Online Appendix

Rest in Peace Post-Earnings Announcement Drift

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This Online Appendix includes additional results that are discussed but not reported in the main manuscript.

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Figure IA.1. Unbiasedness Regressions: Compustat Sample

Description: This figure shows the estimated coefficient (β) in Panel A and the explanatory power (R^2) in Panel B of the following 2-year rolling regression:

$$BHAR[0,60]_{i,j} = \alpha + \beta BHAR[0,1]_{i,j} + \varepsilon_{i,j},$$

where $BHAR[0,1]$ and $BHAR[2,60]$ are the stock i's announcement j buy-and-hold abnormal returns on earnings announcement date and post-announcement, respectively. See Figure 5 for the definition of BHAR. The results are reported for the full sample, all-but-microcap, and microcap stocks from the Compustat sample. Microcap stocks are those smaller than the NYSE 20th market capitalization percentile. Above each plot is a linear time trend τ (red dotted line) with p-value based on Newey-West standard errors with five lags. The sample period is from January 1, 1977 to December 31, 2019. Including the years 1973 to 1976 provides noisy results with wide confidence intervals due to the low number of observations.

Interpretation: The β for all-but-microcap stocks converges towards one over time, indicative that stock prices on announcement dates are close to martingale. The increase in R^2 over time suggests that announcement date prices are more information about one-quarter ahead prices.

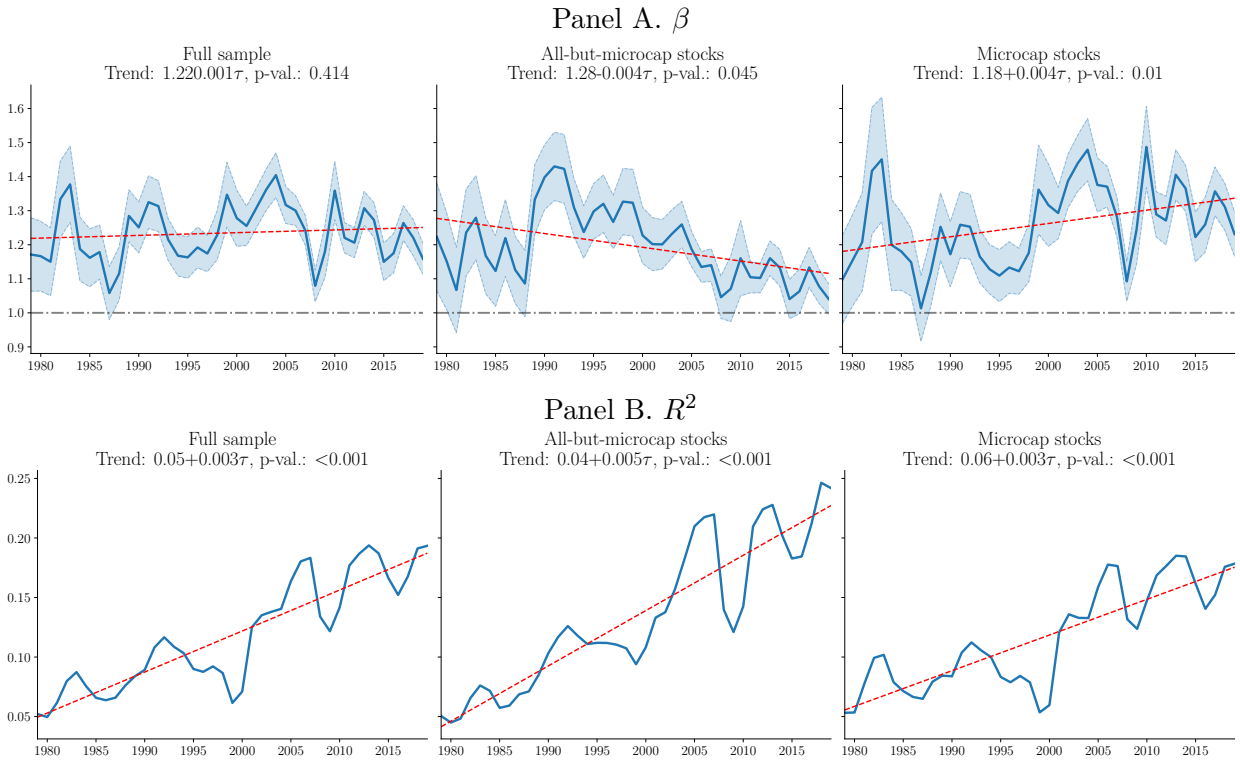

Table IA.1
List of papers examining the relation between earnings surprises and stock returns following earnings announcements

