

ANOTHER LIVEDOOR SHOCK?

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〈SUMMARY〉

In this paper, we investigate the effect of the “Livedoor shock” of 2006 on the stock prices of firms with similar names to “Livedoor” in Japanese, in terms of including words such as “li,” “ive,” or “door.” The result shows that the abnormal returns on the stock prices of such firms declined significantly immediately following the Livedoor shock. We fail to find a difference between firms including the sound “li” and others. On the other hand, the returns of firms with names written in katakana fell relative to stock market prices, but not firms with names written in hiragana or kanji. Since Livedoor was written in katakana, the results imply that the similarity is not derived from the sound but from the look of the name. Therefore we conclude that the Livedoor shock affected not only the whole stock market explicitly, but also firms with similar names implicitly. Further, the results also suggest the existence of a representativeness heuristic within stock market investors.

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