

Internet Appendix for

**Attention to Market Information and
Underreaction to Earnings on Market Moving Days**

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Table IA.1: Correlations

The table presents the correlations between market movement rank (MM_RANK), squared market returns (Rm^2), no. of simultaneous announcements rank (N_RANK), and dummy variable for Fridays (FRIDAY). Each quarter, trading days are sorted into 10 market movement groups based on the absolute market returns $|Rm|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Sample period is 1995–2016.

	MM_RANK	Rm^2	N_RANK	FRIDAY
MM_RANK	1.00	0.38	0.01	−0.02
Rm^2	0.38	1.00	−0.01	−0.03
N_RANK	0.01	−0.01	1.00	−0.32
FRIDAY	−0.02	−0.03	−0.32	1.00

Table IA.2: Post-Earnings Announcement Drift with Standard Errors Clustered by Firm and Reporting Date

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on surprise rank (S_RANK), market movement rank (MM_RANK) and their interaction. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. Quantiles 1–5 contain stocks with negative earnings surprise, Quantile 6 has the stocks that meet the expectations, and Quantiles 7–11 contain stocks with positive earnings surprise. Each quarter, trading days are sorted into 10 market movement groups (MM_RANK) based on the absolute market returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors *clustered by the reporting date and firm* are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.255*** (0.050)	0.887*** (0.114)	0.836*** (0.111)	0.382*** (0.113)
MM_RANK	-0.230*** (0.075)	-0.298*** (0.086)	-0.094 (0.067)	-0.094 (0.064)
MM_RANK x S_RANK	0.025*** (0.008)	0.025*** (0.008)	0.022*** (0.008)	0.022*** (0.008)
R_m^2		0.123 (0.091)	0.029 (0.068)	0.014 (0.067)
R_m^2 x S_RANK		-0.002 (0.006)	-0.002 (0.006)	0.001 (0.006)
FRIDAY		-1.679** (0.711)	-1.594** (0.640)	-1.281** (0.650)
FRIDAY x S_RANK		0.148* (0.087)	0.155* (0.086)	0.129 (0.087)
N_RANK		-0.015 (0.085)	0.006 (0.067)	-0.142** (0.071)
N_RANK x S_RANK		0.004 (0.009)	0.001 (0.009)	0.014* (0.009)
Constant	-0.962** (0.478)	-3.872*** (0.969)		
Observations	262,101	262,101	262,101	261,298
Adjusted R-squared	0.002	0.006	0.041	0.107
Controls	No	Yes	Yes	Yes
Controls x S_RANK	No	Yes	Yes	Yes
Qtr FE	No	No	Yes	Yes
Firm FE	No	No	No	Yes

Table IA.3: Post-Earnings Announcement Drift using Disparity Measure

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on surprise rank (S_RANK), disparity rank (DISPRANK) and their interaction. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. Quantiles 1–5 contain stocks with negative earnings surprise, Quantile 6 has the stocks that meet the expectations, and Quantiles 7–11 contain stocks with positive earnings surprise. Each quarter, trading days are sorted into 10 disparity groups (DISPRANK) based on the (absolute) difference between stock returns and market returns $|R_i - R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.321*** (0.054)	0.903*** (0.112)	0.844*** (0.109)	0.436*** (0.111)
DISPRANK	-0.132** (0.053)	-0.150*** (0.054)	-0.098* (0.052)	-0.047 (0.052)
DISPRANK x S_RANK	0.011 (0.007)	0.016** (0.007)	0.015** (0.007)	0.008 (0.007)
R_m^2	0.056 (0.070)	0.058 (0.071)	0.012 (0.058)	-0.004 (0.059)
R_m^2 x S_RANK	0.002 (0.005)	0.003 (0.005)	0.003 (0.005)	0.005 (0.005)
FRIDAY		-1.922*** (0.714)	-1.810*** (0.640)	-1.504** (0.644)
FRIDAY x S_RANK		0.176** (0.088)	0.180** (0.087)	0.159* (0.087)
N_RANK		-0.045 (0.085)	-0.012 (0.066)	-0.157** (0.069)
N_RANK x S_RANK		0.007 (0.009)	0.004 (0.008)	0.018** (0.008)
Constant	-1.431*** (0.428)	-4.316*** (0.917)		
Observations	257,535	257,535	257,535	256,730
Adjusted R-squared	0.002	0.006	0.042	0.107
Controls	No	Yes	Yes	Yes
Controls x S_RANK	No	Yes	Yes	Yes
Qtr FE	No	No	Yes	Yes
Firm FE	No	No	No	Yes