Description: This table list the papers retrieved from Web of Science that directly examines the relation between earnings surprises and stock returns following earnings announcements. The articles are from the following journals: Journal of Finance (JF), Journal of Financial Economics (JFE), Review of Financial Studies (RFS), Journal of Financial and Quantitative Analysis (JFQA), Review of Finance (RF), Journal of Accounting Economics (JAE), Journal of Accounting Research (JAR), The Accounting Review (TAR), Review of Accounting Studies (RAS), Contemporary Accounting Research (CAR), and Management Science (MS). The column Friction list the main friction/factor examined in the paper intermediating the relation between the dynamics of price formation following earnings announcements and earnings surprises. In the column Surprise, "A" corresponds to analyst earnings surprises and "RW" corresponds to random-walk earnings surprises. In the column Return, "S" corresponds to stock-level returns (e.g., individual stock buy-and-hold or cumulative returns) and "P" corresponds to portfolio returns (i.e., long-short portfolios). The column Period corresponds to the sample period of the study. In total there are 80 articles retrieved from 1989 to 2020 (October) among the articles retrieved from the search of (post-earnings announcement drift OR announcement drift OR price formation) AND earnings in Web of Science.

	Authors	Journal	Friction	Suprise	Return	Period
1	Abarbanell and Bernard (1992)	JF	Failure to characterize the time-series properties of earnings	A, RW	S	1976-1986
2	Affleck-Graves and Mendenhall (1992)	JFE	Value Line's timeliness ranks	A, RW	S	1982-1986
3	Arif, Marshall, Schroeder, and Yohn (2019)	JAE	Concurrent release of EA/10-Ks (investor attention)	A	S	1995-2016
4	Ayers, Li, and Yeung (2011)	TAR	Trading activities of distinct sets of investors	A, RW	S	1993-2005
5	Balakrishnan, Bartov, and Faurel (2010)	JAE	Market failure to assess loss/profit	RW	S	1988-2005
6	Bartov (1992)	TAR	Unexpected earnings' patterns	RW	S	1979-1987
7	Bartov, Radhakrishnan, and Krinsky (2000)	TAR	Investor sophistication	RW	S	1989-1993
8	Basu, Markov, and Shivakumar (2010)	RAS	Expected inflation in earnings forecast	RW	S	1984-2005
9	Bathke Jr, Mason, and Morton (2019)	CAR	Investor overreaction	RW	S	2001-2012
10	Battalio, Lerman, Livnat, and Mendenhall (2012)	JAE	Investors ignoring accrual information	A, RW	S	1990-1999
11	Ben-David, Franzoni, Moussawi, and Sedunov (2021)	MS	Institutional investor attention	A	S	2010-2015
12	Bernard and Thomas (1989)	JAR	Delayed price response to earnings news	A	S	1974-1986
13	Bhushan (1994)	JAE	Transaction costs	RW	S	1974-1986
14	Boehmer and Wu (2013)	RFS	Short selling	A	S	2005-2007
15	Boulland, Degeorge, and Ginglinger (2017)	RF	Information intermediaries (investor attention)	A	S	1991-2010
16	Calluzzo, Moneta, and Topaloglu (2019)	MS	Institutional trading	RW	S	1982-2014
17	Campbell, Ramadorai, and Schwartz (2009)	JFE	Institutional trading	A	P	1995-2000
18	Cao and Narayanamoorthy (2012)	JAR	Earnings volatility	A	S	1987-2008
19	Cao, Han, and Wang (2017)	JFQA	Institutional investment constraints	A	S	1980-2013
20	Chan, Jegadeesh, and Lakonishok (1996)	JF	Slow incorporation of past information	A, RW	P	1977-1993
21	Chen, Matsumoto, and Rajgopal (2011)	CAR	Investors delay in processing time-varying earnings persistence	RW	S	1975-2004
22	Chen, Lobo, and Zhang (2017)	CAR	Transaction costs	A, RW	S	1983-2014
23	Chi and Shanthikumar (2017)	TAR	Local bias	A, RW	S	2005-2011
24	Choi (2000)	JFQA	Value Line Investment Survey recommendations	RW	P	1965-1996
25	Chordia and Shivakumar (2005)	JAR	Inflation illusion	RW	P	1971-2001
26	Chordia and Shivakumar (2006)	JFE	Intra-industry information transfers	A, RW	S	1993-2006
27	Chordia, Subrahmanyam, and Tong (2014)	JAE	Transaction costs	RW	P	1983-2011
28	Chung and Hrazdil (2011)	CAR	Limits to arbitrage	A	S	1993-2004
29	Collins and Hribar (2000)	JAE	Accruals	RW	P	1988-1997
30	Core, Guay, Richardson, and Verdi (2006)	RAS	Managers' repurchases and insider trading	RW	S	1989-2001
31	DellaVigna and Pollet (2009)	JF	Investor inattention on Fridays	A	S	1995-2006
32	Dou, Truong, and Veeraraghavan (2016)	CAR	Cultural dimensions	A	S	1995-2008
33	Doyle, Lundholm, and Soliman (2006)	JAR	Definition of earnings surprises and transaction costs	A, RW	S	1988-2000
34	Drake, Roulstone, and Thornock (2015)	RAS	Information acquisition	RW	S	2008-2011
35	Elgers, Lo, and Pfeiffer Jr (2001)	TAR	Delayed response to annual analysts' earnings forecasts	A	S	1982-1998
36	Elgers, Porter, and Xu (2008)	JAE	Measurement errors in the use of realized earnings changes	RW	S	1975-2003
37	Feldman, Govindaraj, Livnat, and Segal (2010)	RAS	Tone in disclosures	A	S	1993-2007
38	Frederickson and Zolotoy (2016)	TAR	Investor inattention	A	S	1985-2006
39	He and Narayanamoorthy (2020)	JAE	Investors ignoring earnings acceleration	RW	S	1972-2015
40	Henry and Leone (2016)	TAR	Disclosure tone	A	S	2004-2012

