

**The Emergence of Racial Sympathy: Evidence from the Stock Market Reaction  
to anti-Asian Sentiment during COVID-19**

**ABSTRACT**

Racial resentment towards Asian Americans has surged upwards in the Covid-19 pandemic. While the number of hate incidents have shot up, there is also a growing movement to reverse this trend, particularly from the business community. In this study, we examine whether racial biases – be it antagonism or sympathy – towards Asian Americans shows up in the trading behavior of investors. We compare the stock market response of Asian-American-CEO led firms with that of White-CEO led firms. We find that on days of high racial resentment, when investors are expected to be negative towards Asian Americans, the stock market reaction is positive and significant for Asian-American-CEO firms as compared to White-CEO firms. In two placebo tests, we find that the positive abnormal returns noted for Asian-CEO led firms do not occur outside of our event dates, and that the market reaction does not extend to other minority led firms. Investigating the reasons for this positive reaction, we find that it cannot be explained by differential mispricing or media coverage of Asian-American-CEO firms. We find that the positive reaction is predominantly generated from firms headquartered in states low in racial resentment, which suggests that the observed phenomenon is racial sympathy exhibited by investors. Strengthening this argument, we find that market reaction for sympathy triggering events is greater than low sympathy events. Our findings point to the emergence of racial sympathy in the financial markets.

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## INTRODUCTION

“No, where are you *really* from?”, a question often couched as banter, but is one that embodies deep-rooted racism, particularly towards Asian Americans.<sup>1</sup> The Asian community has confronted a legacy of racial inequities, however, the instances of discrimination have drastically increased in the COVID-19 pandemic.<sup>2</sup> Racial discrimination can be in many forms: as discrimination in the job market (Bertrand & Mullainathan, 2004; Gaddis, 2015; S. K. Kang et al., 2016; Oreopoulos, 2011; Pager & Shepherd, 2008), as biases in the policing and criminal justice system (Pettit & Western, 2004; Pierson et al., 2020), and in access to housing and mortgage lending markets (Quillian et al., 2020).

It is unclear whether these racial biases will extend to the capital markets. Milton Friedman ascribed to the idea that in a free market, the only thing that would matter is efficiency; irrelevant factors such as color of skin or faith would be immaterial. He wrote “The purchaser of bread does not know whether it was made from wheat grown by a white man or a Negro, by a Christian or Jew” (Friedman, 1962, p. 109). We are starting to realize that the reality might be different: investors react negatively to the appointment of minority-CEOs (Gligor et al., 2021), racial discrimination affects underwriting fees and pricing of municipal bonds of historically black colleges and universities (Dougal et al., 2019; Eldemire et al., 2021), and affects access to credit (Blanchflower et al., 2003; Cavalluzzo & Cavalluzzo, 1998; Pope & Sydnor, 2011).

Despite the rise in racial animus towards Asians, a conversation is starting to be heard regarding fighting this resentment.<sup>3</sup> In defiance of the ubiquitous animosity, many companies

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<sup>1</sup> We use Asians and Asian Americans interchangeably in this manuscript

<sup>2</sup> The United Nations issued a report in August 2020 detailing an “alarming level” of racially motivated hate crimes against Asian Americans. The report can be found here - <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=25476>. Another report by Stop AAPI Hate, an advocacy group, documented 6603 cases of racial hate incidents between March 2020-March 2021. This report can be accessed here - <https://stopaapihate.org/wp-content/uploads/2021/05/Stop-AAPI-Hate-Report-National-210506.pdf>

<sup>3</sup> For example, President Biden signed into law *COVID-19 Hate Crimes Act* on 20<sup>th</sup> May, 2021, which addresses hate crimes with particular emphasis on the increase in violence against Asian Americans.

and investors have responded sympathetically towards Asian Americans. Business leaders, both from within the Asian American community and outside, have spoken out in support of Asians, and helped set up funds for the cause.<sup>4</sup> Private equity and venture firms, along with many business founders came together to raise around \$5 million in just eleven days.<sup>5</sup> This leads us to ask whether the racial sympathy displayed by investors shows up in their trading behavior. In particular, do investors, and the market, trade sympathetically based on the race of CEOs?

Racial sympathy is an “in-group member’s distress over out-group misfortune”, which can be activated (Chudy, 2021). The author finds that triggering racial sympathy causes white Americans to support policies that benefit African Americans, while opposing policies that might hurt them. During the election of Barack Obama, it was widely understood that many people disliked him because he was black. Obama observed that, in the face of that obvious race-driven dislike, there were “some white folks who really like me and give me the benefit of the doubt precisely because I’m a black President” (Remnick, 2014), evidencing the existence of racial sympathy. An increase in misfortune, or negative stereotyping that shines a light on the adversity faced by a particular out-group, should increase the distress of in-group members, thus activating racial sympathy towards that group. Racial sympathy is not the same as sympathy, it does not shape opinions towards other minority groups or continue indefinitely.<sup>6</sup> Instead, it is group-time-specific. Thus, we expect that investors will react

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(<https://www.reuters.com/world/us/biden-saying-silence-is-complicity-signs-covid-hate-crimes-bill-into-law-2021-05-20/>)

<sup>4</sup> See the ad taken out by Asian business leader in WSJ - <https://standwithasianamericans.com/static/pledge.pdf>. Refer to <https://www.forbes.com/sites/alexandrasternlicht/2020/06/01/we-must-do-more-what-ceos-like-tim-cook-jamie-dimon-larry-fink-say-about-racial-inequality-protests/?sh=4082ea985bc0> to read more about support from non-Asian business leaders.

<sup>5</sup> GGVC took the lead by putting out a call for contributions to fight racial hatred against Asians, which resulted in more than 175 founders and 30 venture firms donating generously. News coverage of this fundraising is available here - <https://www.cnbc.com/2021/03/24/venture-investors-are-donating-to-combat-anti-asian-hate.html>.

<sup>6</sup> To clarify, someone who is racially sympathetic towards African Americans need not hold similar views about Asian Americans or other groups such as women.

positively to Asian CEO-led firms precisely when their adversity is most obvious – at times of high anti-Asian sentiment.

While it appears from some of the anecdotes described above that investors supported the cause of Asian equality, it is not clear whether this support will extend into trading behavior. Further, it might be that only a small proportion of investors behave sympathetically, while many others hold anti-Asian sentiment similar to the general population. Investors could have been primed to act against Asian-CEO led firms due to executive orders banning investment in certain Chinese companies.<sup>7</sup> The overall market response to Asian-CEO led firms will be driven by the relative strength of these opposing groups. CEO race may not even factor into the decision matrix of investors, in which case there should be no differential stock price or volume response for Asian-CEO led firms around these events. Overall, whether investors react sympathetically, antagonistically, or not at all, to Asian-CEO led firms is an empirical question.

To our goal of investigating racially sympathetic investor behavior, an ideal experiment will exogenously increase the negative racial cues (which in turn highlight the misfortune) of the treatment group (Asian-CEO firms), while holding constant the negative references of the control group (White-CEO firms). The presumption behind this experimental design is that the treatment and the control groups are comparable before the onslaught of these negative cues, which we will show using placebo tests. The increase in racial hatred towards the Asian community during the COVID-19 pandemic provides a good setting to answer this question for two reasons: (1) the racial animus triggered is sudden and unrelated to firms and (2) it shows significant fluctuations throughout 2020 and into 2021, which helps us in identifying days of

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<sup>7</sup> For details regarding the executive orders, please see: <https://www.cnbc.com/2020/05/12/white-house-directs-federal-pension-fund-to-halt-investments-in-chinese-stocks.html>, <https://www.forbes.com/sites/jonathanponciano/2020/11/12/trump-bans-americans-from-investing-in-companies-that-support-chinas-military/?sh=41637a8f7470>, <https://www.theverge.com/2021/6/3/22516719/biden-executive-order-american-investment-chinese-firms-huawei-zte>

maximum resentment. For example, anti-Asian sentiment spiked after high-profile uses of the phrase “China Virus” (Darling-Hammond et al., 2020). Similar to extant studies such as Lu and Sheng (2021), we use Google search trends to identify the top ten dates on which anti-Asian sentiment was highest between Jan 2020 – March 2021. If racial sympathy is triggered, we expect to find positive abnormal returns around the event-days for Asian-CEO led firms relative to White-CEO led firms, along with increased trading volume. Racial resentment in contrast will lead to negative abnormal returns for Asian-CEO led firms relative to White-CEO led firms; if race doesn’t matter, then we shouldn’t see any significant difference.

We obtain a list of all CEOs for S&P1500 firms from Execucomp for the period between Jan 2020 to March 2021. We employ two RAs to independently classify CEOs into different categories using the executive’s photograph. When the RAs disagree, a third RA is employed to search for their ethnic backgrounds using information available online. The CEOs are classified into five main categories – White, Black, Asian, South-Asian, and Other. Asian refers to CEOs who appear to have an East-Asian background (Chinese, Japanese, Vietnamese, Korean, or Taiwanese), while South-Asian includes individuals with Indian, Pakistani, Bangladeshi, or Sri Lankan origins. Using entropy balanced regressions, we compare the 5-day cumulative abnormal returns around the event days — high resentment days — for Asian-CEO led firms against all other firms. We find that the Asian-CEO led firms have significantly higher 5-day CAR compared to other firms, consistent with racial sympathy. We also find that the abnormal trading volume in this 5-day period is significantly higher for the Asian-CEO led firms. We find similar results when we use ordinary least squares (OLS).

