Performance of two normal models detecting abnormal returns around earnings announcement: Evidence from the Japanese stock market.

Elhaj Mabrouk Walid
Graduate School of Economics, Osaka University
1-7 Machikaneyama, Toyonaka, Osaka 560-0043
E-mail: egb008mw@mail2.econ.osaka-u.ac.jp

Abstract:

This paper investigates the stock price adjustment to semi-annual earnings announcements for all stocks included in the Nikkei 225 over a five-year period of daily returns (2002-2006). The application of the market model and for a comparative purpose the constant mean return model conducts a strong inference that the first's performance exceeds the second's; since the variance of average returns emerged from the use of the constant mean returns model sustain greater from the one of the market model, in all categories. This finding is consistent with A Craig Mackinlay (1997) and differs from Ball and Kothari (1991) who proved theoretically that both models have the same performance.

Keywords: Asset Pricing, Information and market efficiency; Event studies.