Kudryavtsev, A. (2010). The availability heuristic and investors' reaction to company-specific events, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.601.5857&rep=rep1&type=pdf>, (Date of access: 21 Temmuz 2019).
- Lillo, F., Micciche, S., Tumminello, M. Piilo, J., and Mantegna, R. N. (2012). How news affect the trading behavior of different categories of investors in a financial market. *Quantitative Finance*, 15(2), doi: 10.2139/ssrn.2109337.
- Lingard, L. (2018). Writing an effective literature review: Part I: Mapping the gap, *Perspect Med. Educ.* 7(1), 47-49, doi: 10.1007/s40037-017-0401-x.
- Liu, L. X., Sherman, A. E., and Zhang, Y. (2013). The long-run role of the media: Evidence from initial public offerings. *Management Science*, 60(8), 1945-1964, doi: 10.1287/mnsc.2013.1851.
- Lou, D. (2009). Attracting investor attention through advertising. *The Paul Woolley Centre Working Paper Series*, No: 8, Discussion Paper. No: 644, doi: 10.1093/rfs/hhu019.
- Meng, S. (2017). Availability heuristic will affect decision – making and result in bias. *International Conference on Management Science and Innovative Education (MSIE 2017)*, ISBN: 978-1-60595-488-2, doi: 10.12783/dtssehs/msie2017/15448.
- Morse, A., and Shive, S. (2004). Patriotism in your portfolio. *SSRN Electronic Journal*. 14 (2), 411-440, doi: 10.1016/j.finmar.2010.10.003.
- Nofsinger, J. R. (2001). The impact of public information on investors. *Journal for Banking and Finance*, 25(7), 1339-1366, doi: 10.1016/S0378-4266(00)00133-3.
- Örs, F. (2003). Ekonomi iletişimi, ekonomik yaklaşım. *Gazi Üniversitesi İktisat Bölümü Dergisi*, 48, 97-105.
- Örs, M. Ş. (2015). Ekonominin iletişimi. *Gözlem Gazetesi*, [http://gozlemgazetesi.com/HaberDetay/139938/ekonomininiletisimi.html#\\_WV\\_5IYjyjIV](http://gozlemgazetesi.com/HaberDetay/139938/ekonomininiletisimi.html#_WV_5IYjyjIV), (Date of access: 08 Temmuz 2017).
- Peng, L., and Xiong, W. (2006). Investor attention, overconfidence and category learning. *Journal of Financial Economics*, 80 (2006), 563-602, doi: 10.1016/j.jfineco.2005.05.003.
- Sağıroğlu, Y. (2013). Kurumsal itibar yönetiminde ekonomi basınının yeri, (Yayınlanmamış Yüksek Lisans Tezi). T.C. İstanbul Kültür Üniversitesi Sosyal Bilimler Enstitüsü, İletişim Sanatları Anabilim Dalı, İstanbul.

- Strong, N., and Xu, X. (2003). Understanding the equity home bias: Evidence from survey data. *The Review of Economics and Statistics*, 85 (2), 307-312, doi: 10.2139/ssrn.191401.
- Sutherland, S. (2011). İrrasyonel, (9. Baskı). İstanbul: Domingo Yayıncılık.
- Tetlock, P. C. (2010). Does public financial news resolve asymmetric information? *The Review of Financial Studies*. 23 (9), 3520-3557, doi: 10.2139/ssrn.1303612.
- Tversky, A. and Kahneman, D. (1973). Availability: A heuristic for judging frequency and probability. *Cognitive Psychology*, 5(2), 207-232. [https://doi.org/10.1016/0010-0285\(73\)90033-9](https://doi.org/10.1016/0010-0285(73)90033-9).
- Tversky, A. and Kahneman, D. (1974). Judgement under uncertainty: Heuristic and biases, *Science. New Series*. 185 (4157), 1124-1131.
- Van Nieuwerburgh, S., and Veldkamp, L. (2007). Information immobility and the home bias puzzle. *The Journal of Finance*. 64 (3), 1187-1215, doi: 10.1111/j.1540-6261.2009.01462.x.
- Vega, C. (2005). Stock price reaction to public and private information. *Journal of Financial Economics*. 82 (1), 103-133, doi: 10.1016/j.jfineco.2005.07.011.
- Wei, Yu-Chen, Lu, Yang-Cheng., and Hsu, Yen-Ju, (2018). News and investor sentiments: the impact on trading behavior. European Financial Management Association (EFMA) Annual Meetings. 27-30 June 2018, Milan, Italy, [https://efmacfm.org/0EFMAMEETINGS/EFMA%20ANNUAL%20MEETINGS/2018-Milan/papers/EFMA2018\\_0340\\_fullpaper.pdf](https://efmacfm.org/0EFMAMEETINGS/EFMA%20ANNUAL%20MEETINGS/2018-Milan/papers/EFMA2018_0340_fullpaper.pdf), (Date of access: 10 Temmuz 2019).
- Yuan, Y. (2015). Market – wide attention, trading, and stock returns. *Journal of Financial Economics (JFE)*, 116(3), 548-564, doi: 10.1016/j.jfineco.2015.03.006.