We conduct two placebo tests to examine (i) if the more positive abnormal returns we observe for Asian-CEO firms occur independently of Asian-sympathy-triggering events, and (ii) if the positive market reaction extends to other minority groups. We compare the 5-day CAR for the same dates as the event dates, but in 2019 instead of 2020 and 2021, prior to the

emergence of Covid-19. We find no difference in the abnormal returns between the Asian-CEO firms and White-CEO led firms in the placebo period. We also use South-Asian CEO led firms as a placebo group. We find no abnormal reaction for this group compared to White-CEO firms.

Despite the natural experiment we employ, questions may remain regarding whether the higher abnormal returns we observe are due to CEO race and investor racial sympathy. To address this issue, we take a two-pronged approach: we eliminate the most common alternative explanations for the observed effect; and we explore cross-sections which vary in racial resentment for which we would expect our observed effect to vary. Regarding alternative explanations: One alternative explanation for the higher CAR for Asian-CEO firms is the correction of previous anti-Asian bias. We use analyst forecasts to proxy for investor expectations, to examine whether expectations were overly pessimistic for Asian-CEO firms in the past, indicating prior bias. Examining analysts' earnings forecast errors and target price errors for the previous eight quarters, we do not observe any difference between Asian-CEO and White-CEO firms. Thus, it is unlikely that our results are driven by the correction of previous bias for Asian-CEO firms. Another alternative explanation is increased media coverage of Asian-CEO firms around the event days. We do not find any significant differences in the media coverage between Asian and White CEO led firms.

Moving to cross sections differing in race-based views, we call upon “local bias” – the preference of money managers and investors to invest in locally headquartered companies – to generate our predictions (Chi & Shanthikumar, 2017; Coval & Moskowitz, 1999; Ivković & Weisbenner, 2005; Pirinsky & Wang, 2006). Since we expect market reaction of companies headquartered in each state (county) to be generated predominantly from residents of that state (county), we can use variations in racial resentment at the state or county level. We use measures of resentment towards African Americans, which have been shown to also capture

animus towards other minorities (Carney & Enos, 2017).<sup>8</sup> We find that in locations of high racial animus, the market reaction towards Asian-CEO led firms is significantly negative compared to locations with lesser racial animus. Finally, we examine whether the market reaction varies by the level of sympathy triggered by the events. We find that high-sympathy events—such as attacks on elderly Asian-Americans—generate more positive market reaction compared to low sympathy events.

Our findings of racial sympathy deepen our understanding of racial biases in the financial markets. Prior literature in finance documents racial animus leading to asset deflation in the municipal bond markets (Dougal et al., 2019; Eldemire et al., 2021), difficulty accessing the credit markets (Blanchflower et al., 2003; Cavalluzzo & Cavalluzzo, 1998; Pope & Sydnor, 2011), and negative investor reactions to Black CEO appointments (Gligor et al., 2021). We show that racial bias can also manifest in the form racial sympathy, which when triggered, leads to inflated asset prices.

We also add to the nascent literature on racial sympathy. Chudy (2021) finds that racial sympathy has political consequences – white Americans high on racial sympathy index tend to support policies that are “pro black” and oppose those perceived to be harmful to African Americans. Our results show that the effects of racial sympathy extend beyond the world of politics and crime into the realm of finance.

## **RESEARCH DESIGN**

### ***Classification of CEOs***

### ***Event Dates – Days of High Anti-Asian Sentiment***

Before going into detailed research design, we outline our choice of event dates. It is well established that negative racial primes, such as showing an African American individual

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<sup>8</sup> Although we would have liked to use direct measures such as percentage of Asian population in a county as a metric of racial hatred, we find very minimal variation in the Asian-CEO firms along this dimension. Hence, we choose a measure that is orthogonal to the hiring of Asian-CEOs – resentment towards African Americans.

committing a crime,<sup>9</sup> activates prejudice (Valentino et al., 2002); more recently, Chudy (2021) shows that racial sympathy can also be activated by highlighting the misfortunes of the community. Thus, the choice of highest negative prime days, and by extension “misfortune” days will help separate the two explanations of resentment vis-à-vis sympathy.

If investors are on average racially resentful towards Asians, our choice of event days will only magnify the hatred, and we should find negative abnormal returns. If on the other hand investors are on average racially sympathetic towards Asians, our choice of event dates will trigger the sympathetic response, and we should find positive abnormal returns.

We use Google search trends data to identify days on which on which the racial animus was the highest. Similar to Lu & Sheng, (2021), we focus on the usage of the word “chink” or “chinks” (c-word) in Google searches for the period between Jan 2020 to March 2021.<sup>10</sup> Stephens-Davidowitz (2014) similarly use Google search data to capture racial hatred towards African Americans in the US. The c-word is a known racial slur against Asian Americans.<sup>11</sup> COVID-19 has at times been referred to as “Chink virus”, clearly having derogatory connotation towards Asians. The use of c-word correlates directly with increased misfortunes of Asians – one standard deviation increase in racially charged Google search increase corresponds to increase in anti-Asian hate crimes by 15 percent of the monthly average hate crimes against Asians (Lu & Sheng, 2021).

Google’s search score is a number between 0 to 100, with 100 being the maximum search interest for the location and time selected. Google calculates this score by dividing each

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<sup>9</sup> The equivalent racial prime for Asian Americans is Donald Trump calling COVID-19 as “Chinese Virus”. This terminology links an illness to a minority community. See <https://www.washingtonpost.com/nation/2020/03/20/coronavirus-trump-chinese-virus/> for one such example.

<sup>10</sup> Google only provides weekly search data for such a long period. We downloaded daily data for each week separately, which is not directly comparable across weeks. The daily data is weighted by weekly values and divided by 100 to make it comparable for the full sample period. We then average the weighted daily value across the two racial epithets to obtain a combined score.

<sup>11</sup> The Philadelphia Bar Association has stated “the word ‘Chink’ is now widely used throughout the United States as a racial slur against people of Asian descent.” The full resolution can be found here - <https://www.philadelphiabar.org/page/ResolutionOpposingRacialSlurs?appNum=2>



data point by the total searches of the geography and time range it represents to compare relative popularity. The resulting numbers are then scaled on a range of 0 to 100 based on a topic's proportion to all searches on all topics. Thus, the highest score in our sample would have been 100, if we looked at just one of the words. A day on which the usage of the c-word is the highest, may not be the day of highest search for the plural of the c-word. As a result, the combined highest score could be less than 100. In our sample, the highest combined search score is 85 as seen in Table 1, panel A.

As can be seen in Table 1 Panel A, the top ten Google search scores correspond to eleven unique event dates due to two dates having the same Google search score of 62.5. We note that the event-dates of 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> February, 2021 occur on consecutive days. For all our tests, we retain the very first date of the three – 2<sup>nd</sup> February as an event date and drop 3<sup>rd</sup> and 4<sup>th</sup> February 2021 from our event-day list.

### ***Stock Market Reaction***

We examine the stock market reaction with the following regression model:

$$\begin{aligned}
 CAR_{i,(-2,+2)} \text{ or } Abvol_{i,(-2,+2)} &= \beta_0 + \beta_1 Asian\_CEO_{i,t} + \beta_2 InstOwn_i + \beta_3 Analyst\_Following_i + \beta_4 ROA_i \\
 &+ \beta_5 Size_i + \beta_6 Lev_i + \beta_7 MTB_i + \beta_8 Sales\_growth_i + \beta_9 Earn\_vol_i \\
 &+ IndustryFE + StateFE + \varepsilon
 \end{aligned}
 \tag{1}$$

We have two dependent variables: Cumulative abnormal returns (*CAR*) and Abnormal trading volume (*Abvol*). *CAR* is calculated over the 5-day period around the event date. We calculate *CAR* using multiple models: market model with value weighted returns or equal weighted returns, Fama-French 3-factor model or 5-factor model. Abnormal volume is also calculated in the 5-day period around the event date.

*Asian\_CEO* is an indicator variable equal to one for firms led by CEO with East-Asian background, and zero for firms with White-CEOs. This category excludes South Asians – Indians, Pakistanis, Bangladeshis, and Sri Lankans. The reason for excluding South Asians is

because the target of racial hatred were people of Chinese origin, who are often confused with people of Japanese, Vietnamese, Korean, or Taiwanese origins, but not with those from Southern Asia.<sup>12</sup>

We control for key firm-level characteristics that could drive market response. *InstOwn* is the fraction of shareholding by institutional investors, averaged over last 4 quarters; *Analyst Following* is the log of number of analysts who provide earnings estimates; *ROA* is the net income divided by total assets of the firm; *Size* is log one plus the total assets of the firm; *Lev* is the sum of long term debt, scaled by total assets; *MTB* is the market to book ratio; *Sales\_growth* is the difference between sales for the latest concluded fiscal year and sales for the year prior; *Earn\_vol* is the standard deviation of net income for past five years, including the latest concluded fiscal year.

Our primary specification uses entropy balancing to balance the treatment sample (Asian-CEO firms) with the control sample (White-CEO firms). Entropy balancing is known to be doubly robust as compared to other matching methods such as propensity score matching (Zhao & Percival, 2017). We can achieve balancing not just on the mean but also on higher order moments (Hainmueller, 2012). We balance on three moments of all the control variables mentioned above. We also validate the results of Equation (1) using ordinary least squares (OLS) method. We include industry fixed effects to control for any time invariant industry characteristics, and year fixed effects to control for any trends in *CAR* and *Abvol*.

