

Accepted Manuscript

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PII: S1386-4181(17)30114-3

DOI: [10.1016/j.finmar.2017.12.003](https://doi.org/10.1016/j.finmar.2017.12.003)

Reference: FINMAR 461

To appear in: *Journal of Financial Markets*

Received Date: 8 May 2017

Revised Date: 15 December 2017

Accepted Date: 18 December 2017

Please cite this article as: Borochin, P.A., Cicon, J.E., DeLisle, R.J., Price, S.M., The effects of conference call tones on market perceptions of value uncertainty, *Journal of Financial Markets* (2018), doi: 10.1016/j.finmar.2017.12.003.

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The effects of conference call tones on market perceptions of value uncertainty

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December 15, 2017

Abstract

Quarterly earnings conference calls convey fundamental information, as well as manager and analyst opinion about the firm. We examine how market uncertainty regarding firm valuation is affected by conference call tones. Using textual analysis of all publicly available earnings calls (2002-2012) for U.S. firms, we find measures of conference call tones are negatively related to measures of firm value uncertainty from the equity options market. Overall, while value uncertainty is more sensitive to analyst tones than manager tones, differences between analyst and manager tones are strongly associated with increases in value uncertainty. Tone spreads convey important signals to market participants.

JEL classification: D80; D82; D83; G10; G12; G14; G30

Keywords: Earnings conference calls; Disclosure; Textual analysis; Scripting; Option implied volatility; Uncertainty; Price discovery

Acknowledgements: This paper has benefited from the helpful comments and suggestions of Justin Birru, Jeff Coles, Jeff Doyle, Jean Helwege, Hongping Tan, and participants at the 2017 Financial Markets and Corporate Governance Conference, the 2016 AAA Annual Conference, the 2016 PhD Project Finance Doctoral Students Association Conference, the 2016 Eastern Finance Association Conference, the 2015 Southern Finance Association Conference, the 2015 Financial Management Association Conference, and seminars at Louisiana State University, University of Connecticut, West Virginia University, and York University. A portion of this study was completed while McKay Price was a visiting scholar at the University of Cambridge.

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