

**CHARLES UNIVERSITY**  
**FACULTY OF SOCIAL SCIENCES**

**individual study plan  
of doctoral student**

**Plan ID 17472**

**Student**

Name	<b>Fan Yang</b>
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Faculty	<b>Faculty of Social Sciences</b>
Study programme	<b>Economics and Finance (P0311D050002)</b>
Standard length of the study (number of years)	<b>4</b>
Form of study	<b>full-time</b>
Date of commencement of doctoral study	<b>23.09.2019</b>

**Study programme guarantor  
and Chair of subject area board**

Name **prof. Ing. Evžen Kočenda, M.A., Ph.D., DSc.**

**Supervisor**

Name	<b>Jiří Novák, M.Sc., Ph.D.</b>
E-mail	<b>jiri.novak@fsv.cuni.cz</b>
Department / Institute	<b>Institute of Economic Studies (23-IES)</b>

**Doctoral dissertation**

<b>Title of thesis</b>
The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction

## Progress on the doctoral dissertation

Doctoral dissertation theme:

Credibility, Linguistic Extremity on Information Disclosure and Stock Market Reaction

Synopsis:

Financial disclosure is of great importance for investors in decision-making process, and that is the reason why the relationship between style features of disclosure and investor judgments has increasingly attracted researchers' attention. Investors may have different perceptions of information processed and corresponding judgments and valuations even though they are provided the same information. Prior research finds that disclosure readability influence investors' reaction through processing fluency, an individual's subjective feeling about how easy it is to process information (e.g. You and Zhang 2009; Miller 2010; Rennekamp 2012; Lawrence 2013; Tan, Wang, and Zhou 2015). However, another language attribute-extremity has not been discussed thoroughly in researches.

Linguistic extremity is defined as a set of stylistic markers that can increase the perceived extremity of a message's position (Hamilton & Stewart, 1993). Prior language and psychological studies show that extremity should increase message processing and magnify message effects on persuasion (Petty and Cacioppo 1986; Burgoon et al. 1975; Hamilton and Thompson 1994; Craig and Blankenship 2018). And Bochkay, Chava and Hales (2016) suggest that investors respond more strongly to extreme, rather than moderate, language in earnings conference calls as evidenced by significantly higher abnormal trading volume and stock returns around the calls in weaker information environment. However, the positive relationship between linguistic extremity and persuasion is affected by some factors such as strength of arguments (Petty and Cacioppo 1986). Credible source might be another factor that influences the relationship.

According to language expectancy theory, credible sources have wider bandwidths of appropriate communication and are less likely to violate expectations. Nonetheless, speakers with little credibility have narrower bandwidth and are expected to use unaggressive strategies (e.g. promises, less intense language, and reassurances). When they employ aggressive strategies (e.g. threats, highly intense language, and fear appeals), they would be negatively evaluated and compliance decreases. It is possible that investors would be negatively influenced if the CEO with less credibility uses extreme language rather than moderate language for positive company performance. As a result, the use of extremity in earnings conference call may lead to opposite effects on investors' judgments and the desired information cannot be conveyed to audience. Because it seems more practical for a company to present positive performance with extreme language to increase investors' confidence and expectation, I will test the positive performance condition in first paper.

The research is to investigate stock price reaction to linguistic extremity of earnings conference calls depending on CEO's credibility. I predict that even though highly credible CEO's extremity will attract more investments, less credible CEO's extremity may violate investors' expectation and result in opposite effect. Except the quality of argument, whether the source is credible also affects the validity of positive relationship. And less credible CEO may avoid using extreme language that may lead to negative valuation.

When it comes negative performance, the situation becomes more complicated. In the second paper, I plan to investigate the influence based on companies negative performance. How likely company CEO would use extreme words to describe company's situation? And would credibility of CEO also be considered as an important factor for market reaction?