To rule out alternate explanations, we use the following regression equation:

$$Alt - depvariable_{i,t} = \beta_0 + \beta_1 * Asian\_CEO_{i,t} + controls + Industry FE + \epsilon_{i,t} \quad (2)$$

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<sup>12</sup> The problem of confused identities is not new. An article published in “Life” magazine in 1942 tells its readers how to differentiate Japanese apart from Chinese - <http://digitalexhibits.wsulibs.wsu.edu/files/original/cf2dcf0cbabc74b6359e319276d5091a.jpg>. Tragically, both mistaken identity as well as Xenophobia continues to exist. <https://www.nytimes.com/2020/05/15/opinion/coronavirus-chinese-asian-racism.html>

The *Alt-depvariable* is constructed to capture either media coverage or analyst expectation errors. We measure media coverage using two variables: Relevant coverage scaled by total and Relevant coverage scaled by sample. In both the variables, the numerator is relevant coverage – the number of articles written about the firm for which RavenPack assigns a score of 75 or above – in the 5-day period around the event dates (Bonsall et al., 2018; Chattopadhyay et al., 2020). The denominator is scaled by either the total number of relevant articles in the RavenPack universe for our time period, or by total number of relevant articles in RavenPack for the firms in our sample. We measure analyst expectation errors in a few different ways. Similar to prior literature (S.-H. Kang et al., 1994), we use earnings forecast errors, which is the difference between the mean consensus estimate and actual quarterly EPS. We also measure analyst expectation errors using target price errors in four different ways (Bradshaw et al., 2013): (1) the difference between the one year ahead actual price and target price, deflated by the price three days before the target price release date (*tperror*) (2) indicator variable showing whether the one year ahead actual price is at or above the target price (*tpmetend*) (3) summation of days during the forecast horizon on which the trading price closes at or above the target price, divided by the number of trading days (*tpmetdays*) (4) indicator variable denoting whether target price is met anytime during the forecast horizon (*tpmetany*). We use the same control variables used in Equation (1).

## DATA AND SUMMARY STATISTICS

### *Sample Selection*

We obtain a list of all CEOs employed in S&P1500 firms between Jan 2020 - Mar 2021 from Execucomp. This is done by retaining observations with *CEOANN* flag in Execucomp equal to “CEO.” We manually classify CEOs into one of the five categories – White, Black, Asian, South-Asian, Other – using the executive’s photographs. We employed two RAs, whose classification if in agreement was noted down. If the two RAs disagreed, a third RA acted as a

tie-breaker using all the information available on the Web including on LinkedIn, NNDB.com Forbes.com, Google, Wikipedia, YouTube, Bloomberg, company websites etc. We use photographs to classify the race because our aim is to capture race from the investors' perspective, i.e. the point of view of an external observer. Similar methodology has been followed in prior literature (Cook & Glass, 2014; Gligor et al., 2021). We obtain stock returns from CRSP and firm fundamentals from Compustat database.

As can be seen from Table 1, panel B, we start with 1,699 unique executives in Execucomp. After dropping executives who are identified as not being White or Asian, we are left with 1,615 CEOs. Dropping executives who could not be matched Compustat and CRSP data, leaves us with 1,588 observations. We have nine event dates for each executive-firm pair, which gives us 14,292 observations. Dropping observations with insufficient data to calculate stock returns or firm fundamentals leaves us with 12,991 observations.

### ***Summary Statistics***

Table 2 reports descriptive statistics of variables used in our main as well as cross-section tests. All continuous variables are winsorized at 1% and 99%. For *CAR* – the main dependent variable, we see that the 5-day average for Asian-CEO led firms ranges between 0.11% – 0.49%, which appears to be higher than the *CAR* for White-CEO led firms, which ranges between 1.30% – 1.81%. However, comparing the means of the two sub-samples shows that they are statistically indistinguishable. Examining the dependent variable used in tests to rule out alternate explanations, we note that mean EPS forecast error and the measures of target price error appear to be comparable (except for *tpmetend*), suggesting that there were no differences in the prior valuation of the two sets of firms. Further, we don't observe any difference in the media coverage of the Asian-CEO firms as compared to White-CEO firms.

Most of the firms-level characteristics are statistically different between the sub-samples underscoring the importance of matching process in our regressions. Asian-CEO led

firms have higher *ROA*, *MTB*, and *Sales Growth*, suggesting that better performing firms hire Asian CEOs. This finding goes against the “glass cliff” theory, which says that women and other minorities are hired into positions where the probability of failure is high (Ryan & Haslam, 2005, 2007). We see that a smaller proportion of Asian-CEO led firms are located in higher racial resentment states (13%) as compared to White-CEO led firms (29%).

## EMPIRICAL RESULTS

### *Stock Market Response*

Table 3, Panel A presents the results of Equation (1) with entropy balancing. Detailed summary statistics of the entropy balanced sample is presented in Appendix B. The dependent variable in columns (1) – (4) is cumulative abnormal returns (*CAR*), calculated using four different models – market model with value weighted returns, market model with equal weighted returns, Fama-French 3-factor model, and Fama-French 5-factor model. The dependent variable in columns (5) and (6) are two different measures of abnormal volume. The coefficient of Asian-CEO in the *CAR* regressions ranges from 1.03% ( $p < 0.05$ ) to 1.17% ( $p < 0.01$ ),<sup>13</sup> indicating an overall positive and significant market reaction in Asian-CEO firms. Considering that the event dates were days of highest racial animosity as measured by Google search trends, the positive *CAR* for Asian-CEO firms suggests that investors on average are exhibiting racially sympathetic response. Looking at the economic significance, we note that the coefficient of *Asian\_CEO* ( $\beta_1$ ) 1.17% is roughly ten times the average *CAR* of White-CEO firms, which is 0.11%. The trading volume of Asian-CEO firms also increased in the five days around the event dates (col 5 and 6).<sup>14</sup> We get qualitatively similar results with OLS for *CAR* (Table 3, Panel B), but do not find any significant difference for abnormal volume.

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<sup>13</sup> We get similar results if we use the trading window of [0,5] days around the event days

<sup>14</sup> The event date of 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> Feb 2020 are consecutive days with high racial animosity. In our main tests, we retained only 2<sup>nd</sup> Feb as the event date. However, it is possible that the results are overstated because of racial animosity during most part of the 5-day window. We check and find that all our results remain the same even if drop all these three event dates.

We next perform a placebo test to see if investors were always positively biased towards Asian-CEO firms. We examine the market reaction on the same days as the event dates, but in 2019. For example, the first event date is 7<sup>th</sup> March 2020; the placebo date will be 7<sup>th</sup> March 2019. We see from Table 4, Panel A that there was no difference in the market reactions – *CAR* (col 1 – 4) or *Abvol* (col 5 and 6) – of Asian and White CEO firms. The lack of abnormal market returns or abnormal volume indicates that there were no prior differences (i.e. no pre-existing positive bias) between the treatment and control sample. Our second placebo test examines whether the positive market reaction extends to another minority group: firms led by South-Asian (e.g., Indian, Bangladeshi etc.) CEOs. Panel B of Table 4 presents these results. As we can see, the coefficient of South-Asian-CEO in all the specifications is insignificant suggesting that the sympathetic response does not extend beyond the relevant group.

#### ***Previous Bias, Media Coverage, or Racial Sympathy?***

We next examine the reasons for the positive stock market reactions for both *CAR* and *Abvol* in Asian-CEO led firms. If investors had anti-Asian-CEO bias before, the reaction we observe on our event dates could be due to the correction of this bias. While it is possible that preceding bias will worsen during the spikes in anti-Asian sentiment during the pandemic, it is also possible that increased awareness of anti-Asian bias will lead to certain individuals reducing their bias, or the extent to which they let their bias affect their investing. We check whether investors held significant anti-Asian bias before the pandemic by using analyst forecasts as a proxy for investor expectations. We examine whether analysts had overly pessimistic expectations for firms with Asian CEOs before the pandemic and its attendant anti-Asian sentiment.

To do so, we examine analysts' expectation errors and operationalize Equation (2). Table 5, Panel A presents the results of analyst forecast errors in EPS predictions, while Panel B presents the results of target price errors. We find no difference between the expectation

errors of Asian-CEO and White-CEO firms (coefficient of Asian-CEO is insignificant in all columns). Analysts' expectation errors are a proxy for investors' expectations. The insignificant results in this test allude to the idea that investors did not differentiate between Asia or White CEO firms.

We also examine another explanation for our results. It is possible that Asian-CEO firms received more media coverage around the event dates driving a temporary bump in the stock price, and a positive short-window return. Table 6 shows that this is not the case. We find no difference in the media coverage in the period around our event dates between Asian-CEO and White-CEO firms. Thus, media attention is not driving the returns and trading volume we observe.

Furthermore, we examine whether race related partitions provide meaningful variation in the results. If the positive trading behavior observed for Asian-CEO firms is driven by racial sympathy, we expect the sympathetic responses to be muted in racially resentful locations. We are able to use geographic variations in resentment because the "local bias" literature shows that investors have a preference to trade in firms located locally (Chi & Shanthikumar, 2017; Coval & Moskowitz, 1999; Ivković & Weisbenner, 2005; Pirinsky & Wang, 2006). As a result, variation in *local* resentment levels should affect the choices investors make. To measure racial resentment, we rank states by their opposition to affirmative action, and by racial resentment metrics created based on Cooperative Congressional Election Study (CCES). We use the measures capturing racial resentment against African Americans as they are also known to capture animus towards other minorities (Carney & Enos, 2017). An alternative way to measure racial resentment specifically targeted at Asians would be to use the population of Asians as a percentage of total population (%Asian). Unfortunately, we only have a handful of observations of Asian-CEO firms in low %Asian locations, making it hard to observe any meaningful partition.