(*Continued*)

Table IA.1
(Continued)

	Authors	Journal	Friction	Suprise	Return	Period
41	Hirshleifer, Lim, and Teoh (2009)	JF	Information overload (investor inattention)	A	S	1995-2004
42	Hirshleifer, Myers, Myers, and Teoh (2008)	TAR	Naive trading by individual investors	RW	S	1991-1996
43	Huang, Nekrasov, and Teoh (2018)	TAR	Headline Salience (investor attention)	A, RW	S	1998-2008
44	Hung, Li, and Wang (2015)	RFS	Financial reporting quality	A	S	2001-2009
45	Jegadeesh and Livnat (2006)	JAE	Revenue information	RW	S	1987-2003
46	Jiang and Zheng (2018)	RFS	Investor sophistication	RW	P	1984-2014
47	Kang, Khurana, and Wang (2017)	CAR	Investors' underreaction to firms with foreign operations	A, RW	S	1990-2013
48	Kaniel, Liu, Saar, and Titman (2012)	JF	Informed trading	A	S	2000-2003
49	Ke and Ramalingegowda (2005)	JAE	Institutional investor trading	RW	S	1986-1999
50	Kim and Kim (2003)	JFQA	Model specification for risk-adjusted returns	RW	S	1984-1999
51	Kimbrough (2005)	TAR	Conference calls	A, RW	S	1994-2000
52	Kottimukkalur (2019)	JFQA	Investor attention	A	S	1995-2016
53	Kovacs (2016)	CAR	Investor underreaction to intra-industry information	A, RW	S	1993-2006
54	Lasser, Wang, and Zhang (2010)	CAR	Level of short interest	A	S	1992-2003
55	Lee (2012)	CAR	Quarterly report readability	A	S	2001-2007
56	Li (2011)	RAS	Investors understanding of loss persistence	A, RW	S	1984-2006
57	Li, Nekrasov, and Teoh (2020)	RAS	Delayed disclosure and investor attention	A, RW	S	1990-2013
58	Liang (2003)	RAS	Information processing biases	A	S	1989-2000
59	Livnat and Mendenhall (2006)	JAR	Earnings surprise definition	A, RW	S	1987-2003
60	Loh and Warachka (2012)	MS	Streaks in earnings surprises biasing investors' expectations	A	S	1984-2009
61	Louis, Robinson, and Sbaraglia (2008)	RAS	Accrual disclosure	RW	S	1999-2002
62	Ma and Markov (2017)	CAR	Market's assessment of meeting / beating consensus	RW	S	1993-2010
63	McLean and Pontiff (2016)	JF	Academic research	RW	P	1974-2013
64	Mendenhall (2002)	JAR	Earnings autocorrelation	RW	S	1983-1999
65	Michaely, Rubin, and Vedrashko (2016)	JAE	Timing of earnings announcements	A	P	1999-2013
66	Narayanamoorthy (2006)	JAR	Accounting conservatism	RW	S	1978-1998
67	Ng, Rusticus, and Verdi (2008)	JAR	Transaction costs	A, RW	S	1988-2005
68	Ng, Tuna, and Verdi (2013)	RAS	Credibility of management forecasts	A	S	1995-2008
69	Porras Prado, Saffi, and Sturgess (2016)	RFS	Firm ownership structure	A	S	2006-2010
70	Rangan and Sloan (1998)	TAR	Investors ignoring the auto-regressive structure in earnings	RW	S	1971-1994
71	Richardson, Tuna, and Wysocki (2010)	JAE	Risk and transaction costs	RW	P	1979-2008
72	Sadka (2006)	JFE	Transaction costs	RW	S	1983-2001
73	Schaub (2018)	JFQA	Information intermediaries (investor attention)	A	S	1995-2011
74	Shane and Brous (2001)	JAR	Investor and analyst underreaction to future earnings	A	S	1977-1986
75	Truong and Corrado (2014)	RAS	Options trading volume	A	S	1996-2009
76	Vega (2006)	JFE	Public and private information	A	S	1986-2001
77	You and Zhang (2009)	RAS	Reporting complexity in SEC filiings	A	S	1995-2005
78	Zhang (2012)	TAR	Management forecasts accuracy	A	S	1995-2007
79	Zhang (2008)	JAE	Responsiveness of analyst forecasts to current earnings	A	S	1996-2002
80	Zhang, Cai, and Keasey (2013)	JAE	Information risk and transaction costs	RW	S	1993-2007

