

[Home](#) > [Review of Quantitative Finance and Accounting](#) > [Article](#)

Information Asymmetry Around Earnings Announcements

Published: September 1998

Volume 11, pages 165–182, (1998) [Cite this article](#)[Save article](#) [View saved research](#) >



[Review of Quantitative Finance and Accounting](#)

[Aims and scope](#) →[Submit manuscript](#) →[Teri Lombardi Yohn](#)¹[1260](#) Accesses [137](#) Citations [Explore all metrics](#) →

Abstract

This study examines bid-ask spreads to determine how the anticipation and release of earnings announcements affect information asymmetry in the stock market. I use regression analysis and find that bid-ask spreads are negatively related to public information availability and positively related to earnings variability and the market reaction to prior unexpected earnings. The results suggest that firms for which earnings is expected to yield a relatively larger stock market reaction have greater information asymmetry than firms for which earnings are expected to yield a smaller market reaction.

I also find that bid-ask spreads gradually increase in the four days prior to earnings announcements, and increase sharply the day prior to, the day of and the day after the earnings announcements. Bid-ask spreads seven to ten days after earnings announcements are not significantly different from bid-ask spreads seven to ten days prior to earnings announcements.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

[Log in via an institution](#) →

Subscribe and save

Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

[View plans](#) →

Buy Now

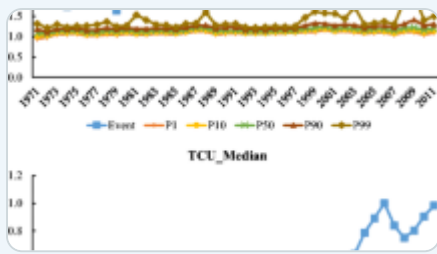
[Buy article PDF 39,95 €](#)

Price includes VAT (Poland)

Instant access to the full article PDF.

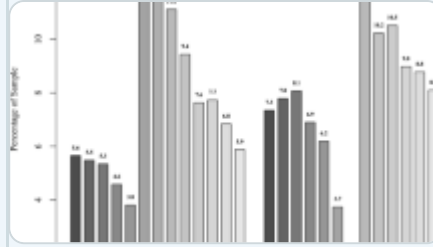
[Institutional subscriptions](#) →

Similar content being viewed by others



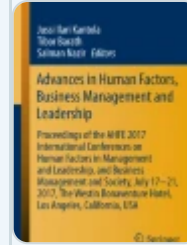
The information content of earnings announcements: new insights from intertemporal

Article | 29 August 2017



Are earnings predictable?

Article | 19 November 2019



Econometric Modeling of Time Series Bid-Ask (Spread) for a Sample of Chilean Companies

Chapter | © 2018

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Business Ethics](#)

[Corporate Communication](#)

[Corporate Finance](#)

[Information Ethics](#)

[Market Psychology](#)

[Media Reception and Media Effects](#)

References

Ajinkya, B. and M. Gift. "Corporate Managers' Earnings Forecasts and Symmetrical Adjustments to Market Expectations." *Journal of Accounting Research* 22, 425-444, (1984).

[Google Scholar](#)

Atiase, R. "Predisclosure Information, Firm Capitalization and Security Price Behavior Around Earnings Announcements." *Journal of Accounting Research* 23, 21-36, (1985).

[Google Scholar](#)

Barnea, A. and D. Logue. "The Effect of Risk on the Market Maker's Spread." *Financial Analysts Journal*, 45-49, (November/December 1975).

Beaver, W. "The Nature of Mandated Disclosure." *Report of the Advisory Committee on Corporate Disclosure to the SEC*, U.S. Government Printing Office, Washington DC, 1977.

[Google Scholar](#)

Benston, G. and R. Hagerman. "Determinants of Bid-Ask Spreads in the Over-the-counter Market." *Journal of Financial Economics* 353-364, (January-February 1974).

Bhushan, R. "Collection of Information about Publicly Traded Firms: Theory and Evidence." *Journal of Accounting and Economics* 183-206, (1989).

