ABSTRACT

The study examines the stock price reactions of 38 companies listed on the SET50 around the quarterly earnings announcements of the Stock Exchange of Thailand (SET) in 2015. The study investigates whether the quarterly earnings announcements, in the form of quarterly financial statements had any effect on stock prices during 2015.

The study employs daily event study methodology to observe the market reactions. To examine the abnormal returns around quarterly earnings announcements, daily stock prices in 2015 are recorded to determine the normal behavior of the stock market. The market model is used to compute expected return and abnormal return. Each earnings announcement is classified by comparing the actual earnings per share (EPS) and the expected earnings per share (EPS). Later, each earnings announcement is categorized into three groups, which are good news, bad news and neutral news. Depending on the available samples, this study concentrates on the research hypotheses related to good news and bad news.

Abnormal returns were found during the event period. Quarterly financial statements have content that affected stock prices in 2015. It is possible that the market does not absorb new information quickly after quarterly earnings announcements. However, abnormal returns persisted for only one day and disappeared both for good news and for bad news. On the day following the earnings announcement, the market reacted stronger to good news than to bad news. The cumulative effects of good news are greater than for bad news during the event period. It was found that the market reacted positively to good news and negatively to bad news around the release of quarterly financial statements. Cumulative abnormal returns for good news gradually start to rise and for bad news start moving downward before the announcement date. These findings suggest that the market learns about the forthcoming announcement.