Table IA.2
Price Formation to Analyst Earnings Surprises Prior to Announcements

Description: This table reports coefficient estimates of the following regression model:

$$BHAR[\tau,-1]_{i,j} = \beta Surprise\ rank_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j},$$

where $BHAR[\tau,-1]$ corresponds to stock i's announcement j buy-and-hold abnormal returns (BHAR) prior to earnings announcements. See the caption of Figure 5 for the definition of BHAR. Panels A to C reports the results for dependent variable $BHAR[-60,-1]$, $BHAR[-30,-1]$, and $BHAR[-15,-1]$, respectively. *Surprise rank* is the decile rank of analyst earnings surprises defined in Equation (1). α_i and α_q correspond to firm and year-quarter fixed effects. The decile ranks are formed on each year-quarter using the previous quarter observations to define the decile cutoffs. The results are reported for all-but-microcap and microcap stocks. Microcap stocks are those with market capitalization smaller than the NYSE 20th percentile. Standard errors are clustered by firm and year-quarter. ***, ** and * indicate a two-tailed test significance level of less than 1, 5, and 10%, respectively. The sample period is from January 1, 1984 to December 31, 2019.
Interpretation: The persistence in pre-earnings announcement returns, conditioned on analyst earnings surprises, has weakened over time.

Panel A. Dependent variable: $BHAR[-60,-1]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.007***	0.009***	0.013***	0.012***	0.006***	0.005***	0.002***	0.002***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)
N	206,229	21,867	25,787	36,417	34,207	31,076	31,406	25,469
R^2	0.009	0.033	0.038	0.012	0.005	0.004	0.001	0.001

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.009***	0.014***	0.018***	0.015***	0.009***	0.006***	0.003***	0.001**
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
N	106,155	6,209	10,711	19,240	17,882	22,754	16,816	12,543
R^2	0.010	0.056	0.056	0.013	0.009	0.005	0.001	0.000

Panel B. Dependent variable: $BHAR[-30,-1]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.005***	0.007***	0.009***	0.007***	0.004***	0.004***	0.002***	0.001***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)
N	206,229	21,867	25,787	36,417	34,207	31,076	31,406	25,469
R^2	0.009	0.032	0.037	0.010	0.005	0.005	0.002	0.001

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.006***	0.010***	0.012***	0.009***	0.006***	0.003***	0.002***	0.001
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.001)
N	106,155	6,209	10,711	19,240	17,882	22,754	16,816	12,543
R^2	0.010	0.052	0.054	0.017	0.010	0.003	0.001	0.000

