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Analyst forecasts and stock price informativeness: Some international evidence on the role of audit quality

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Abstract

This paper examines the role that audit quality has on the type of information analysts impound into stock prices across a sample of developed and emerging markets. Specifically, we investigate the amount of firm-specific versus market-wide information analysts reveal by analyzing stock return synchronicity. We find that irrespective of the disclosure regime in place, less firm-level information reaches the market if the enforcement of the accounting standards is weak. Furthermore, we also show that information asymmetries are heightened between the firm and market when the audit regime is weak.

Keywords: Financial analysts, information asymmetry, audit quality, emerging markets

JEL Classification: G14

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