

# Consecutive Earnings Surprises: Small and Large Trader Reactions

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*The Accounting Review* (2012) 87 (5): 1709-1736.

<https://doi.org/10.2308/accr-50188>

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## ABSTRACT

Prior research demonstrates that investors respond differently to earnings surprises that are part of a string of consecutive earnings increases or surprises than to those that are not. To shed light on who values these patterns, I compare trading responses of small and large traders to earnings surprises that occur during a series of positive or negative surprises. I find that the relative intensity of small traders' trading response (and, to a lesser extent, that of medium traders) to earnings surprises generally increases as a series progresses. Small traders respond more negatively to the second (third) negative surprise in a series than to the first (second), and more positively for the first three surprises in a positive series. Moreover, I find that announcement-period returns are related to the trading of small and medium traders. These results suggest that less sophisticated smaller traders, responding to earnings series, contribute to previously documented pricing patterns.

**Data Availability:** *All data used in this study, with the exception of data obtained from an anonymous discount brokerage firm, are publicly available from the sources indicated in the text.*

**Keywords:** [earnings string](#), [earnings pattern](#), [earnings momentum](#), [trade imbalance](#), [small and large trade](#)

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