Table IA.2
(Continued)

Panel C. Dependent variable: $BHAR[-15,-1]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.003***	0.004***	0.005***	0.004***	0.003***	0.003***	0.002***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	206,229	21,867	25,787	36,417	34,207	31,076	31,406	25,469
R^2	0.007	0.019	0.026	0.006	0.003	0.004	0.004	0.001

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.004***	0.005***	0.008***	0.006***	0.004***	0.002***	0.001***	0.002***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)
N	106,155	6,209	10,711	19,240	17,882	22,754	16,816	12,543
R^2	0.008	0.027	0.045	0.012	0.007	0.002	0.002	0.002

Table IA.3
Price Formation to Random-Walk Earnings Surprises Prior to Announcements

Description: This table reports coefficient estimates of the following regression model:

$$BHAR[\tau, -1]_{i,j} = \beta Surprise\ rank_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j},$$

where $BHAR[\tau, -1]$ corresponds to stock i's announcement j buy-and-hold abnormal returns (BHAR) prior to earnings announcements. See the caption of Figure 5 for the definition of BHAR. Panels A to C reports the results for dependent variable $BHAR[-60, -1]$, $BHAR[-30, -1]$, and $BHAR[-15, -1]$, respectively. *Surprise rank* is the decile rank of random-walk earnings surprises defined in Equation (3). The decile ranks are formed on each year-quarter using the previous quarter observations to define the decile cutoffs. α_i and α_q correspond to firm and year-quarter fixed effects. The results are reported for all-but-microcap and microcap stocks. Microcap stocks are those with market capitalization smaller than the NYSE 20th percentile. Standard errors are clustered by firm and year-quarter. ***, ** and * indicate a two-tailed test significance level of less than 1, 5, and 10%, respectively. The sample period is from January 1, 1973 to December 31, 2019.
Interpretation: The persistence in pre-earnings announcement returns, conditioned on random-walk earnings surprises, has weakened over time.

Panel A. Dependent variable: $BHAR[-60, -1]$

All-but-microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.009***	0.012***	0.011***	0.010***	0.007***	0.006***	0.005***	0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
N	295,228	86,113	33,319	43,588	38,758	32,951	33,363	27,136
R^2	0.015	0.038	0.022	0.009	0.007	0.005	0.006	0.003

Microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.014***	0.016***	0.020***	0.016***	0.013***	0.011***	0.008***	0.006***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
N	294,294	62,056	33,617	53,723	48,140	42,380	31,866	22,512
R^2	0.025	0.067	0.059	0.017	0.020	0.014	0.011	0.005

Panel B. Dependent variable: $BHAR[-30, -1]$

All-but-microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.006***	0.008***	0.008***	0.006***	0.005***	0.003*	0.004***	0.002***
	(0.000)	(0.000)	(0.001)	(0.001)	(0.000)	(0.002)	(0.001)	(0.000)
N	295,743	86,486	33,343	43,618	38,786	32,966	33,393	27,151
R^2	0.012	0.033	0.022	0.006	0.005	0.003	0.007	0.003

Microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.010***	0.011***	0.013***	0.012***	0.008***	0.007***	0.005***	0.003***
	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.001)
N	295,686	63,012	33,705	53,782	48,263	42,497	31,884	22,543
R^2	0.025	0.060	0.056	0.023	0.016	0.010	0.011	0.004

Table IA.3
(Continued)

Panel C. Dependent variable: $BHAR[-15,-1]$

All-but-microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.004***	0.006***	0.005***	0.004***	0.003***	0.003***	0.003***	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)
N	296,128	86,745	33,362	43,656	38,809	32,983	33,406	27,167
R^2	0.012	0.035	0.018	0.005	0.003	0.004	0.010	0.004

Microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.007***	0.009***	0.009***	0.008***	0.005***	0.005***	0.004***	0.003***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	296,487	63,608	33,742	53,800	48,317	42,560	31,898	22,562
R^2	0.025	0.062	0.049	0.022	0.012	0.011	0.015	0.005

Table IA.4
Price Formation to Analyst Earnings Surprises (BHAR[2,15])