Table IA.4: Asymmetry in Post-Earnings Announcement Drift

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on dummy variable for negative earnings surprise(NEGSUR), dummy variable for negative market returns [I(RM<0)], and market movement rank (MM_RANK) and their interaction . Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Controls include Rm^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]
NEGSUR	-2.181*** (0.589)	-1.587** (0.646)	-1.610** (0.690)
MM_RANK		0.089*** (0.034)	0.125*** (0.044)
NEGSUR*MM_RANK		-0.111** (0.044)	-0.107* (0.060)
NEGSUR*MM_RANK*I(RM<0)			-0.006 (0.087)
I(RM<0)			0.408 (0.366)
I(RM<0)x NEGSUR			0.040 (0.556)
I(RM<0)x MM_RANK			-0.008 (0.058)
Observations	261,298	261,298	261,298
Adjusted R-squared	0.106	0.106	0.106
Controls	Yes	Yes	Yes
Controls x S_RANK	Yes	Yes	Yes
Qtr FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes

Table IA.5 : List of Macroeconomic Announcements

No	Event
1	ADP Employment Change
2	CPI
3	Change in Nonfarm Payrolls
4	Chicago Purchasing Manager
5	Conf. Board Consumer Confidence
6	Construction Spending
7	Durable Goods Orders
8	Empire Manufacturing
9	Existing Home Sales
10	FOMC Rate Decision
11	Factory Orders
12	GDP
13	Housing Starts
14	ISM Manufacturing
15	Industrial Production
16	Initial Jobless Claims
17	Leading Index
18	MBA Mortgage Applications
19	Markit US Manufacturing PMI
20	New Home Sales
21	PPI Final Demand
22	Personal Income
23	Personal Spending
24	Philadelphia Fed Business Outlook
25	Retail Sales Advance
26	Trade Balance
27	U. of Mich. Sentiment
28	Unemployment Rate
29	Wholesale Inventories

Table IA.6: Post-Earnings Announcement Drift on Macroeconomic Announcement Days

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on surprise ranks (S_RANK), market movement rank (MM_RANK) and their interaction. Each quarter, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. MACRO is a dummy variable and takes a value of 1 if macroeconomic release is scheduled on earnings announcement day. Each quarter, trading days are sorted into 10 market movement groups (MM_RANK) based on the absolute market returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement is on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market deciles, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1999–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.131* (0.074)	0.621*** (0.129)	0.523*** (0.126)	0.078 (0.127)
MACRO	-1.661*** (0.606)	-1.585** (0.620)	-0.734 (0.517)	-1.084** (0.492)
MACRO x S_RANK	0.057 (0.066)	0.068 (0.068)	0.083 (0.065)	0.111* (0.061)
MM_RANK	-0.225*** (0.084)	-0.280*** (0.096)	-0.095 (0.077)	-0.111 (0.075)
MM_RANK x S_RANK	0.024*** (0.009)	0.023** (0.009)	0.020** (0.009)	0.021** (0.009)
R_m^2		0.086 (0.090)	0.005 (0.067)	0.009 (0.073)
R_m^2 x S_RANK		-0.000 (0.006)	-0.001 (0.006)	-0.000 (0.006)
FRIDAY		-2.069*** (0.784)	-2.001*** (0.719)	-1.719** (0.721)
FRIDAY x S_RANK		0.184* (0.099)	0.196** (0.099)	0.184* (0.099)
N_RANK		-0.085 (0.095)	-0.057 (0.076)	-0.192** (0.079)
N_RANK x S_RANK		0.010 (0.010)	0.007 (0.010)	0.015* (0.009)

