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Analyst Behavior Following IPOs: The "Bubble Period" Evidence

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Abstract

We examine over 7400 analyst recommendations made in the year after going public for IPOs from 1999 to 2000. Initiations of coverage at the end of the quiet period come almost exclusively from affiliated analysts, whereas initiations afterward are predominantly from unaffiliated analysts. Contrary to previous findings, we find no evidence that the market discounts recommendations from affiliated analysts once we control for recommendation characteristics and timing. Moreover, analyst coverage in the first year is not affected by underpricing, and after the flurry of initiations at the end of the quiet period, the number of analysts covering a firm during the following 11 months is unrelated to the number of managing underwriters. (*JEL* G12, G14, G24)