Description: This table reports coefficient estimates of the following regression models:

$$BHAR[2,15]_{i,j} = \beta Surprise\ rank_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j},$$

where $BHAR[2,15]$ is the stock i's announcement j buy-and-hold abnormal returns (BHAR) two to 15 days following the earnings announcement. See the caption of Figure 5 for the definition of BHAR. *Surprise rank* is the decile rank of analyst earnings surprises defined in Equation (1) in Panel A and the decile rank of random-walk earnings surprises defined in Equation (3) in Panel B. The decile ranks are formed on each year-quarter using the previous quarter observations to define the decile cutoffs. α_i and α_q correspond to firm and year-quarter fixed effects. The results are reported for all-but-microcap and microcap stocks. Microcap stocks are those with market capitalization smaller than the NYSE 20th percentile. Standard errors are clustered by firm and announcement year-quarter. ***, ** and * indicate a two-tailed test significance level of less than 1, 5, and 10%, respectively. The sample period is from January 1, 1984 to December 31, 2019.

Interpretation: In recent years, analyst earnings surprise and random-walk surprise fail to BHAR[2,15] returns for all-but-microcap stocks but can predict BHAR[2,15] for microcap stocks.

Panel A. Analyst earnings surprise

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.001***	0.001***	0.001***	0.001***	0.002***	0.001***	0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	206,221	21,868	25,787	36,414	34,207	31,076	31,402	25,467
R^2	0.001	0.002	0.002	0.001	0.002	0.001	0.000	0.000

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.002***	0.001**	0.000	0.001**	0.002***	0.004***	0.002***	0.002***
	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
N	106,156	6,211	10,711	19,241	17,883	22,755	16,814	12,541
R^2	0.002	0.002	0.000	0.000	0.003	0.008	0.004	0.002

Panel B. Random-walk earnings surprise

All-but-microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.000***	0.001***	0.000	0.000	-0.000	0.000	0.000	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.000)	(0.001)
N	296,467	87,061	33,371	43,662	38,821	32,982	33,405	27,165
R^2	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000

Microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.001***	0.000**	-0.000	0.001*	0.002***	0.002***	0.002***	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	297,278	64,230	33,808	53,828	48,355	42,604	31,884	22,569
R^2	0.001	0.000	0.000	0.000	0.001	0.002	0.004	0.002

Table IA.5
Price Formation to Analyst Earnings Surprises -
Controlling for Pre-Announcement Returns (BHAR[-60,-1])

Description: This table reports coefficient estimates of the following regression models:

$$BHAR[0,1]_{i,j} = \beta_1 Surprise\ rank_{i,j} + \beta_2 BHAR[-60,-1]_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j} \text{ in Panel A and}$$

$$BHAR[2,60]_{i,j} = \beta_1 Surprise\ rank_{i,j} + \beta_2 BHAR[-60,-1]_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j} \text{ in Panel B,}$$

where $BHAR[0,1]$, $BHAR[2,60]$, and $BHAR[-60,-1]$ are the stock i's earnings announcement j buy-and-hold abnormal returns (BHAR) on announcement dates, post-announcement, and pre-announcement, respectively. See the caption of Figure 5 for the definition of BHAR. *Surprise rank* is the decile rank of analyst earnings surprises defined in Equation (1). The decile ranks are formed on each year-quarter using the previous quarter observations to define the decile cutoffs. α_i and α_q correspond to firm and year-quarter fixed effects. The results are reported for all-but-microcap and microcap stocks. Microcap stocks are those with market capitalization smaller than the NYSE 20th percentile. Standard errors are clustered by firm and earnings announcement date in Panel A and by firm and announcement year-quarter in Panel B. ***, ** and * indicate a two-tailed test significance level of less than 1, 5, and 10%, respectively. The sample period is from January 1, 1984 to December 31, 2019.

Interpretation: Pre-earnings announcement returns (BHAR[-60,-1]) are negatively associated with announcement returns and post-announcement returns.

