

THE INTRADAY TIMING OF MANAGEMENT EARNINGS FORECAST ANNOUNCEMENTS

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dx.doi.org/10.18374/JIBE-13-4.19**ABSTRACT**

This paper examines management earnings forecast announcements during trading-hours versus non-trading hours. The relation between timing of corporate disclosures and type of news conveyed by those disclosures was discussed in previous studies (Patell and Wolfson, 1982), (Damodaran, A. 1989), (Bagnoli, Clement, and Watts, 2005), (Doyle and Magilke, 2009). These studies suggest that earnings, dividends announcement signaling bad news tend to be announced later than expected (after market closed and on Friday). These studies did not consider management earnings forecasts. This paper examines management earnings forecasts released during trading-hours versus forecasts released during non-trading hours. The study uses the magnitude and the sign of the forecast released to test the hypothesis that management forecasts released during non-trading hours should have larger unexpected earnings (surprise) than forecasts released during trading-hours. Examining management earnings forecasts during trading-hours versus non-trading hours is important for three reasons. First, disclosure of management earnings forecasts to the public is neither compulsory nor routine. It is not a regular annual event for an average firm. Second, since reporting earnings forecasts to the public requires no board meeting, there is no policy for releasing such information. Third, release of management earnings forecasts is not expected within a set period of time. Release of such unexpected information increases the precision of all traders' information and should have a greater influence on stock price. I expect the test results for earnings forecasts to differ from those for actual earnings and dividend announcements. The results show that management forecasts released during non-trading hours have larger unexpected earnings (good or bad) than forecasts released during trading-hours.

Keywords: *Management forecast, market reactions.*