



Cyprus University of Technology
Department of Commerce, Finance and Shipping

Seminar Talk
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**Analyst Forecast Revision Momentum and
the Post-Forecast Revision Price Drift**

by

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Abstract

We document positive serial correlation in consensus analyst forecast revisions and label this phenomenon forecast revision momentum. We interpret this momentum as evidence that analysts underreact to information produced by their own peers. We then document a direct link between the momentum and the post-forecast revision price drift, a well-established stock market anomaly. Finally, we show that the forecast revision momentum and the post-forecast revision price drift exhibit similar cross-sectional and inter-temporal variation patterns with respect to a) the nature of the news (good or bad); b) Regulation Fair Disclosure; and c) the timing of earnings announcements. Our findings are consistent with behavioral biases explaining the post-forecast revision price drift.

*** Joint work with Po-Chang Chen, Ganapathi S. Narayanamoorthy and Hui Zhou.**