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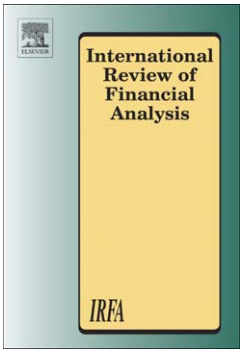

Information content of analyst recommendations in the banking industry

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Information Content of Analyst Recommendations in the Banking Industry

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Abstract

We investigate whether analyst recommendations about banks become more valuable in periods when the information environment for banks is more uncertain. The degree of uncertainty in the information environment for banks is time-varying because of time-varying changes in information asymmetry for banks and in bank regulations. Based on a sample of 23,632 analyst recommendations of 1,106 banks, we find that analyst recommendations are more informative for banks that are riskier and subject to a higher degree of information asymmetry. Furthermore, regulations that reduce the information asymmetry (Sarbanes-Oxley Act) or the

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