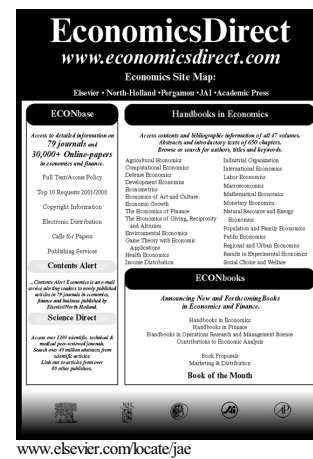


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Do Information Releases Increase or Decrease Information Asymmetry? New Evidence from Analyst Forecast Announcements[★]

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Abstract

Prior literature documents that both earnings announcements and management earnings forecasts increase information asymmetry at announcement. In contrast, we predict and document that analyst earnings forecasts decrease information asymmetry at announcement. As expected, this directional contrast is temporary, in that all three information release types lead to a decrease in information asymmetry following the short-window announcement period. Our evidence demonstrates that the direction of the effect of a public information release on announcement-period information asymmetry is determined by how the information contained in the release relates to prior information held by sophisticated and unsophisticated investors, which supports extant disclosure theory.

JEL Classification

G14; M40; M41

Keywords

Information asymmetry; Analyst forecasts

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