Finally, my third research will focus on the different statements towards to trade conflict between US and China. Base on the recent background, many companies are influenced by the trade conflict. Mostly, they are faced with political issue that they cannot change by themselves. Investors are more or less disappointed with the dilemma. Companies definitely want to mitigate the loss of confidence from investors and stabilize their stock price. But different companies may have different expression about the issue. Some companies may avoid to discuss the issue while others are expressing worries and highlighting the degree of seriousness, which would be related to their linguistic extremity. I plan to analyze their conference calls' statements to find what kind of ways to mitigate investors' stress.

Selective list of references:

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S. Brown, S.A. Hillegeist, K. Lo, Conference calls and information asymmetry, *J. Account. Econ.*, 37 (3) (2004), pp. 343-366  
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 Price, S. M., J. S. Doran, D. R. Peterson, and B. A. Bliss (2012). Earnings conference calls and stock returns: the incremental informativeness of textual tone. *Journal of Banking & Finance* 36 (4).  
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 Beaver, W. H. (1968). The information content of annual earnings announcements. *Journal of Accounting Research*, 67(92).  
 Bamber, L. S., O. E. Barron, and D. E. Stevens (2011). Trading volume around earnings announcements and other financial reports: Theory, research design, empirical evidence, and directions for future research. *Contemporary Accounting Research* 28 (2), 431-471.  
 Form and scope of the dissertation:  
 The dissertation will be between 100-150 pages.  
 It will be an archival study, using data from conference calls and stock market to test the regression model designed for the research.  
 Time-schedule of progress on the dissertation:  
 1st year of study: work on completing the first dissertation paper "The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction"  
 2nd year of study: work on second dissertation paper with an expected title "How Does CEOs' Credibility Along with Extreme Expression of Negative Performance influence Perception of Investors ?"  
 3rd year of study: work on third dissertation paper with an expected title "How to Mitigate Investors' Loss of Confidence from the Background of US-China Trade Conflict? A Perspective from Statements in Conference Calls"  
 4th year of study: pre-defense of the dissertation and defense of the dissertation

## State doctoral examination and doctoral thesis defence

Type	Code	Title, details	Ac. year
Doctoral dissertation defence	JOBEE1	Obhajoba disertační práce	2022/2023
State doctoral examination	JSZEE1	Státní doktorská zkouška	2021/2022

## Course of study

Scheduled date of the state doctoral examination: November 2021  
 Scheduled date of the pre-defence: November 2022  
 Scheduled date of the defence of the dissertation: May 2023

## Duties – study plan

Type	Code	Title, details	Ac. year
Course	JED414	Quantitative Methods in Macroeconomics and Finance I	2019/2020
Course	JED415	Quantitative Methods in Macroeconomics and Finance II	2019/2020
Course	JED412	Advanced Financial Econometrics I	2020/2021
Course	JED413	Advanced Financial Econometrics II	2020/2021
Course	JED209	Applied Banking and Finance I	2021/2022
Course	JED210	Applied Banking and Finance II	2021/2022
Course	JED109	Institutional Economics and Economic Policy I	2022/2023
Course	JED110	Institutional Economics and Economic Policy II	2022/2023
Course	JED511	Teaching Assistantship (Full) A	2019/2020
Course	JED611	Teaching Assistantship (Full) B	2019/2020
Course	JED511	Teaching Assistantship (Full) A	2019/2020
Course	JED611	Teaching Assistantship (Full) B	2019/2020
Course	JED511	Teaching Assistantship (Full) A	2020/2021
Course	JED511	Teaching Assistantship (Full) A	2020/2021
Course	JED611	Teaching Assistantship (Full) B	2020/2021
Course	JED611	Teaching Assistantship (Full) B	2020/2021
Course	JED511	Teaching Assistantship (Full) A	2021/2022
Course	JED511	Teaching Assistantship (Full) A	2021/2022
Course	JED611	Teaching Assistantship (Full) B	2021/2022
Course	JED611	Teaching Assistantship (Full) B	2021/2022
Course	JED511	Teaching Assistantship (Full) A	2022/2023
Course	JED611	Teaching Assistantship (Full) B	2022/2023
Course	JED611	Teaching Assistantship (Full) B	2022/2023
Course	JED511	Teaching Assistantship (Full) A	2022/2023
Publication	---	The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction Submission of paper "The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction" (IES WP series) Submission of paper to a foreign journal listed in the Scopus database with an expected title "The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction" according to following preference (i) <i>Journal of Accounting Review</i> , (ii) <i>Review of Quantitative Finance and Accounting</i> , (iii) <i>Review of Accounting and Finance</i>	2019/2020
Publication	---	How Does CEOs' Credibility Along with Extreme Expression of Negative Performance influence Perception of Investors ? Submission of second dissertation paper with an expected title "How Does CEOs' Credibility Along with Extreme Expression of Negative Performance influence Perception of Investors ?" (IES WP series) Submission of second dissertation paper to a foreign journal listed in the Scopus database with an expected title "How Does CEOs' Credibility Along with Extreme Expression of Negative Performance influence Perception of Investors ?"	2020/2021

