

Wall Street analysts unearth company information beyond the conference call

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(Phys.org) —After reviewing nearly a half million analyst reports up against thousands of conference call transcripts, one thing is abundantly clear: Wall Street analysts do their homework.

According to a new University of Michigan study of more than 470,000 analyst reports and 18,000 conference call transcripts, [financial analysts](#)

highlight [information](#) in reports for investors that aren't mentioned on calls with corporate officers and flesh out issues given just brief mentions on the calls.

"We document that the distribution of topics in analyst research reports is statistically different from that in the presentation part of the conference call in about 70 percent of the cases," said Reuven Lehavy, professor of accounting at the Michigan Ross School of Business.

"This finding suggests that analysts frequently provide new information by discussing exclusive topics not mentioned on the call, and that's consistent with their information discovery role."

Lehavy and colleagues Allen Huang, Amy Zang and Rong Zheng of the Hong Kong University of Science and Technology also compared the vocabularies used by analysts and managers to discuss the top 10 topics on the call. They found they were statistically different 49 percent of the time, suggesting that analysts interpret information from the calls to better inform investors.

To conduct their analyses, the researchers used novel measures to identify the precise information role that analysts play in the capital market. By sifting through the analyst reports to measure their thematic content, they were able to explicitly identify and empirically quantify the amount of information [analysts](#) discover and interpret in their reports without reference to the equity market reaction.

More information: The complete study is available online: [papers.ssrn.com/sol3/papers.cfm ... ?abstract_id=2409482](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2409482)

Provided by University of Michigan

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