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Stock Price Discovery in Earnings Season

The International Journal of Business and Finance Research, v. 9 (5) p. 1-15

16 Pages

Posted: 29 Jan 2016

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Date Written: 2015

Abstract

This study investigates whether the timing of earnings announcement in earnings season affects stock price discovery process. This paper documents that market reaction is more favorable for earnings announcements made at the beginning of earnings season (“timing effect”). Price reaction on earnings announcement dates and post-announcement price drift are significantly stronger for positive earnings surprises released at the beginning of earnings season. Negative earnings surprises announced at the end of earnings season have the most pronounced post-announcement price decline. The timing effect associated with positive earnings surprises is consistent with industry information transfer theory. The timing effect associated with negative earnings surprise is mainly driven by market penalty on companies’ strategic delay of bad news announcements.

Keywords: Market Reaction to Earnings News; Timing of Earnings Announcement**JEL Classification:** G12, G14, G30[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2664704_code1332876.pdf?abstractid=2664704&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2664704_code1332876.pdf?abstractid=2664704&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2664704_code1332876.pdf?abstractid=2664704&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2664704_code1332876.pdf?abstractid=2664704&mirid=1&type=2)

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