Type	Code	Title, details	Ac. year
Publication	---	How to Mitigate Investors' Loss of Confidence from the Background of US-China Trade Conflict? A Perspective from Statements in Conference Calls Submission of third dissertation paper with an expected title "How to Mitigate Investors' Loss of Confidence from the Background of US-China Trade Conflict? A Perspective from Statements in Conference Calls" (IES WP series) Submission of second dissertation paper to a foreign journal listed in the Scopus database with an expected title "How to Mitigate Investors' Loss of Confidence from the Background of US-China Trade Conflict? A Perspective from Statements in Conference Calls"	2021/2022
Publication	---	Finishing of dissertation thesis	2022/2023
Conference	---	International Conference on Banking, Accounting and Finance (ICBAF) If my project is selected by GAUK, I will submit "The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction" to International Conference on Banking, Accounting and Finance (ICBAF) in London on Apr 23 or International Conference on Finance and Accounting (ICFA) in New York on Jun 04.	2019/2020
Other	---	Grant activities Submission of a paper to the competition under the auspices of the Grant Agency of the UK with an expected title "The Role of Credibility in the Relationship between Linguistic Extremity and Stock Market Reaction" . In case that my project will not be selected, I will submit new applications in subsequent years of study.	2019/2020
Other	---	Teaching Assistantship JEM 132 Company Valuation JEB 044 Financial Accounting	2019/2020
Other	---	BT and MT Refereeing I will serve as an opponent of Bachelor's and Master's theses.	2019/2020
Other	---	Study Documents Till May 31 of this academic year, I delivered my "Annual assessment of fulfillinf the ISP" + "Supplement", in which I further specify the intended course of my doctoral studies over the next academic year. In case of termination my study interruption I will fill in the required documents ("Annual assesment of fulfilling the ISP" + "Supplement" for the next academic year) within a month from the end of my study interruption period.	2019/2020
Other	---	Defenses I will attend at least 50% of dissertation defenses held at the IES FSV UK.	2019/2020
Training	---	Methodological Seminar for PHD Students In first year, I will attend a methodological seminar for teaching.	2019/2020

## Duties specific for the field of study

Publications and other study obligations required for admission to the state doctoral examination:

By the end of the 3rd year I enroll for the state doctoral exam (SDE) so that I pass the SDE not later than by the end of the 4th year. Not later than two months before the SDE I deliver all materials demonstrating compliance with the conditions for admission to the SDE. These conditions are:

- Having published or accepted for publication one scientific article (in that case I attach the postprint or a well verifiable confirmation of acceptance for publication) in a scientific journal included in the Scopus database (or in a journal with a nonzero impact factor from SSCI, SCI databases) and at least one scientific article in a series of at least IES Working Papers Series quality (in that case I submit a request to the chairman of the Doctoral Council for consideration). An alternative condition for publication duty is one research article published or accepted for publication in a scientific journal with a score of at least "B" according to the internal methodology of measuring the quality of scientific journals at IES FSV UK (see Director's Measure 1/2016 "Research" and the document Journal Evaluation at IES FSV UK). Only articles accepted for publication when the student studies the PhD at the IES will fulfil this condition. All articles must be affiliated to IES FSV UK. Only articles in Economics, Finance and closely related fields will be accepted.