We modify equation (1) to operationalize these cross-sectional tests. We interact the main variable of interest *Asian\_CEO* with an indicator variable for states that show up in the top 15 states opposing affirmative action (*Top15 Opp Affirm Act*). Despite fewer firms being located in racially resentful locations (13% of Asian-CEO and 29% of White-CEO), we find in Table 7, Panel A shows that the stock market response to Asian-CEO firms is significantly negative in racially resentful locations. Similarly, in Panel B, we find negative stock market reaction to Asian-CEO firms located in top 15 states ranked on animus using racial resentment metrics obtained from CCES (2012). Both these tests show that there are race-based reasons driving the observed positive *CAR* and *Abvol*.

Our final test examines whether the market reaction varies by the level of sympathy triggered by each event. We classify events as high sympathy (*Sympathy* =1), if there are associated attacks on Asian-Americans, such as the Atlanta shootings of 16<sup>th</sup> March 2021.<sup>15</sup> Table 8 presents the results of this test. We find that the coefficient of *Asian-CEO \* Sympathy* is positive and significant in columns (1) to (5); this shows that the market reacts more positively to high sympathy generating events, compared to low sympathy events. This test indicates that sympathy is a driver of the positive market reaction towards Asian-CEO led firms.

## CONCLUSION

Racial animus towards Asian Americans has substantially increased during the Covid-19 pandemic. It is easy to imagine that the widespread hate could spillover in the financial markets, deflating the value of assets linked to Asian Americans. However, the supportive response of the business community and investors in helping raise funds to fight this hate, hints

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<sup>15</sup> See this news article from NY times giving the details of the shootings - <https://www.nytimes.com/live/2021/03/17/us/shooting-atlanta-acworth>



at the possibility of racial sympathy. In this study, we examine whether investors behave discriminatorily or sympathetically towards Asian-CEO firms.

In our main tests, we examine the market reaction on days of high racial resentment towards Asian Americans. We find that both cumulative abnormal returns and abnormal trading volume are significantly higher for Asian-CEO led firms compared to White-CEO firms. Investigating possible explanations for this response, we do not find evidence of prior mispricing or differential media exposure of firms driving these results. Supporting our hypothesis that the positive reaction is due to *racial* sympathy, we find meaningful variations in race-based and sympathy-triggering cross sections. Asian-CEO firms located in high racial resentment states face a penalty in their stock prices compared to Asian-CEO firms located in low racial resentment states, while Asian-CEO firms have more positive market reaction for sympathy-triggering events.

By documenting the emergence of racial sympathy amid extreme antagonism, we enrich the literature on racial biases in the financial markets. While prior literature has mostly found penalties for assets associated with minorities, we find that stocks of Asian-CEO led firms are valued higher when compared to stocks of White-CEO led firms. Our paper also adds to the emerging literature on racial sympathy by showing that racial sympathy has consequences beyond politics.

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**TABLE 1 PANEL A: EVENT SELECTION**

<b>Date</b>	<b>Google search score</b>
7 March 2020	69.5
11 March 2020	68.3
15 March 2020	85.0
21 March 2020	67.1
17 November 2020	62.5
13 December 2020	66.4
2 February 2021	62.5
3 February 2021	62.0
4 February 2021	59.5
4 March 2021	62.1
18 March 2021	59.5

Notes: This table presents the list of event dates, which are days of highest racial animus against Asian Americans. These dates were chosen on the basis of top ten Google search score for the racial epithets - “chink” and “chinks.” This score was generated for the period between January 2020-March 2021. The top ten scores correspond to eleven dates. There are three consecutive dates that show up in the sample above: 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> February 2021. Since we cannot cleanly identify CAR for all the three dates, we retain only the first date in this series, 2<sup>nd</sup> February 2021 in our tests.

**PANEL B: SAMPLE SELECTION**

	<b># Observations</b>
Number of CEOs in Execucomp for the period between Jan 2020 – March 2021	1,699
Less: CEOs whose race is not White or Asian	84
Less: Compustat and CRSP data unavailable	27
Total number of CEO-Firm pairs (A)	<b>1588</b>
Total observations for all firms (9 events per firm, (A) is multiplied by 9)	14,292
Less: data insufficient for calculation of controls	1,301
<b>Final observations used for analysis</b>	<b>12991</b>

**TABLE 2: SUMMARY STATISTICS**

VARIABLES	Ethnicity = White						Ethnicity = Asian-CEO						Difference Significance
	N	mean	p25	p50	p75	sd	N	mean	p25	p50	p75	sd	
<b><u>Dependent variables: main tests</u></b>													
CAR [-2,2] Market Model Value Weighted	12,712	0.11	-4.59	0.22	5.07	16.00	279	1.52	-4.06	0.82	6.67	12.40	
CAR [-2,2] Market Model Equal Weighted	12,712	0.49	-4.36	0.23	5.21	15.96	279	1.81	-4.04	0.73	6.30	12.45	
CAR [-2,2] Fama French 3 Factor	12,712	0.13	-4.56	0.00	4.80	15.97	279	1.30	-4.22	0.86	5.88	12.67	
CAR [-2,2] Fama French 5 Factor	12,712	0.13	-4.65	0.09	4.82	16.10	279	1.37	-4.37	0.91	6.33	12.87	
abvo11	12,706	0.24	-0.00	0.22	0.47	0.39	279	0.28	0.04	0.28	0.51	0.40	
abvo12	12,712	0.34	-0.04	0.30	0.70	0.53	279	0.36	0.02	0.34	0.72	0.48	
<b><u>Dependent variables: other tests</u></b>													
eps_error	12,080	-0.03	-0.09	-0.02	0.02	0.55	253	-0.02	-0.05	-0.02	0.01	0.11	
tperror	30,826	-0.08	-0.27	-0.06	0.15	1.97	620	-0.04	-0.31	-0.04	0.20	0.46	
tpmetend	30,826	0.42	0.00	0.00	1.00	0.49	620	0.46	0.00	0.00	1.00	0.50	**
tpmetdays	30,826	0.35	0.00	0.22	0.68	0.36	620	0.36	0.00	0.24	0.72	0.38	
tpmetany	30,826	0.69	0.00	1.00	1.00	0.46	620	0.69	0.00	1.00	1.00	0.46	
Relevant coverage scaled by total	8,210	0.08	0.01	0.03	0.07	0.28	174	0.05	0.01	0.02	0.05	0.09	
Relevant coverage scaled by sample	8,210	0.14	0.02	0.06	0.14	0.51	174	0.09	0.02	0.04	0.08	0.17	
<b><u>Controls</u></b>													
Institutional Ownership	12,712	0.70	0.55	0.69	0.88	0.20	279	0.65	0.50	0.64	0.83	0.21	***
Analyst Following	12,712	2.05	1.39	2.20	2.71	0.87	279	2.08	1.61	1.95	2.71	0.82	
ROA	12,712	0.03	0.01	0.03	0.07	0.08	279	0.05	0.01	0.03	0.08	0.10	***
Size	12,712	8.51	7.35	8.40	9.57	1.66	279	8.28	6.96	8.55	9.66	1.74	**
Leverage	12,712	0.31	0.13	0.31	0.45	0.22	279	0.16	0.02	0.07	0.28	0.19	***
MTB	12,712	3.36	1.23	2.17	4.04	7.49	279	4.43	1.36	2.21	7.28	9.02	**
Sales Growth	12,712	118.21	-102.29	29.10	207.43	1,942.12	279	340.59	-19.14	35.14	256.00	1,052.03	*
Earnings Volatility	12,712	407.65	32.81	86.67	280.71	973.60	279	336.01	27.50	50.06	167.62	943.25	
<b><u>Partitioning Variables</u></b>													
Top15 Opp AffirmAct	12,631	0.29	0.00	0.00	1.00	0.45	279	0.13	0.00	0.00	0.00	0.34	***
Top15 Resentment	12,631	0.28	0.00	0.00	1.00	0.45	279	0.13	0.00	0.00	0.00	0.34	***

Notes: All variables are defined in Appendix A. This table provides descriptive statistics for all the variables used. The sample is partitioned by ethnicity of the CEO. All controls variables have been winsorized at 1% and 99%.

