

## IBSS RESEARCH SEMINAR

*Organized by: RCE 3 Decision Making in Business*

### Retail Investor Trading Around Earnings Announcement

#### Abstract

This study examines how retail investors trade around earnings announcements. Using proprietary individual investor account-level data obtained from a Chinese brokerage house, we document abnormal trading volume around earnings announcement. More importantly, it seems that retail investors understand the earnings surprise contained in earnings announcement, but they trade in a contrarian style, particularly for the top-quintile (good news) subgroup. This trading pattern cannot be explained by the pre-announcement momentum. Further analysis shows that retail investors' trading around earnings announcement on average incurs loss. We do not find that the contrarian trading is related to investors' educational background and wealth, which we use to capture investor sophistication. We find certain subgroup of investors persistently engages in such contrarian trading pattern. The contrarian trading strategy might relate to behavioral explanations such as disposition effects.

#### Presenter

Dr. Rubin Hao is now an assistant professor at Faculty of Business Administration, University of Macau. He got his PhD degree from the Chinese University of Hong Kong. His research interest includes corporate disclosure, capital markets and financial intermediaries. He got his paper published in Review of Accounting Studies.

#### Date

14 May 2025

#### Time

2:00PM- 3:00PM (China Standard)

#### Location

BS 4114