Table IA.6 (continued) : Post-Earnings Announcement Drift on Macroeconomic Announcement Days

Constant	1.608** (0.695)	0.432 (1.108)		
Observations	209,442	209,442	209,442	208,681
Adjusted R-squared	0.001	0.005	0.035	0.107
Controls	No	Yes	Yes	Yes
Controls x S_RANK	No	Yes	Yes	Yes
Qtr FE	No	No	Yes	Yes
Firm FE	No	No	No	Yes

Table IA.7: Sensitivity to Grouping Procedure

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on surprise ranks (S_RANK), market movement rank (MM_RANK) and their interaction separately for different grouping procedures followed in computing surprise and market movement ranks. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, firms are sorted into deciles or 11 groups (S_RANK) on the earnings announcement surprise. Each quarter, trading days are sorted into 2,5,or10 market movement groups (MM_RANK) based on the absolute market returns |Rm|. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. Rm² is the square of market returns on announcement day, FRIDAY is a dummy if the announcement is on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market deciles, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.339*** (0.120)	0.358*** (0.111)	−0.020 (0.080)
MM_RANK	−0.594* (0.360)	−0.225* (0.134)	−0.098* (0.050)
MM_RANK x S_RANK	0.108** (0.043)	0.048*** (0.016)	0.034*** (0.008)
Rm ²	0.011 (0.065)	0.016 (0.068)	0.029 (0.059)
Rm ² x S_RANK	0.002 (0.005)	0.000 (0.006)	−0.003 (0.006)
FRIDAY	−1.288** (0.632)	−1.278** (0.631)	−1.292*** (0.486)
FRIDAY x S_RANK	0.131 (0.085)	0.129 (0.085)	0.195** (0.090)
N_RANK	−0.142** (0.068)	−0.142** (0.068)	−0.194*** (0.052)
N_RANK x S_RANK	0.015* (0.008)	0.014* (0.008)	0.033*** (0.008)
Observations	261,298	261,298	261,298
Adjusted R-squared	0.107	0.107	0.107
Controls	Yes	Yes	Yes
Controls x S_RANK	Yes	Yes	Yes
Qtr FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
MM Groups	2	5	10
Surprise Groups	11	11	10

Table IA.8: Post-Earnings Announcement Drift computed using Forward Betas

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] computed using forward betas on surprise rank (S_RANK), market movement rank (MM_RANK) and their interaction. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. Quantiles 1–5 contain stocks with negative earnings surprise, Quantile 6 has the stocks that meet the expectations, and Quantiles 7–11 contain stocks with positive earnings surprise. Each quarter, trading days are sorted into 10 market movement groups (MM_RANK) based on the absolute market returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.266*** (0.050)	0.850*** (0.113)	0.793*** (0.110)	0.357*** (0.111)
MM_RANK	−0.186** (0.077)	−0.231*** (0.084)	−0.069 (0.066)	−0.081 (0.064)
MM_RANK x S_RANK	0.021*** (0.008)	0.019** (0.008)	0.017** (0.008)	0.018** (0.008)
R_m^2		0.085 (0.075)	−0.003 (0.058)	−0.016 (0.058)
R_m^2 x S_RANK		0.001 (0.005)	0.001 (0.005)	0.003 (0.005)
FRIDAY		−1.523** (0.715)	−1.457** (0.644)	−1.202* (0.650)
FRIDAY x S_RANK		0.150* (0.088)	0.162* (0.087)	0.133 (0.088)
N_RANK		−0.028 (0.085)	0.013 (0.067)	−0.132* (0.071)
N_RANK x S_RANK		0.008 (0.009)	0.004 (0.009)	0.015* (0.008)
Constant	−1.057** (0.485)	−3.568*** (0.958)		
Observations	255,051	255,051	255,051	254,264
Adjusted R-squared	0.002	0.006	0.042	0.104
Controls	No	Yes	Yes	Yes
Controls x S_RANK	No	Yes	Yes	Yes
Qtr FE	No	No	Yes	Yes
Firm FE	No	No	No	Yes