**TABLE 3: STOCK MARKET RESPONSE IN THE PERIOD [-2,2] RELATIVE TO EVENT DAYS**

$CAR$  or  $Abnvol[-2,2]$

$$= \beta_0 + \beta_1 AsianCEO + \beta_2 InstOwn + \beta_3 Analyst + \beta_4 ROA + \beta_5 Size + \beta_6 Lev + \beta_7 MTB + \beta_8 Sales\_growth + \beta_9 EarnVol + IndustryFE + StateFE + \varepsilon$$

**PANEL A: TESTS WITH ENTROPY BALANCING**

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	Cumulative Abnormal Returns [-2,2]				abvol1	abvol2
	Market Model Value Weighted	Market Model Equal Weighted	Fama French 3 Factor	Fama French 5 Factor		
Asian-CEO	1.07*** [2.79]	1.03*** [2.59]	1.10*** [2.88]	1.17*** [2.85]	0.07*** [2.73]	0.08*** [3.24]
Institutional Ownership	0.73 [0.83]	1.09 [1.24]	1.34 [1.55]	1.36 [1.43]	-0.09* [-1.83]	0.00 [0.05]
Analyst Following	-0.33 [-0.49]	-0.36 [-0.52]	-0.45 [-0.56]	-0.57 [-0.65]	-0.04* [-1.94]	0.03 [1.01]
ROA	2.75 [0.84]	0.78 [0.24]	4.70 [1.20]	3.98 [0.94]	0.30** [2.27]	0.38** [2.29]
Size	0.95*** [2.72]	0.79** [2.20]	0.81** [1.99]	0.85* [1.93]	0.03*** [2.62]	0.03** [1.98]
Leverage	-2.66** [-2.41]	-2.27** [-2.02]	-1.53 [-1.35]	-1.80 [-1.55]	-0.10 [-1.41]	-0.12* [-1.70]
MTB	-0.01 [-0.34]	-0.01 [-0.35]	-0.00 [-0.03]	0.01 [0.15]	-0.00* [-1.67]	-0.00* [-1.86]
Sales Growth	-0.00*** [-2.76]	-0.00*** [-2.77]	-0.00** [-2.53]	-0.00** [-2.44]	-0.00 [-1.08]	-0.00 [-0.85]
Earnings Volatility	-0.00** [-2.31]	-0.00** [-2.23]	-0.00** [-2.23]	-0.00** [-2.08]	0.00* [1.84]	0.00* [1.81]
Constant	-6.51*** [-3.44]	-5.02*** [-2.60]	-6.05*** [-2.82]	-6.07*** [-2.61]	0.08 [0.84]	0.02 [0.23]
Observations	12,991	12,991	12,991	12,991	12,985	12,991
Treated observations	279	279	279	279	279	279
Adjusted R-squared	0.04	0.04	0.04	0.03	0.10	0.08
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	Yes	Yes	Yes	Yes	Yes	Yes

**PANEL B: TESTS WITH OLS**

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	Cumulative Abnormal Returns [-2,2]				abvol1	abvol2
	Market Model Value Weighted	Market Model Equal Weighted	Fama French 3- Factor	Fama French 5 - Factor		
Asian-CEO	1.16** [2.31]	1.13** [2.17]	0.98* [1.94]	1.04** [2.08]	0.05 [1.48]	0.04 [1.57]
Institutional Ownership	1.51** [2.42]	1.76*** [2.74]	1.76*** [2.74]	1.70*** [2.65]	-0.05* [-1.78]	0.07*** [2.62]
Analyst Following	-0.00 [-0.02]	-0.13 [-0.58]	-0.03 [-0.15]	-0.02 [-0.11]	-0.02** [-2.43]	0.01 [1.43]
ROA	-6.40* [-1.88]	-8.75** [-2.51]	-6.55* [-1.83]	-6.70* [-1.86]	0.34*** [5.87]	0.76*** [10.37]
Size	0.15 [1.26]	0.02 [0.12]	0.05 [0.42]	0.05 [0.40]	0.02*** [4.20]	0.03*** [5.27]
Leverage	-0.14 [-0.21]	0.38 [0.59]	0.24 [0.36]	0.13 [0.20]	-0.04 [-1.44]	-0.06* [-1.72]
MTB	-0.00 [-0.15]	-0.01 [-1.00]	-0.01 [-1.08]	-0.01 [-0.99]	-0.00 [-0.14]	-0.00*** [-2.62]
Sales Growth	-0.00* [-1.72]	-0.00 [-1.22]	0.00 [0.05]	0.00 [0.15]	0.00 [1.31]	0.00*** [4.84]
Earnings Volatility	-0.00 [-0.00]	0.00 [0.24]	0.00 [0.15]	0.00 [0.14]	0.00 [0.22]	-0.00 [-1.35]
Constant	-1.98** [-2.13]	-0.42 [-0.44]	-1.33 [-1.38]	-1.24 [-1.30]	0.14*** [3.03]	0.00 [0.08]
Observations	12,991	12,991	12,991	12,991	12,985	12,991
Treated observations	279	279	279	279	279	279
Adjusted R-squared	0.01	0.02	0.02	0.02	0.04	0.04
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

Panel A presents the results of the regression with entropy balancing, while panel B presents the results of OLS without entropy balancing. The details of entropy balancing are presented in Appendix B. The dependent variable in columns (1) – (4) is the 5-day Cumulative Abnormal Returns (CAR) around the event dates, while the dependent variable in columns (5) – (6) is 5-day abnormal trading volume (abvol). The main variable of interest is *Asian-CEO*, which is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White.



**TABLE 4: PLACEBO TESTS** $CAR_{orAbnvol}[-2,2]$ 

$$= \beta_0 + \beta_1 Asian - CEO + \beta_2 InstOwn + \beta_3 Analyst + \beta_4 ROA + \beta_5 Size + \beta_6 Lev + \beta_7 MTB + \beta_8 Sales\_growth + \beta_9 Earn\_vol + IndustryFE + StateFE + \varepsilon$$

<b>PANEL A: SAME DATES – PREVIOUS YEAR</b>						
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
	<b>Cumulative Abnormal Returns [-2,2]</b>					
<b>VARIABLES</b>	Market Model Value Weighted	Market Model Equal Weighted	Fama French 3 Factor	Fama French 5 Factor	abvol1	abvol2
Asian-CEO	-0.28 [-0.92]	-0.25 [-0.83]	-0.28 [-0.94]	-0.27 [-0.86]	-0.01 [-0.37]	-0.01 [-0.26]
Institutional Ownership	-0.30 [-0.46]	-0.41 [-0.64]	-0.33 [-0.53]	-0.31 [-0.52]	-0.19** [-2.39]	-0.08 [-1.07]
Analyst Following	0.21* [1.70]	0.19 [1.60]	0.18 [1.33]	0.18 [1.23]	-0.02 [-1.09]	-0.03** [-1.98]
ROA	4.57** [2.46]	4.91*** [2.63]	3.38* [1.81]	4.02** [2.12]	-0.48*** [-2.91]	-0.26* [-1.81]
Size	-0.01 [-0.05]	0.01 [0.10]	-0.12 [-1.00]	-0.11 [-0.90]	-0.01 [-1.14]	0.01 [0.60]
Leverage	0.28 [0.36]	0.19 [0.25]	0.45 [0.61]	0.48 [0.65]	-0.01 [-0.19]	0.02 [0.39]
MTB	0.02 [0.85]	0.02 [0.68]	0.01 [0.32]	0.01 [0.21]	0.00 [0.50]	0.00 [0.73]
Sales Growth	0.00*** [2.84]	0.00*** [2.81]	0.00*** [2.63]	0.00*** [2.58]	0.00** [2.27]	-0.00 [-0.09]
Earnings Volatility	-0.00 [-0.50]	-0.00 [-0.37]	-0.00 [-0.13]	-0.00 [-0.27]	0.00*** [2.82]	0.00* [1.91]
Constant	-1.22 [-1.03]	-1.61 [-1.34]	0.47 [0.41]	0.38 [0.33]	0.30*** [2.58]	-0.05 [-0.48]
Observations	12,633	12,633	12,633	12,633	12,621	12,633
Treated observations	263	263	263	263	263	263
Adjusted R-squared	0.09	0.10	0.05	0.05	0.10	0.06
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

This table presents the results of a placebo test. We run the same regression as in Table 3, but change the event dates to be in 2019. For example, the event date of 7<sup>th</sup> March 2020 will be replaced by 7<sup>th</sup> March 2019 in the placebo test. The dependent variable in columns (1) – (4) is the 5-day Cumulative Abnormal Returns (CAR) around the event dates, while the dependent variable in columns (5) – (6) is 5-day abnormal trading volume (abvol). The main variable of interest is *Asian-CEO*, which is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White.

$CAR_{orAbnvol}[-2,2]$

$$= \beta_0 + \beta_1 IndianCEO + \beta_2 InstOwn + \beta_3 Analyst + \beta_4 ROA + \beta_5 Size + \beta_6 Lev + \beta_7 MTB + \beta_8 Sales\_growth + \beta_9 EarnVol + IndustryFE + StateFE + \varepsilon$$

<b>PANEL B: SOUTH-ASIAN CEO LED FIRMS AS TREATMENT GROUP</b>						
<b>VARIABLES</b>	(1)	(2)	(3)	(4)	(5)	(6)
	<b>Cumulative Abnormal Returns [-2,2]</b>				abvol1	abvol2
	Market Model Value Weighted	Market Model Equal Weighted	Fama French 3 Factor	Fama French 5 Factor		
South-Asian-CEO	0.00 [1.04]	0.00 [0.90]	0.00 [0.97]	0.00 [0.81]	0.02 [1.12]	-0.02 [-0.99]
Institutional Ownership	0.03*** [2.78]	0.03*** [3.13]	0.03*** [2.80]	0.03*** [2.70]	-0.10** [-2.24]	0.03 [0.69]
Analyst Following	0.01** [1.97]	0.01 [1.55]	0.01* [1.78]	0.01* [1.89]	-0.02 [-1.20]	0.02 [1.03]
ROA	0.05 [1.45]	0.04 [1.32]	0.04 [1.22]	0.04 [1.09]	0.05 [0.50]	0.63*** [4.69]
Size	-0.00 [-0.32]	-0.00 [-0.75]	-0.00 [-0.52]	-0.00 [-0.59]	0.02*** [3.18]	0.02* [1.93]
Leverage	-0.01 [-0.59]	-0.00 [-0.30]	-0.00 [-0.07]	-0.00 [-0.15]	0.06 [1.11]	0.07 [0.95]
MTB	-0.00 [-1.30]	-0.00* [-1.79]	-0.00** [-2.18]	-0.00** [-2.09]	-0.00 [-1.58]	-0.00*** [-3.02]
Sales Growth	-0.00 [-0.57]	-0.00 [-0.51]	-0.00 [-0.19]	-0.00 [-0.28]	0.00 [0.64]	0.00 [0.87]
Earnings Volatility	0.00 [0.34]	0.00 [0.55]	0.00 [0.27]	0.00 [0.10]	-0.00*** [-3.09]	-0.00*** [-2.87]
Constant	-0.03* [-1.78]	-0.01 [-0.93]	-0.02 [-1.63]	-0.02 [-1.50]	0.14** [2.36]	0.06 [0.76]
Observations	13,113	13,113	13,113	13,113	13,107	13,113
Treated observations	399	399	399	399	399	399
Adjusted R-squared	0.01	0.02	0.02	0.02	0.07	0.07
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

This table presents the results of a test of stock market response to Indian-CEO firms relative to White-CEO firms. We run the same regression as in Table 3 using entropy balancing, but take South-Asian-CEO led firms as treatment group. The dependent variable in columns (1) – (4) is the 5-day Cumulative Abnormal Returns (CAR) around the event dates, while the dependent variable in columns (5) – (6) is 5-day abnormal trading volume (abvol). The main variable of interest is *South-Asian-CEO*, which is an indicator variable that is set to 1 for firm-years with CEOs of South-Asian heritage, such as Indian, Pakistani, Bangladeshi etc., and 0 for firms with CEOs whose race is categorized as White.

