

THREE ESSAYS ON STOCK MARKET LIQUIDITY AND EARNINGS SEASONS

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Abstract

In these essays, I identify the effects of earnings seasons (i.e., the clustering of earnings releases), on stock market liquidity and asset pricing. In the first essay, I document strong seasonal regularities associated with aggregate earnings announcements. Applying the large body of literature linking earnings announcements to liquidity effects, I argue that these earnings seasons create market-wide liquidity shocks and I show that both liquidity betas and liquidity risk change during earnings seasons

In the second essay, I test the impact of earnings seasons on commonality in liquidity as measured by both spreads and depths. I find that commonality significantly decreases during the four weeks of each calendar quarter when most companies release their earnings. These findings contribute to the literature by identifying and examining the clustering effect of firm-specific information on commonality in liquidity.

In the third essay, I extend the study of the liquidity effects of earnings seasons to a sample of 20 countries. I find that the international data corroborate both hypotheses. I also find that the aggregate quality of accounting information, and the duration and frequency of interim reporting periods are important determinants of the liquidity effects (both liquidity betas and commonality in liquidity) during earnings seasons.