

Chapter 4

Does Parasocial Breakup Affect the Stock Market Returns? Evidence From an Emerging Market

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ABSTRACT

This chapter analyzes the impact of parasocial breakup on the stock returns in Borsa Istanbul as an emerging stock market. In this study, 129 Turkish TV series finales, broadcast between 2005 and 2015, are employed as a negative mood proxy. In line with the purpose of this chapter, GARCH-M model is used to obtain a more efficient parameter and alternative mood proxy dummies and other macroeconomic variables are incorporated into the analyses to examine the robustness of the effect of parasocial breakup on stock market returns. The analysis presents robust evidence that the negative mood increases the stock market returns. It also found that the effect of parasocial breakup on returns depends on the types of TV series and the channels they are broadcast on.

INTRODUCTION

In a latest study, for the first time in the literature, the number of individuals experiencing a parasocial breakup¹ is used as a mood proxy to investigate the power of exterior variations in the psychology of investor on stock market returns (Lepori, 2015). Lepori (2015) adopts that arise in the watcher of TV series finales causes the society to fall into the negative mood. However there is no data on the watcher numbers of Turkish TV serials and for this reason, it is assumed for Turkey that when the long-episode TV series end, negative mood dominates over the society (Eyal and Cohen, 2006). This view can be briefly stated as follows: Cohen (2003), Cohen (2004) and Eyal and Cohen (2006) reveal that if the parasocial relationship prior to breakup is powerful, the negative mood arising from a parasocial breakup is more severe. It is understood that the negative mood effect of the parasocial breakup on the society proceeds

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from the power of the parasocial relationship. The longer a viewer watches a TV persona, the stronger the attachment and the parasocial relationship that he/she builds becomes (Rubin and McHugh, 1987); hence, the power of parasocial relationships, which affects the psyche of the society, grows stronger in long-running TV serials and the impact deepens by the tragic or happy endings of their popular characters.

This study examines the episode counts of the Turkish TV series that reached their finales to investigate the influence of parasocial breakup on market returns in Borsa Istanbul (BIST). This chapter, which presents forceful findings that are in concert with the few studies in the field of psychology however out of harmony with the studies in the field of behavioural finance, aims four major contributions to the literature. First off, this study examines the episode numbers of the TV series ended. Secondly; in this chapter, the effect of parasocial breakups on stock returns is also analyzed by considering the forms of the TV series and different TV channels. Thirdly; Generalized Autoregressive Conditional Heteroscedasticity in Mean (GARCH-M) model is employed to capture the effect of risk on return and also to obtain a more efficient parameter. Fourthly, this chapter presents evidence on the effects of parasocial breakups on the behaviour of investors in an emerging market (Turkey). Investigating the relationship between TV series finales and stock returns by using data from Turkey has various advantages (RTÜK, 2013; NTV, 2013): (i) the most preferred programs by the audience are the TV serials in Turkey, so they play an important role for both the society and the media. (ii) Most of the viewers in Turkey identify themselves with TV personae. (iii) Turkey is the second major TV series exporting country after the USA. (iv) Viewers from all of the geographic regions of Turkey allow us to observe the impact of TV series in the whole country.

The rest of this chapter is organized as follows. First, some of the studies in the literature related to parasocial breakup-mood and mood-investing in stocks are briefed. Thereinafter, the methodology and the data are introduced and then the results of the empirical findings are discussed. Finally, it is presented concluding remarks.

BACKGROUND

The Relationship Between Mood and Invest in Risky Asset

The decision maker reflects his / her mood at every stage of the decision-making process. The individual's mood affects the last choice in his judgement action in the same manner. (see in Bower 1981, Johnson and Tversky, 1983). In other words, an individual with a negative mood is more pessimistic than the individual who has a positive mood (see in Isen et al.1978, Kavanagh and Bower 1985, Wright and Bower, 1992). This can be described by the influence of mood congruency. The mood congruence term means the match between the individual's thought and his mood (Myer vd., 1992). According to the mood congruency, the individual keeps his mind in his mind; that is, if the investor feels himself or herself feeling psychologically bad, the mind constantly feels bad or fears (like fear of loss or bankruptcy) and therefore avoids the risk (ie the risk perception rises up and to avoid risk-taking). "Affect as information" theory can also help to determine the relationship between a person's mood and the decisions. According to this theory; before making an opinion, individuals generally make an assessment of themselves about the situation they are facing by asking themselves "What Do I Feel About It " and " How Do I Feel ?", and this is often the result of their emotions (Schwarz and Clore, 1983, 1988). In other words, an individual with a negative mood becomes more pessimistic in decisions than

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