Panel A. Dependent variable: $BHAR[0,1]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.008***	0.002***	0.004***	0.006***	0.008***	0.012***	0.011***	0.012***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
$BHAR[-60,-1]$	-0.016***	-0.011***	-0.023***	-0.014***	-0.028***	-0.016***	-0.012***	-0.012**
	(0.002)	(0.003)	(0.003)	(0.004)	(0.007)	(0.005)	(0.005)	(0.005)
N	206,227	21,867	25,786	36,416	34,207	31,076	31,406	25,469
R^2	0.066	0.019	0.034	0.035	0.065	0.117	0.118	0.118

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.008***	0.003***	0.005***	0.006***	0.007***	0.010***	0.009***	0.010***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$BHAR[-60,-1]$	-0.015***	-0.025***	-0.030***	-0.014*	-0.015***	-0.022***	-0.012**	-0.008
	(0.003)	(0.006)	(0.005)	(0.008)	(0.005)	(0.003)	(0.006)	(0.006)
N	106,150	6,207	10,711	19,240	17,881	22,754	16,814	12,543
R^2	0.074	0.030	0.051	0.049	0.064	0.106	0.099	0.092

Table IA.5
(Continued)

Panel B. Dependent variable: $BHAR[2, 60]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.002***	0.004***	0.004***	0.002	0.002***	-0.001	0.000	-0.002**
	(0.000)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)
$BHAR[-60, -1]$	-0.030**	-0.064***	-0.074***	-0.087***	-0.093**	-0.053	-0.060***	-0.114***
	(0.014)	(0.024)	(0.018)	(0.026)	(0.039)	(0.035)	(0.022)	(0.043)
N	206,219	21,867	25,786	36,414	34,207	31,076	31,402	25,467
R^2	0.001	0.008	0.007	0.008	0.010	0.003	0.004	0.013

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.004***	0.004***	0.005***	0.006***	0.004***	0.003***	0.003***	0.002
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$BHAR[-60, -1]$	-0.029***	-0.081***	-0.070***	-0.087***	-0.057***	-0.075***	-0.078***	-0.074***
	(0.011)	(0.019)	(0.019)	(0.031)	(0.022)	(0.028)	(0.014)	(0.022)
N	106,151	6,209	10,711	19,240	17,882	22,753	16,814	12,542
R^2	0.003	0.008	0.007	0.011	0.006	0.007	0.009	0.006

Table IA.6
Price Formation to Random-Walk Earnings Surprises - Controlling for Pre-Announcement Returns (BHAR[-60,-1])

Description: This table reports coefficient estimates of the following regression models:

$$BHAR[0,1]_{i,j} = \beta_1 Surprise\ rank_{i,j} + \beta_2 BHAR[-60,-1]_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j} \text{ in Panel A and}$$

$$BHAR[2,60]_{i,j} = \beta_1 Surprise\ rank_{i,j} + \beta_2 BHAR[-60,-1]_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j} \text{ in Panel B,}$$

where $BHAR[0,1]$, $BHAR[2,60]$, and $BHAR[-60,-1]$ are the stock i's earnings announcement j buy-and-hold abnormal returns (BHAR) on announcement dates, post-announcement, and pre-announcement, respectively. See the caption of Figure 5 for the definition of BHAR. *Surprise rank* is the decile rank of random-walk earnings surprises defined in Equation (3). The decile ranks are formed on each year-quarter using the previous quarter observations to define the decile cutoffs. α_i and α_q correspond to firm and year-quarter fixed effects. The results are reported for all-but-microcap and microcap stocks. Microcap stocks are those with market capitalization smaller than the NYSE 20th percentile. Standard errors are clustered by firm and earnings announcement date in Panel A and by firm and announcement year-quarter in Panel B. ***, ** and * indicate a two-tailed test significance level of less than 1, 5, and 10%, respectively. The sample period is from January 1, 1973 to December 31, 2019.
Interpretation: Pre-earnings announcement returns (BHAR[-60,-1]) are negatively associated with announcement returns and post-announcement returns.

Panel A. Dependent variable: $BHAR[0,1]$

All-but-microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.002***	0.002***	0.001***	0.002***	0.002***	0.003***	0.004***	0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$BHAR[-60,-1]$	0.045***	0.030***	0.035***	0.031***	0.034***	0.064***	0.079***	0.098***
	(0.003)	(0.002)	(0.003)	(0.003)	(0.006)	(0.009)	(0.009)	(0.012)
N	295,197	86,102	33,316	43,584	38,758	32,947	33,359	27,131
R^2	0.026	0.031	0.022	0.014	0.012	0.033	0.045	0.050

Microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.004***	0.003***	0.004***	0.005***	0.005***	0.005***	0.005***	0.005***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$BHAR[-60,-1]$	0.027***	0.022***	0.029***	0.011***	0.027***	0.043***	0.040***	0.047***
	(0.004)	(0.002)	(0.003)	(0.003)	(0.004)	(0.006)	(0.006)	(0.008)
N	294,199	62,032	33,615	53,715	48,112	42,369	31,851	22,505
R^2	0.037	0.036	0.039	0.028	0.037	0.044	0.046	0.043