Brown, L., R. Hagerman, P. Griffin and M. Zmijewski. "An Evaluation of Alternative Proxies for the Market's Assessment of Unexpected Earnings." *Journal of Accounting and Economics* 159-193, (July 1987).

Brown, L. and J. Han. "The Impact of Annual Earnings Announcements on Convergence of Beliefs." *The Accounting Review* 862-875, (October 1987).

Coller, M. and T. Yohn. "Management Forecasts and Information Asymmetry: An Examination of Bid-Ask Spreads." *Journal of Accounting Research*, forthcoming, (Fall 1997).

Copeland, T. and D. Galai. "Information Effects on the Bid-Ask Spread." *The Journal of Finance* 1457-1469, (December 1983).

Daley, L., J. Hughes and J. Rayburn. "The Impact of Earnings Announcements on the Permanent Price Effects of Block Trades." *Journal of Accounting Research* 317-334, (Autumn 1995).

Demsetz, H. "The Cost of Transacting." *Quarterly Journal of Economics* 33-53, (February 1968).

Demski, J. and G. Feltham. "Market Response to Financial Reports." *Journal of Accounting and Economics* 3-40, (January 1994).

Easton, P. and M. Zmijewski. "Cross-sectional Variation in the Stock Market Response to Accounting Earnings Announcements." *Journal of Accounting and Economics* 117-141, (July 1989).

Freeman, R. "The Association Between Accounting Earnings and Security Returns for Large and Small Firms." *Journal of Accounting and Economics* 9, 195-228, (1987).

[Article](#) [Google Scholar](#)

Glosten, L. and P. Milgrom. "Bid, Ask and Transaction Prices in a Specialist Market with Heterogeneously Informed Traders." *Journal of Financial Economics* 71-100, (March 1985).

Hamilton, J. "Marketplace Organization and Marketability: NASDAQ, the Stock Exchange, and the National Market System." *Journal of Finance* 487-503, (May 1978).

Kim, O. and R. Verrecchia. "Market Liquidity and Volume Around Earnings Announcements." *Journal of Accounting and Economics* 17, 41-67, (1994).

[Article](#) [Google Scholar](#)

Lee, C., B. Mucklow and M. Ready. "Spreads Depths and the Impact of Earnings Information: An Intraday Analysis." *The Review of Financial Studies* 6, 345-374, (1993).

McNichols, M. and B. Trueman. "Public Disclosure, Private Information Collection, and Short-term Trading." *Journal of Accounting and Economics* 17, 69-94, (1994).

[Article](#) [Google Scholar](#)

Shores, D. "The Association Between Interim Information and Security Returns Surrounding Earnings Announcements." *Journal of Accounting Research* 164-181, (Spring 1990).

Stoll, H. "The Pricing of Security Dealer Services: An Empirical Study of NASDAQ Stocks." *Journal of Finance* 1153-1172, (September 1978).

Tinic, S. "The Economics of Liquidity Services." *Quarterly Journal of Economics* 79-93, (February 1972).

Tinic, S. and R. West. "Competition and the Pricing of Dealer Services in the Over-the-counter Market." *Journal of Financial and Quantitative Analysis* 1707-1728, (June 1972).

Trueman, B. and S. Titman. "An Explanation for Accounting Income Smoothing." *Journal of Accounting Research* 26 127-143, (Supplement 1988).

[Google Scholar](#)

White, H. "A Heteroskedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroskedasticity." *Econometrica* 817-838, (1980).

Authors and Affiliations

Assistant Professor, Georgetown School of Business, Georgetown University, Washington D.C, 20057

Teri Lombardi Yohn

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Lombardi Yohn, T. Information Asymmetry Around Earnings Announcements. *Review of Quantitative Finance and Accounting* **11**, 165–182 (1998). <https://doi.org/10.1023/A:1008268201014>

Issue date

September 1998

DOI

<https://doi.org/10.1023/A:1008268201014>

[Bid-ask spreads](#)

[information asymmetry](#)

[earnings announcements](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research

