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Abstract

This paper provides new evidence that investor attention explains positive returns around earnings announcements and reconciles the attention explanation with information-based explanations in the literature. I use earnings notifications, which are attention-grabbing announcements of the upcoming earnings date but otherwise provide little new information. I find positive returns, more EDGAR searches, and higher trading volumes on notification days. I also find that attention and returns around the earnings announcement are lower in the presence of notifications, consistent with notifications attenuating investor attention. I show that attention has its strongest effect on returns in the days immediately following the earnings announcement.

Keywords: Investor Attention, Earnings Announcement Premium, Earnings Notifications

JEL Classification: M4, M41, G10, G14

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