Table IA.6
(Continued)

Panel B. Dependent variable: $BHAR[2, 60]$

All-but-microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.001***	0.004***	0.002**	-0.001	0.000	-0.002	0.000	-0.003*
	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.003)	(0.001)	(0.001)
$BHAR[-60, -1]$	-0.027**	-0.038***	-0.062***	-0.078***	-0.098***	-0.051	-0.055***	-0.111***
	(0.012)	(0.014)	(0.015)	(0.026)	(0.036)	(0.041)	(0.019)	(0.040)
N	295,188	86,110	33,315	43,582	38,757	32,946	33,351	27,127
R^2	0.001	0.004	0.005	0.007	0.010	0.003	0.003	0.015

Microcap stocks

	Full sample	1973-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.005***	0.005***	0.004***	0.005***	0.006***	0.004***	0.005***	0.004***
	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$BHAR[-60, -1]$	-0.025***	-0.057***	-0.039***	-0.077***	-0.058***	-0.061***	-0.064***	-0.078***
	(0.009)	(0.009)	(0.011)	(0.029)	(0.020)	(0.024)	(0.011)	(0.021)
N	294,201	62,047	33,617	53,709	48,125	42,362	31,841	22,500
R^2	0.004	0.008	0.004	0.008	0.007	0.005	0.009	0.008

Table IA.7
Price Formation to Random-Walk
Earnings Surprises for Stocks with Analyst Coverage

Description: This table reports coefficient estimates of the following regression models:

$$BHAR[0,1]_{i,j} = \beta Surprise\ rank_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j} \text{ in Panel A and}$$

$$BHAR[2,60]_{i,j} = \beta Surprise\ rank_{i,j} + \alpha_i + \alpha_q + \varepsilon_{i,j} \text{ in Panel B,}$$

where $BHAR[0,1]$ and $BHAR[2,60]$ are the stock i's announcement j buy-and-hold abnormal returns (BHAR) on announcement date and post-announcement, respectively. *Surprise rank* is the decile rank of random-walk earnings surprises defined in Equation (3). α_i and α_q correspond to firm and year-quarter fixed effects. The decile ranks are formed on each year-quarter using the previous quarter observations to define the decile cutoffs. See the caption of Figure 5 for the definition of BHAR. The results are reported for all-but-microcap and microcap stocks with analyst coverage in I/B/E/S. Microcap stocks are those with market capitalization smaller than the NYSE 20th percentile. Standard errors are clustered by firm and earnings announcement date in Panel A and by firm and announcement year-quarter in Panel B. ***, ** and * indicate a two-tailed test significance level of less than 1, 5, and 10%, respectively. The sample period is from January 1, 1984 to December 31, 2019.

Interpretation: For stocks with analyst coverage, random-walk earnings surprises are weakly associated with post-announcement returns (BHAR[2,60]).

Panel A. Dependent variable: $BHAR[0,1]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.003***	0.002***	0.002***	0.002***	0.002***	0.004***	0.004***	0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	206,280	21,868	25,787	36,416	34,214	31,095	31,426	25,474
R^2	0.010	0.015	0.007	0.004	0.004	0.011	0.018	0.017

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.004***	0.002***	0.003***	0.004***	0.004***	0.005***	0.005***	0.005***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	106,185	6,209	10,714	19,257	17,901	22,762	16,814	12,528
R^2	0.025	0.023	0.021	0.020	0.022	0.024	0.028	0.025

Panel B. Dependent variable: $BHAR[2,60]$

All-but-microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.001	0.003***	0.002**	-0.001	0.000	-0.003	0.000	-0.003*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.001)	(0.002)
N	206,321	21,870	25,793	36,430	34,217	31,108	31,424	25,479
R^2	0.000	0.002	0.001	0.000	0.000	0.001	0.000	0.003

Microcap stocks

	Full sample	1984-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2019
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surprise rank	0.003***	0.001	0.003**	0.002	0.003**	0.001	0.002***	0.002
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
N	106,220	6,211	10,716	19,260	17,913	22,773	16,815	12,532
R^2	0.001	0.001	0.001	0.000	0.001	0.000	0.001	0.000

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