- One successful grant activity as the principal investigator or two unsuccessful grant activities in the framework of the GA UK grant competition (i.e. according to the rules set by the Doctoral Council).

- Four semesters of completed doctoral seminars.

- Four "Teaching Assistantships" (TA) in at least two different classes.

- Completion of a methodology teaching seminar for doctoral students.

- Fulfillment of the special requirements of the Doctoral Council (if there are any).

Publication and study obligations required for admission to the defense:

At the time of submission of my application to the pre-defense and defense I commit myself to have:

- Passed the state doctoral examination.

- One research article published or accepted for publication in a scientific journal with a score of at least "B" according to the internal methodology for measuring the quality of scientific journals at IES FSV UK (see Director's Measure 1/2016 "Research" and Journal Evaluation at IES FSV UK). Alternatively, at least two articles published or accepted for publication in scientific journals included in the Scopus database or in scientific journals with non-zero impact factor from the SSCI and SCI databases. These articles do not have to be part of the dissertation thesis. Only articles accepted for publication when the student studies the PhD at the IES will fulfil this condition. All articles must be affiliated to IES FSV UK. Only articles in Economics, Finance and closely related fields will be accepted.

- Eight "Teaching Assistantships" (TAs) in at least two different classes.

At the time of submission of my application to the pre-defense, I commit myself to have the dissertation thesis at least in the following form:

- At least one dissertation article is fully finished (the supervisor approved the final version as a dissertation chapter), the second article is almost finished (the student processed the last supervisor's comments and awaits its approval) and the third article is elaborated. The elaborated article has at least a clear structure, methodology, goal of the research and a significant work has already been done.

BT and MT opponency: Throughout the entire duration of my study I will serve as an opponent of Bachelor's and Master's theses.

Methodology teaching seminar for PhD students:

I will participate at a methodology teaching seminar for first year PhD students during the 1st year. If the seminar was not attended within the course of the first year, I will attend the seminar during the 2nd year.

Defenses:

I commit myself to attend doctoral defenses with the minimum average attendance of 50% during the whole period of my study. In each academic year I visit at least 50% of the defenses. I am aware that participation at defenses of less than 50% may lead to a reduction of my evaluation by the Doctoral council at the end of each academic year.

Study documents: Till May 31 of each academic year, I deliver my "Annual assessment of fulfilling the ISP" + "Supplement", in which I further specify the intended course of my doctoral studies in the next academic year. In case of terminating my study interruption I will fill in the required documents ("Annual assessment of fulfilling the ISP" + "Supplement" for the next academic year) within a month from the end of my study interruption period.

Obligations in case of a study stay:

In case of a study visit/stay, I will apologize in advance to the coordinator of dissertation defenses so that my absence could be excused. I will also in advance send a request to the Doctoral Council for possible consideration of study requirements, which I plan to fulfil during my visit/stay.

## Approval of plan

### Supervisor

Jiří Novák, M.Sc., Ph.D.

25.10.2019

### Student

Fan Yang

25.10.2019

Approved by CDS.

Approved by Subject Area Board of doctoral study programme (field of study) on: 26.10.2019

### Chair of Subject Area Board

prof. Ing. Evžen Kočenda, M.A., Ph.D., DSc.

26.10.2019

### Study programme guarantor

prof. Ing. Evžen Kočenda, M.A., Ph.D., DSc.

26.10.2019