

This thesis studies how the investor attention proxied by Google search volume affects different aspects of market behavior. My results show that a surge in online attention is associated with an increase in trading activity and stock price volatility, but no effect is detected for daily returns. Yet, if market sentiment is taken into account, the relationship comes to the surface for returns as well. The returns tend to decrease with attention hikes in negative sentiment periods and the opposite is observed for periods of positive sentiment, suggesting that Google web search captures predominately attention of sentiment investors. Moreover, I demonstrate that with the outburst of financial crisis, the interdependence between attention and trading activity was intensified. Lastly, I provide evidence that web search may shed some light on IPO-related puzzles. The initial returns seem to be higher for IPOs that receive above average attention, and are likely to be reversed in long-term. In addition, it is ascertained that web search volume may act as a proxy for market overreaction to the offerings.