

# Market reactions to management earnings forecasts

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## Propositions

accompanying the dissertation

# Market Reactions to Management Earnings Forecasts

by

Réka Felleg

1. Investors react negatively to the higher earnings management incentives of overoptimistic managers when the management forecast is issued and not to actual earnings management when earnings are announced. (Chapter 2)
2. In isolation, management forecasts generate higher information asymmetry among investors than earnings announcements, however, investors of forecasting firms face less information asymmetry at the earnings announcement. (Chapter 3)
3. By providing more public disclosure, forecasting firms increase the overall information asymmetry among their investors compared to non-forecasting firms, because the increased information asymmetry at the management forecast is not compensated fully by reduced information asymmetry at the earnings announcement. (Chapter 4)
4. The profitability difference of small investors' trades is better at the management forecast date than at the earnings announcement: while earning a differential loss at the earnings announcement they earn a differential profit at the management forecast compared to large investors. (Chapter 5)
5. The one thing that unites all human beings, regardless of age, gender, religion, economic status or ethnic background is that, deep down inside, we ALL believe that we are above average drivers. (Dave Barry)
6. Forecasting is the art of saying what will happen, and then explaining why it didn't! (Anonymous)
7. We've long felt that the only value of stock forecasts is to make fortune tellers look good. Short-term market forecasts are poison and should be kept locked up in a safe place, away from children and also from grown-ups who behave in the market like children. (Warren Buffett)
8. When you have exhausted all possibilities, remember this... you haven't. (Thomas Edison)
9. Always remember, it's simply not an adventure worth telling if there aren't any dragons. (Sarah Ban Breathnach)