**TABLE 5: TESTS OF PREVIOUS BIAS OF STOCKS IN THE SAMPLE**

$$\text{Analyst Expectation Errors} = \beta_0 + \beta_1 * \text{Asian} - \text{CEO} + \text{Controls} + \text{IndustryFE} + \text{StateFE} + \varepsilon$$

VARIABLES	(1) eps_error	(2) tperror	(3) tpmetend	(4) tpmetdays	(5) tpmetany
Asian-CEO	0.01 [0.71]	-0.07 [-0.96]	0.02 [0.40]	-0.02 [-0.45]	-0.01 [-0.23]
Institutional Ownership	-0.07** [-2.49]	-0.40*** [-2.66]	-0.25** [-1.98]	-0.26*** [-2.61]	-0.30*** [-3.18]
Analyst Following	-0.01 [-0.69]	0.09* [1.73]	0.05 [1.22]	0.04 [1.28]	0.02 [0.56]
ROA	-1.06*** [-4.98]	-0.73 [-0.61]	-0.01 [-0.02]	1.34** [2.42]	0.56 [1.07]
Size	-0.00 [-0.43]	0.03 [0.82]	0.06** [2.30]	0.04* [1.94]	0.05*** [2.74]
Leverage	0.05 [1.35]	0.10 [0.67]	0.16 [1.01]	0.14 [1.01]	-0.04 [-0.36]
MTB	-0.00 [-1.43]	0.00 [0.40]	0.00 [0.13]	-0.00 [-0.27]	-0.00 [-0.15]
Sales Growth	-0.00* [-1.78]	0.00** [1.98]	-0.00 [-0.09]	0.00 [1.01]	0.00 [1.21]
Earnings Volatility	0.00 [0.52]	-0.00* [-1.96]	-0.00* [-1.93]	-0.00*** [-2.79]	-0.00** [-2.47]
Constant	0.06* [1.88]	-0.10 [-0.32]	0.08 [0.43]	0.21 [1.34]	0.50*** [3.29]
Observations	12,333	31,446	31,446	31,446	31,446
Treated observations	253	620	620	620	620
Adjusted R-squared	0.04	0.11	0.21	0.26	0.15
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	Yes	Yes	Yes	Yes	Yes

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

This table contains the results of Equation (2), with the dependent variable capturing analysts' expectation errors – a proxy for investors' prior mispricing. The dependent variable in column (1) is earnings forecast error, which is the difference between the consensus mean forecast and the actual earnings, while the dependent variable in columns (2) - (5) is a metric based on target price errors. The dependent variable in Column (2) compares the target price forecast with the actual price 12 month later; the dependent variable in Column (3) takes the value of 1 if the target price has been met at the end of 12 months; the dependent variable in Column (4) takes the value of 1 if the target price is met at any time in the next 12 months; the dependent variable in Column (5) counts the number of days when actual price exceeded the target price in the next 12 months. The main variable of interest is *Asian-CEO*, which is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White.

**TABLE 6: TESTS OF MEDIA COVERAGE DURING EVENT WINDOWS**

$$\text{Media coverage} = \beta_0 + \beta_1 \text{Asian} - \text{CEO} + \text{Controls} + \text{IndustryFE} + \text{StateFE} + \varepsilon$$

VARIABLES	(1)	(2)
	Relevant Coverage	
	Scaled by RavenPack	
	Universe	Scaled by sample
Asian-CEO	-0.01 [-1.11]	-0.02 [-1.11]
Institutional Ownership	0.04 [1.51]	0.06 [1.42]
Analyst Following	-0.01 [-1.14]	-0.02 [-1.17]
ROA	-0.10 [-1.38]	-0.18 [-1.39]
Size	0.01** [2.30]	0.03** [2.28]
Leverage	-0.03 [-0.46]	-0.05 [-0.44]
MTB	0.00 [1.17]	0.00 [1.14]
Sales Growth	-0.00 [-1.45]	-0.00 [-1.38]
Earnings Volatility	0.00*** [3.26]	0.00*** [3.25]
Constant	-0.07 [-1.55]	-0.11 [-1.48]
Observations	8,384	8,384
Treated observations	174	174
Adjusted R-squared	0.11	0.11
Industry FE	SIC2	SIC2
State FE	Yes	Yes

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

This table contains the results of Equation (2), with the dependent variable capturing media coverage in the 5-day period around the event dates. The dependent variable in column (1) is the number of relevant articles about a given firm deflated by the total number of relevant articles in the RavenPack universe. The dependent variable in column (2) is the number of relevant articles about a given firm deflated by the total number of relevant articles for firms in our sample. The main variable of interest is *Asian-CEO*, which is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White.

**TABLE 7: CROSS SECTIONAL TESTS: VARIATION OF INVESTOR SYMPATHY WITH ASIAN CEO FIRMS ACCORDING TO RACIAL ANIMUS IN HEADQUARTER STATES**

$CAR \text{ or } Abnvol[-2,2]$

$$= \beta_0 + \beta_1 AsianCEO * Top15 Opp AffirmAct + \beta_2 AsianCEO + \beta_3 Top15 Opp AffirmAct + \beta_4 InstOwn + \beta_5 Analyst + \beta_6 ROA + \beta_7 Size + \beta_8 Lev + \beta_9 MTB + \beta_{10} Sales\_growth + \beta_{11} Earn\_vol + IndustryFE + \varepsilon$$

**PANEL A: TESTS WITH STATE RANKINGS BASED ON OPPOSITION TO AFFIRMATIVE ACTION**

VARIABLES	Cumulative Abnormal Returns [-2,2]				(5) abvol1	(6) abvol2
	(1) Market Model Value Weighted	(2) Market Model Equal Weighted	(3) Fama French 3 Factor	(4) Fama French 5 Factor		
Asian-CEO X Top15 Opp AffirmAct	-2.08*** [-2.86]	-2.01*** [-2.74]	-1.82** [-2.52]	-1.63** [-2.07]	-0.13* [-1.80]	-0.04 [-0.99]
Top15 Opp AffirmAct	0.12 [0.37]	0.32 [0.96]	0.40 [1.24]	0.33 [1.01]	-0.01 [-0.68]	0.00 [0.02]
Asian-CEO	0.85* [1.86]	0.80* [1.70]	0.81* [1.79]	0.81* [1.72]	0.07*** [3.07]	0.07*** [3.15]
Institutional Ownership	0.60 [0.55]	0.92 [0.84]	1.13 [1.04]	1.13 [0.94]	-0.09 [-1.32]	0.00 [0.04]
Analyst Following	-0.49 [-0.84]	-0.52 [-0.86]	-0.64 [-0.88]	-0.77 [-0.96]	-0.05* [-1.96]	0.02 [0.73]
ROA	1.21 [0.37]	-0.80 [-0.24]	3.07 [0.84]	2.25 [0.56]	0.23** [2.06]	0.32** [2.07]
Size	0.88*** [2.62]	0.72** [2.09]	0.77** [2.00]	0.81* [1.92]	0.03** [2.30]	0.03** [1.97]
Leverage	-2.82** [-2.40]	-2.50** [-2.08]	-1.75 [-1.41]	-1.96 [-1.56]	-0.08 [-1.13]	-0.10 [-1.39]
MTB	-0.01 [-0.45]	-0.01 [-0.44]	-0.00 [-0.15]	0.00 [0.05]	-0.00* [-1.73]	-0.00* [-1.89]
Sales Growth	-0.00** [-2.35]	-0.00** [-2.39]	-0.00** [-2.00]	-0.00** [-1.96]	-0.00 [-0.84]	-0.00 [-0.69]
Earnings Volatility	-0.00*** [-2.62]	-0.00** [-2.48]	-0.00*** [-2.63]	-0.00** [-2.50]	0.00 [1.56]	0.00 [1.45]
Constant	-5.24** [-2.52]	-3.73* [-1.77]	-4.93** [-2.17]	-4.82* [-1.91]	0.14 [1.13]	0.04 [0.43]
Observations	12,910	12,910	12,910	12,910	12,904	12,910
Treated Observations	279	279	279	279	279	279
Adjusted R-squared	0.03	0.04	0.03	0.03	0.09	0.07
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	No	No	No	No	No	No
Clustering	Firm	Firm	Firm	Firm	Firm	Firm

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

Panel A presents the results of the regression. The dependent variable in columns (1) – (4) is the 5-day Cumulative Abnormal Returns (CAR) around the event dates, while the dependent variable in columns (5) – (6) is 5-day abnormal trading volume (abvol). The main variable of interest is *Asian-CEO X Top15 Opp AffirmAct*. *Asian-CEO* is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White. *Top15 Opp AffirmAct* is an indicator variable set to 1 for 15 states that scored the highest in the Opposition of Affirmative Action index.

