

**Information in and market reactions to recommendations  
from chaebol brokerages**

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**ABSTRACT**

This study examines the pattern of recommendations on companies listed on the Korean Stock Exchange and the response of stock prices to the recommendations. There is evidence that brokerages affiliated with chaebols make overall less favorable recommendations than those unaffiliated with any chaebols. But a chaebol brokerage tends to make more favorable recommendations to firms affiliated with its own chaebol. I find that stock prices respond more to recommendations made by chaebol brokerages. In particular, the stock price of a firm affiliated with a chaebol tends to respond more to recommendations issued by the brokerage affiliated with the same chaebol. Market responses also depend on whether the recommendations are anticipated. Prices respond to unanticipated recommendations much stronger than they do to anticipated recommendations: stock prices rise more following unanticipated upgrade recommendations than they decline following unanticipated downgrade recommendations.