Table IA.9: Sensitivity of Volume Response to Market Movements

The table reports the results of regressing the abnormal volume AVOL[0,1] on ranking of absolute surprise, market movement rank, and their interaction term. Abnormal volume is computed as the ratio of relative volume RVOL[0,1] over RVOL[-7, -46]. RVOL is the dollar volume in a stock in a period divided by the aggregate dollar volume in the same period. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter firms are sorted into deciles on absolute value of announcement surprise (AS_RANK). Each quarter, trading days are sorted into 10 market movement groups (MM_RANK) based on the absolute market returns. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. Rm^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement is on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market deciles, Turnover, No. of Analyst estimates, and Reporting Lag. . Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	AVOL[0,1]	AVOL[0,1]	AVOL[0,1]	AVOL[0,1]
AS_RANK	0.064*** (0.006)	0.061*** (0.006)	0.063*** (0.006)	0.086*** (0.005)
MM_RANK	-0.025*** (0.004)	-0.006 (0.004)	-0.002 (0.004)	-0.002 (0.003)
MM_RANK x AS_RANK	-0.003*** (0.001)	-0.003*** (0.001)	-0.003*** (0.001)	-0.003*** (0.001)
Rm^2		-0.021*** (0.005)	-0.010*** (0.003)	-0.009*** (0.003)
FRIDAY		-0.675*** (0.035)	-0.695*** (0.035)	-0.472*** (0.028)
N_RANK		-0.083*** (0.003)	-0.087*** (0.003)	-0.069*** (0.003)
Constant	1.867*** (0.026)	2.415*** (0.036)		
Observations	257,760	257,760	257,760	256,956
Adjusted R-squared	0.004	0.018	0.024	0.128
Controls	No	Yes	Yes	Yes
Qtr FE	No	No	Yes	Yes
Firm FE	No	No	No	Yes

Table IA.10: Earnings Response Coefficients: Immediate Response and Total Response

The table reports the results of regressing the Cumulative Abnormal Returns CAR[0,1], CAR[2,90], and CAR[0,90] on the earnings surprise, market movement rank (MM_RANK) and their interaction. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, trading days are sorted into 10 market movement groups (MM_RANK) based on the absolute market returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[0,1]	CAR[2,90]	CAR[0,90]
SURPRISE	47.677*** (10.443)	-3.262 (18.934)	49.639** (24.995)
MM_RANK	-0.005 (0.008)	0.058* (0.033)	0.051 (0.034)
MM_RANK x SURPRISE	0.463 (0.484)	3.125*** (1.192)	3.473*** (1.297)
R_m^2	-0.017* (0.010)	0.017 (0.041)	-0.001 (0.040)
R_m^2 x SURPRISE	-0.482*** (0.095)	-0.890*** (0.308)	-1.296*** (0.270)
FRIDAY	-0.322*** (0.084)	-0.434 (0.330)	-0.727** (0.344)
FRIDAY x SURPRISE	-7.968** (3.711)	24.993** (11.956)	18.137 (11.611)
N_RANK	0.005 (0.010)	-0.041 (0.039)	-0.028 (0.041)
N_RANK x SURPRISE	-0.075 (0.686)	1.955 (1.506)	1.296 (1.874)
Observations	261,298	261,298	261,298
Adjusted R-squared	0.037	0.106	0.112
Controls	Yes	Yes	Yes
Controls x S_RANK	Yes	Yes	Yes
Qtr FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes

Table IA.11: Post-Earnings Announcement Drift on Industry Moving Days

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on surprise rank (S_RANK), industry movement rank (INDMRANK) and their interaction. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. Quantiles 1–5 contain stocks with negative earnings surprise, Quantile 6 has the stocks that meet the expectations, and Quantiles 7–11 contain stocks with positive earnings surprise. Each quarter, trading days are sorted into 10 industry movement groups (INDMRANK) based on the absolute industry returns $|R_m|$. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.301*** (0.046)	0.953*** (0.109)	0.896*** (0.106)	0.425*** (0.108)
INDMRANK	-0.209*** (0.075)	-0.203*** (0.074)	-0.162** (0.066)	-0.154** (0.063)
INDMRANK x S_RANK	0.020** (0.009)	0.018** (0.008)	0.018** (0.008)	0.019** (0.008)
R_m^2	0.085 (0.079)	0.086 (0.080)	0.037 (0.067)	0.016 (0.066)
R_m^2 x S_RANK	-0.000 (0.005)	0.001 (0.005)	0.001 (0.005)	0.003 (0.005)
FRIDAY		-1.639** (0.708)	-1.490** (0.634)	-1.008 (0.641)
FRIDAY x S_RANK		0.131 (0.087)	0.134 (0.087)	0.095 (0.087)
N_RANK		-0.012 (0.085)	0.019 (0.066)	-0.119* (0.070)
N_RANK x S_RANK		0.003 (0.009)	0.000 (0.009)	0.013 (0.008)
Constant	-1.326*** (0.405)	-4.577*** (0.903)		
Observations	254,680	254,680	254,680	253,979
Adjusted R-squared	0.002	0.006	0.042	0.104
Controls	No	Yes	Yes	Yes
Controls x S_RANK	No	Yes	Yes	Yes
Qtr FE	No	No	Yes	Yes
Firm FE	No	No	No	Yes

Table IA.12: Relative Contribution of Market and Industry Moving Days on Post-Earnings Drift

The table reports the results of regressing the Cumulative Abnormal Returns CAR[2,90] on surprise rank (S_RANK), industry movement rank (INDMRANK) and their interaction. Each quarter, trading days are sorted into 2 groups (MM_RANK2) based on the absolute stock returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. Independently, each quarter, trading days are sorted into 10 industry movement groups (INDMRANK) based on the absolute industry returns $|R_{i,m}|$. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement occurs on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market decile rank, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	CAR[2,90]	CAR[2,90]	CAR[2,90]
S_RANK	0.339*** (0.120)	0.425*** (0.108)	0.326*** (0.122)
MM_RANK2	-0.594* (0.360)		-0.370 (0.390)
MM_RANK2 x S_RANK	0.108** (0.043)		0.082* (0.047)
INDMRANK		-0.154** (0.063)	-0.132* (0.067)
INDMRANK x S_RANK		0.019** (0.008)	0.014* (0.008)
R_m^2	0.011 (0.065)	0.016 (0.066)	0.024 (0.069)
R_m^2 x S_RANK	0.002 (0.005)	0.003 (0.005)	0.001 (0.006)
FRIDAY	-1.288** (0.632)	-1.008 (0.641)	-0.999 (0.640)
FRIDAY x S_RANK	0.131 (0.085)	0.095 (0.087)	0.094 (0.087)
N_RANK	-0.142** (0.068)	-0.119* (0.070)	-0.118* (0.069)
N_RANK x S_RANK	0.015* (0.008)	0.013 (0.008)	0.013 (0.008)
Observations	261,298	253,979	253,979
Adjusted R-squared	0.107	0.104	0.104
Controls	Yes	Yes	Yes
Controls x S_RANK	Yes	Yes	Yes
Qtr FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes

Table IA.13: Strategic Timing

The table reports the results of regressing the earnings surprise and surprise rank (S_RANK) on and market movement rank. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each quarter, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. Quantiles 1–5 contain stocks with negative earnings surprise, Quantile 6 has the stocks that meet the expectations, and Quantiles 7–11 contain stocks with positive earnings surprise. Each quarter, trading days are sorted into 10 market movement groups (MM_RANK) based on the absolute market returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. R_m^2 is the square of market returns on announcement day, FRIDAY is a dummy if the announcement is on a Friday, and N_RANK is the decile rank of no. of simultaneous earnings announcements in the quarter. Other controls include Size and Book to Market deciles, Turnover, No. of Analyst estimates, and Reporting Lag. Sample is 1995–2016. Standard errors clustered by the reporting date are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5% and 1% levels, respectively.