PANEL B: TESTS WITH STATE RANKINGS BASED ON LEVEL OF RACIAL RESENTMENT

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	Cumulative Abnormal Returns [-2,2]				abvol1	abvol2
	Market Model Value Weighted	Market Model Equal Weighted	Fama French 3 Factor	Fama French 5 Factor		
Asian-CEO X Top15 Resentment	-2.12*** [-2.90]	-2.03*** [-2.76]	-1.85** [-2.56]	-1.68** [-2.13]	-0.14* [-1.88]	-0.04 [-0.96]
Top15 Resentment	0.16 [0.48]	0.33 [0.98]	0.42 [1.26]	0.38 [1.11]	-0.01 [-0.32]	-0.00 [-0.02]
Asian-CEO	0.86* [1.87]	0.80* [1.70]	0.81* [1.80]	0.82* [1.74]	0.07*** [3.16]	0.07*** [3.17]
Institutional Ownership	0.61 [0.55]	0.93 [0.84]	1.14 [1.05]	1.14 [0.94]	-0.09 [-1.33]	0.00 [0.04]
Analyst Following	-0.49 [-0.84]	-0.52 [-0.86]	-0.64 [-0.88]	-0.77 [-0.96]	-0.05* [-1.96]	0.02 [0.73]
ROA	1.22 [0.37]	-0.79 [-0.24]	3.08 [0.84]	2.26 [0.57]	0.23** [2.07]	0.32** [2.07]
Size	0.89*** [2.63]	0.73** [2.10]	0.78** [2.00]	0.81* [1.93]	0.03** [2.29]	0.03** [1.97]
Leverage	-2.82** [-2.40]	-2.52** [-2.09]	-1.77 [-1.43]	-1.98 [-1.57]	-0.08 [-1.13]	-0.10 [-1.39]
MTB	-0.01 [-0.45]	-0.01 [-0.44]	-0.00 [-0.15]	0.00 [0.05]	-0.00* [-1.74]	-0.00* [-1.89]
Sales Growth	-0.00** [-2.35]	-0.00** [-2.39]	-0.00** [-2.01]	-0.00** [-1.97]	-0.00 [-0.83]	-0.00 [-0.69]
Earnings Volatility	-0.00*** [-2.62]	-0.00** [-2.48]	-0.00*** [-2.63]	-0.00** [-2.50]	0.00 [1.56]	0.00 [1.45]
Constant	-5.26** [-2.52]	-3.75* [-1.78]	-4.96** [-2.18]	-4.85* [-1.92]	0.14 [1.11]	0.04 [0.43]
Observations	12,910	12,910	12,910	12,910	12,904	12,910
Treated Observations	279	279	279	279	279	279
Adjusted R-squared	0.03	0.04	0.03	0.03	0.09	0.07
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	No	No	No	No	No	No
Clustering	Firm	Firm	Firm	Firm	Firm	Firm

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses.

Panel B presents the results of the regression. The dependent variable in columns (1) – (4) is the 5-day Cumulative Abnormal Returns (CAR) around the event dates, while the dependent variable in columns (5) – (6) is 5-day abnormal trading volume (abvol). The main variable of interest is *Asian-CEO X Top15 Resentment*. *Asian-CEO* is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White. *Top15 Resentment* is an indicator variable set to 1 for the 15 states that scored the highest resentment scores.

**TABLE 8: CROSS SECTIONAL TESTS: VARIATION OF MARKET REACTION TO EVENTS ENGENDERING HIGHER SYMPATHY**

$CAR_{orAbnvol}[-2,2]$

$$= \beta_0 + \beta_1 AsianCEO * Sympathy + \beta_2 AsianCEO + \beta_3 Sympathy + \beta_4 InstOwn + \beta_5 Analyst + \beta_6 ROA + \beta_7 Size + \beta_8 Lev + \beta_9 MTB + \beta_{10} Sales\_growth + \beta_{11} Earn\_vol + IndustryFE + \varepsilon$$

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	Cumulative Abnormal Returns [-2,2]				abvol1	abvol2
	Market Model Value Weighted	Market Model Equal Weighted	Fama French 3 Factor	Fama French 5 Factor		
Asian-CEO X Sympathy	3.00** [2.24]	3.00** [2.24]	2.81** [2.20]	2.59** [2.03]	-0.05 [-1.17]	-0.10** [-1.99]
Sympathy	-0.85*** [-3.16]	-0.86*** [-3.20]	0.19 [0.68]	0.16 [0.60]	0.08*** [6.49]	0.38*** [27.13]
Asian-CEO	-0.60 [-0.87]	-0.64 [-0.93]	-0.45 [-0.70]	-0.26 [-0.41]	0.10*** [3.14]	0.13*** [3.88]
Institutional Ownership	0.73 [0.82]	1.09 [1.23]	1.33 [1.53]	1.35 [1.41]	-0.09* [-1.84]	-0.00 [-0.03]
Analyst Following	-0.32 [-0.48]	-0.34 [-0.51]	-0.42 [-0.53]	-0.55 [-0.63]	-0.04* [-1.89]	0.03 [1.11]
ROA	2.72 [0.83]	0.75 [0.23]	4.63 [1.20]	3.91 [0.94]	0.30** [2.26]	0.37** [2.20]
Size	0.95*** [2.72]	0.79** [2.20]	0.80** [1.99]	0.84* [1.93]	0.03*** [2.59]	0.03* [1.81]
Leverage	-2.67** [-2.44]	-2.28** [-2.03]	-1.49 [-1.32]	-1.76 [-1.52]	-0.09 [-1.36]	-0.10 [-1.41]
MTB	-0.01 [-0.39]	-0.01 [-0.40]	-0.00 [-0.10]	0.00 [0.09]	-0.00* [-1.69]	-0.00* [-1.91]
Sales Growth	-0.00*** [-2.75]	-0.00*** [-2.75]	-0.00** [-2.51]	-0.00** [-2.43]	-0.00 [-1.09]	-0.00 [-0.97]
Earnings Volatility	-0.00** [-2.27]	-0.00** [-2.20]	-0.00** [-2.19]	-0.00** [-2.05]	0.00* [1.84]	0.00* [1.88]
Constant	-6.02*** [-3.17]	-4.52** [-2.33]	-6.13*** [-2.87]	-6.14*** [-2.65]	0.04 [0.41]	-0.19** [-2.06]
Observations	12,991	12,991	12,991	12,991	12,985	12,991
Treated Observations	279	279	279	279	279	279
Adjusted R-squared	0.04	0.05	0.04	0.04	0.11	0.19
Industry FE	SIC2	SIC2	SIC2	SIC2	SIC2	SIC2
State FE	No	No	No	No	No	No
Clustering	Firm	Firm	Firm	Firm	Firm	Firm

Notes: All variables are defined in Appendix A. Standard errors are clustered by firm.

\*, \*\*, \*\*\* Denote statistical significance at 10 percent, 5 percent, and 1 percent levels, respectively (two-tailed tests). Robust standard errors are shown in parentheses. This table presents the results of tests of variation over events that are expected to engender higher sympathy towards East-Asians as opposed to events not expected to engender higher sympathy towards East-Asians. The selection of high-sympathy generating events is detailed in Appendix C. The dependent variable in columns (1) – (4) is the 5-day Cumulative Abnormal Returns (CAR) around the event dates, while the dependent variable in columns (5) – (6) is 5-day abnormal trading volume (abvol). The main variable of interest is *Asian-CEO X Sympathy*. *Asian-CEO* is an indicator variable that is set to 1 for firm-years with CEOs of East-Asian heritage, and 0 for firms with CEOs whose race is categorized as White. *Sympathy* is an indicator variable set to 1 for event dates that are expected to engender higher sympathy towards East-Asians

