

# Headline Salience, Managerial Opportunism, and Over- and Underreactions to Earnings

Xuan Huang; Alexander Nekrasov ; Siew Hong Teoh 

+ Author & Article Information

*The Accounting Review* (2018) 93 (6): 231-255.

<https://doi.org/10.2308/accr-52010>

Share 

Tools 

Cite 

## ABSTRACT

Limited attention theory predicts that higher salience of earnings news implies a stronger immediate market reaction to earnings news and a weaker post-earnings announcement drift (PEAD) or reversal (PEAR). Using a new measure, *SALIENCE*, defined as the number of quantitative items in an earnings press release headline, we find strong evidence consistent with salience effects. Higher *SALIENCE* is associated with stronger announcement reaction and subsequent PEAR. Managers are more likely to choose higher *SALIENCE* before selling shares in the post-announcement period and when earnings are high, but less persistent, and to choose lower *SALIENCE* before stock option grants. The results are robust to using residual salience and an extended set of control variables. The findings are consistent with managers opportunistically headlining positive financial information in the earnings press release to incite over-optimism in investors with limited attention.

**Keywords:** qualitative disclosure, disclosure management, market efficiency, limited attention, behavioral finance, investor psychology, post-earnings announcement drift

You do not currently have access to this content.

**Sign in**

Don't already have an account? [Register](#)

**Member Login**

[Skip to Main Content](#)

[Log in](#)

Pay-Per-View Access

\$25.00

**AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.**

 Buy This Article



[View Metrics](#)

### Citing Articles Via

Web Of Science (77)

Google Scholar

CrossRef (123)

### Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert

Information for Authors

Authorship Policy

Plagiarism Policy

Data Integrity Policy

Citing Corrected Articles Policy

Minimizing Overlapping Decision Rights Policy

Prior Publication Policy



---

[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.