VARIABLES	Surprise	Surprise	S_RANK	S_RANK
MM_RANK	0.003 (0.002)	−0.003 (0.002)	0.004 (0.003)	0.002 (0.002)
R_m^2		0.004** (0.002)		0.002 (0.002)
FRIDAY		−0.157*** (0.041)		−0.271*** (0.032)
N_RANK		0.001 (0.003)		0.007** (0.003)
Constant	−0.114*** (0.015)		6.748*** (0.020)	
Observations	262,101	261,298	262,101	261,298
Adjusted R-squared	0.000	0.075	0.000	0.091
Controls	No	Yes	No	Yes
Qtr FE	No	Yes	No	Yes
Firm FE	No	Yes	No	Yes

Table 1A.14: Monthly Risk-Adjusted Returns of Extreme Surprise Portfolios

The table presents the risk-adjusted returns of extreme surprise portfolios. Earnings announcement surprise is the difference between actual EPS and median consensus estimate scaled by the stock price before the announcement. Each month, firms are sorted into 11 groups (S_RANK) on the earnings announcement surprise. Quantiles 1–5 contain stocks with negative earnings surprise, Quantile 6 has the stocks that meet the expectations, and Quantiles 7–11 contain stocks with positive earnings surprise. Each month, trading days are sorted into 2 market movement groups (MM_RANK) based on the absolute market returns $|R_m|$. Breakpoints from the previous quarter are used in forming the groups to avoid look-ahead bias. The group with the smallest market movements is denoted as slow market days (MM_RANK=1) and the group with the largest market movements is denoted as market moving days (MM_RANK=2). 6-month holding horizon strategy is followed. Each month 6 different portfolios are formed based on the surprise and market movement ranks in the previous 6 months. The table presents the average returns of the strategy that has equal weights in these 6 portfolios each month. Fama and French (2015) five factors are used for risk adjustment. Sample period is 1995–2016. t-statistics are reported in parentheses.

MM_RANK	S_RANK	Intercept	MKT	SMB	HML	CMA	RMW	MOM	Adj R ²
1	1	0.001 (0.40)	0.926 (12.62)	1.019 (10.81)	0.160 (1.28)	-0.364 (-2.16)	-0.533 (-4.16)	-0.698 (-12.81)	0.801
	11	0.005 (2.54)	1.095 (22.40)	0.767 (12.21)	0.069 (0.83)	-0.136 (-1.21)	-0.288 (-3.37)	-0.439 (-12.10)	0.872
	11-1	0.004 (1.45)	0.169 (2.59)	-0.253 (-3.01)	-0.091 (-0.82)	0.228 (1.52)	0.245 (2.15)	0.259 (5.34)	0.163
2	1	-0.006 (-2.28)	1.055 (15.16)	1.039 (11.62)	0.099 (0.84)	0.063 (0.39)	-0.312 (-2.57)	-0.649 (-12.56)	0.807
	11	0.004 (2.40)	1.110 (25.78)	0.808 (14.59)	0.001 (0.01)	0.075 (0.76)	-0.192 (-2.55)	-0.341 (-10.66)	0.887
	11-1	0.010 (4.15)	0.056 (0.89)	-0.231 (-2.85)	-0.099 (-0.92)	0.013 (0.09)	0.120 (1.08)	0.308 (6.57)	0.189
2-1	11-1	0.006 (2.07)	-0.113 (-1.40)	0.021 (0.21)	-0.008 (-0.06)	-0.215 (-1.16)	-0.126 (-0.89)	0.049 (0.82)	0.002