## APPENDIX A: VARIABLE DEFINITIONS

Variable	Description	Source
<b><u>Dependent Variables</u></b>		
CAR [-2,2] Market Model Value Weighted	Cumulative abnormal returns estimated as the sum of abnormal returns of firm $i$ in the five day event window surrounding the event date (day 0), following market model using value weighted market returns. Abnormal returns are calculated using estimation window of calendar year 2019 with a minimum requirement of at least 100 trading days in the estimation window.	CRSP Daily Stock File <i>ret</i> , <i>vwret</i>
CAR [-2,2] Market Model Equal Weighted	Cumulative abnormal returns estimated as the sum of abnormal returns of firm $i$ in the five day event window surrounding the event date (day 0), following market model using value equal market returns. Abnormal returns are calculated using estimation window of calendar year 2019 with a minimum requirement of at least 100 trading days in the estimation window.	CRSP Daily Stock File <i>ret</i> , <i>ewret</i>
CAR [-2,2] Fama French 3 Factor	Cumulative abnormal returns estimated as the sum of abnormal returns of firm $i$ in the five day event window surrounding the event date (day 0), following Fama French 3 factor model. Abnormal returns are calculated using estimation window of calendar year 2019 with a minimum requirement of at least 100 trading days in the estimation window.	CRSP Daily Stock File <i>ret</i> , Kenneth French
CAR [-2,2] Fama French 5 Factor	Cumulative abnormal returns estimated as the sum of abnormal returns of firm $i$ in the five day event window surrounding the event date (day 0), following Fama French 5 factor model. Abnormal returns are calculated using estimation window of calendar year 2019 with a minimum requirement of at least 100 trading days in the estimation window.	CRSP Daily Stock File <i>ret</i> , Kenneth French
abvol1	Abnormal volume for [-2,2] trading days relative to event date, where abnormal volume is the stock's average of daily trading volume in trading days [-2,2] minus the average over trading days [-41, -11]. Daily trading volume is the log of dollar trading volume, calculated using the product of the closing price and the number of shares traded. (Chi & Shanthikumar, 2017)	CRSP Daily Stock File <i>prc</i> , <i>vol</i>
abvol2	Abnormal volume for [-2,2] trading days relative to event date, where abnormal volume is the natural log of ratio of company's mean volume over [-2,2] trading days divided by mean volume over [-61,-21]	CRSP Daily Stock File <i>vol</i> , <i>shrout</i>
eps_error	Difference between mean consensus estimate and actual quarterly EPS	IBES Summary History Summary Statistics <i>meanest</i> , <i>actual</i>
tperror	$(P_{12} - TP)/P$ , where $P_{12}$ is price 12 months from target price date, $TP$ is target price, $P$ is price 3 days before target price release date (Bradshaw, Brown and Huang, 2013)	IBES Summary History Price Target <i>meanptg</i> , CRSP Daily Stock File <i>prc</i>
tpmetend	Indicator variable equal to one if the actual closing price as of the end of the 12-month forecast horizon is at or above the target price (Bradshaw, Brown and Huang, 2013)	IBES Summary History Price Target <i>meanptg</i> , CRSP Daily Stock File <i>prc</i>



tpmetdays	Summation of days during the forecast horizon on which the trading price closes at or above the target price, divided by the number of trading days (Bradshaw, Brown and Huang, 2013)	IBES Summary History Price Target <i>meanptg</i> , CRSP Daily Stock File <i>prc</i>
tpmetany	Dummy variable equal to one if the target price is met at any time during the 12-month forecast horizon (Bradshaw, Brown and Huang, 2013)	IBES Summary History Price Target <i>meanptg</i> , CRSP Daily Stock File <i>prc</i>
Relevant coverage scaled by total	Number of relevant articles written about the firm during [-2,2] trading days relative to event date as recorded by RavenPack, expressed as a percentage of all relevant articles written during that period and recorded by RavenPack, where relevant article means an article to which RavenPack assigns relevance score of 75 or above	RavenPack Full Yearly Data <i>relevance</i>
Relevant coverage scaled by sample	Number of relevant articles written about the firm during [-2,2] trading days relative to event date as recorded by RavenPack, expressed as a percentage of all relevant articles written during that period and recorded by RavenPack for the firms in our sample, where relevant article means an article to which RavenPack assigns relevance score of 75 or above	RavenPack Full Yearly Data <i>relevance</i>
<b><u>Controls</u></b>		
Institutional Ownership	Fraction of shareholding by institutional investors, averaged over last 4 quarters for which information is available	WRDS Thomson Reuters Stock Ownership <i>InstOwn</i> , <i>shROUT</i>
Analyst Following	Natural log of number of EPS estimates for a firm for the latest concluded fiscal year	IBES Summary History Summary Statistics <i>numest</i>
ROA	Net income divided by total assets of the firm for the latest concluded fiscal year	Compustat Fundamentals Annual, <i>ni</i> , <i>at</i>
Size	Natural log of 1 + total assets of the firm for the latest concluded fiscal year	Compustat Fundamentals Annual <i>at</i>
Leverage	Sum of long term debt and debt due in one year, scaled by total assets, for the latest concluded fiscal year	Compustat Fundamentals Annual <i>dltt</i> , <i>ddl</i> , <i>at</i>
MTB	Market to book ratio, expressed as closing price times outstanding shares and divided by shareholders' equity calculated for the latest concluded fiscal year	Compustat Fundamentals Annual <i>prcc_f</i> , <i>csho</i> , <i>seq</i>
Sales Growth	Difference between sale for the latest concluded fiscal year and sale for the fiscal year preceding it	Compustat Fundamentals Annual <i>sale</i>
Earnings Volatility	Standard deviation of net income for past five years, including the latest concluded fiscal year	Compustat Fundamentals Annual <i>ni</i>
<b><u>Partitioning Variables</u></b>		
Top15 Opp AffirmAct	Dummy that takes value 1 for top 15 states when ranked by their opposition to affirmative action, 0 otherwise (based on Cooperative Congressional Election Study, 2012)	<i>CCES</i>
Top15 Resentment	Dummy that takes value 1 for top 15 states when ranked by their level of racial resentment (based on Cooperative Congressional Election Study, 2012)	<i>CCES</i>

Sympathy

Dummy that takes value of 1 for events which are expected to engender greater sympathy towards East-Asians

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**APPENDIX B: SUMMARY STATISTICS OF ENTROPY BALANCED SAMPLE**

VARIABLES	Ethnicity = Asian-CEO					Ethnicity = White (Pre-balancing)					Ethnicity = White (Post-balancing)				
	N	mean	sd	min	max	N	mean	sd	min	max	N	mean	sd	min	max
Institutional Ownership	279	0.65	0.21	0.23	0.961	12,712	0.70	0.20	0.23	1.11	12,712	0.65	0.21	0.23	1.11
Analyst Following	279	2.08	0.82	0.00	3.526	12,712	2.05	0.87	0.00	3.53	12,712	2.08	0.82	0.00	3.53
ROA	279	0.05	0.10	-0.34	0.255	12,712	0.03	0.08	-0.34	0.26	12,712	0.05	0.10	-0.34	0.26
Size	279	8.28	1.74	4.73	11.259	12,712	8.51	1.66	4.73	12.85	12,712	8.28	1.74	4.73	12.85
Leverage	279	0.16	0.19	0.00	0.809	12,712	0.31	0.22	0.00	1.00	12,712	0.16	0.19	0.00	1.00
MTB	279	4.43	9.02	-31.37	45.754	12,712	3.36	7.49	-31.37	45.75	12,712	4.43	9.04	-31.37	45.75
Sales Growth	279	340.59	1,052.03	-798.00	5,757.00	12,712	118.21	1,942.12	-8,678.00	11,393.00	12,712	340.52	1,054.19	-8,678.00	11,393.00
Earnings Volatility	279	336.01	943.25	4.91	5,298.89	12,712	407.65	973.60	4.91	6,064.10	12,712	336.05	945.01	4.91	6,064.10

**APPENDIX C – SELECTION OF EVENTS EXPECTED TO ENGENDER MORE SYMPATHY TOWARDS EAST-ASIANS**

<b>Date</b>	<b>Google search score</b>	<b>Real world event around this date</b>	<b>Value of Sympathy</b>
07-03-2020	69.5	March 7, 2020 – Mike Pompeo used the term “Chinese virus”/ “Wuhan Virus” on Fox and Friends and CNBC <sup>16</sup>	0
11-03-2020	68.3	March 10, 2020 – two separate incidents of Asian hate crime in NYC <sup>17</sup>	1
15-03-2020	85.0	March 14, 2020 – Man in Texas stabbed 3 of Asian origin <sup>18</sup> Donald J. Trump tweeted “Chinese virus” at 18:51:00 on March 16, 2020 <sup>19</sup>	1
21-03-2020	67.1	Elderly man attacked in Chicago <sup>20</sup>	1
17-11-2020	62.5	10-12 US states reached their peak of Covid cases	0
13-12-2020	66.4	10-12 other US states reached their peak of Covid cases	0
02-02-2021	62.5	January 31, 2021 - Attacks on Asians in Oakland’s Chinatown, made popular during this week by 2 Asian American actors offering reward <sup>21</sup> . There had been many more attacks on Asians in Oakland’s Chinatown in the days leading up to January 31.	1
03-02-2021	62.0		NA
04-02-2021	59.5		NA
04-03-2021	62.1	No specific event	0
18-03-2021	59.5	March 16, 2021 – Atlanta shooting with 8 casualties <sup>22</sup>	1

This table details the classification of events into high sympathy engendering (*Sympathy* = 1) events, and low sympathy events. For each event-date we performed a news search to check whether there are any associated attacks on Asian-Americans. Physical attacks on Asian-Americans are more likely to trigger sympathy than events just associated with increase in Covid numbers or political rhetoric.

<sup>16</sup> <https://journals.sagepub.com/doi/10.1177/1090198120957949>

<sup>17</sup> <https://www.nbcnewyork.com/news/local/hate-crime-task-force-investigates-two-possible-coronavirus-related-attacks-in-nyc/2323142/>

<sup>18</sup> <https://www.aljazeera.com/opinions/2020/4/16/anti-asian-racism-must-be-stopped-before-it-is-normalised/>

<sup>19</sup> <https://ajph.aphapublications.org/doi/pdf/10.2105/AJPH.2021.306154>

<sup>20</sup> <https://www.hopclear.com/chinese-man-attacked-and-racially-abused-while-jogging-in-naperville-illinois/>

<sup>21</sup> <https://abcnews.go.com/US/arrest-made-street-attack-91-year-california-man/story?id=75777652,>

<https://abc7news.com/man-pushed-to-ground-in-oakland-violence-chinatown-robberies/10311111/>

<sup>22</sup> <https://www.hrw.org/news/2021/03/18/atlanta-shootings-strike-fear-asian-american-community>