The Information Content of Swiss Corporate Earnings and Dividend Announcements

RORY F. KNIGHT*

1. INTRODUCTION

The impact of dividend policy and earnings numbers on share price should be of concern to business managers, shareholders, investment professionals and academics.

A sizeable body of empirical research has built up over the last few years, mainly based on U.S. data.

However, most of this research has focused on the earnings and dividend impacts separately. Since Swiss companies announce annual earnings and dividends simultaneously, any study on Swiss data must consider the joint effects of these two phenomena.

This paper reports the results of a study on the contemporaneous association between earnings/dividend announcements and share price behaviour on the Swiss stock exchanges over the period July 1984 to December 1988.

The study examines the impact of earnings and dividends on share prices separately and then jointly. The preliminary findings are suggestive. It appears that the event has a statistically significant impact on price while earnings appear to convey more information than dividends.

2. RESEARCH DESIGN

Information content is usually defined as the potential for an event, such as the earnings/dividend announcement, to change extant market expectations. These underlying expectations which are not observable are formed on the set of publicly available information in an informationally efficient market. Therefore, in a setting where market efficiency holds the information content, or news value, of a particular event will change expectations as soon as it enters the public domain. Furthermore, only the unexpected element of an event will impact expectations, that is, information not anticipated by the market.

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1. Excellent reviews of this genre of research are contained in BEAVER (1980) and WATTS and ZIMMERMAN (1985).
In order to evaluate the information content of the earnings/dividend announcement the researcher is attempting to measure the instantaneous impact of unexpected changes in earnings and dividends on underlying market expectations.

The researcher thus faces two levels of problem when attempting to evaluate the information content of an event such as the earnings/dividend announcement. Firstly, an observable proxy for underlying market expectations must be developed and secondly, a proxy for the unexpected element of the event itself must be constructed.

Unexpected changes in share price are usually characterised as proxies for unexpected changes in underlying expectations and unexpected changes in earnings and dividends are usually explicitly modelled.

The methods employed in this study are styled on the work of Fama et al. (1969) who used a two-stage time series methodology.

Firstly, raw share returns are transformed into abnormal returns in an attempt to remove the effects of market wide factors on expectations as manifested in share prices. These adjusted returns themselves are affected by factors other than the event of interest, these latter effects are controlled by pooling large samples of similar events and averaging out non-common factors.

The resulting average abnormal returns are typically cumulated over an observation window surrounding the event, hereafter the event window. The statistical analysis is then based on the cumulative abnormal returns (CARs) in event time relative to a common event rather than calendar time.

Since the events in this study are capable of affecting expectations positively or negatively, pooling across all announcements would remove the effect of the various announcements by set off. It is crucial, therefore, that prior to pooling, the events are partitioned into homogenous groups vis-à-vis the sign of their expected impact on expectations. It is at this stage in the experiment that the proxy for the unexpected element of the earnings/dividend announcement, referred to above, is required.

It should be obvious that the results are jointly dependent on the validity of both the model used to transform prices and the earnings/dividend model to partition announcements.

3. ESTIMATING ABNORMAL RETURNS

The first phase of the method requires that the abnormal return on a share is estimated for a number of weeks surrounding the dividend/earnings announcement.

The unexpected return is defined as follows:

\[ U_{it} = R_{it} - E(R_{it}) \]  

where:
\[ R_{it} = \text{the return on share } i \text{ in week } t. \]
\[ R_{it} = \log \left( \frac{P_t}{P_{t-1}} \right) \]
\[ E = \text{the expected value operator.} \]
\[ P_{t-1} = \text{price at the beginning of week } t. \]

The expected return was modelled in three different ways in this study.

### 3.1 The Market Model (MM)

Most event studies estimate expected returns via the market model of the form:

\[ E(R_{it}) = a_i + b_i R_{mt} \]  

(2)

where:

\[ R_{mt} = \text{the return on the market portfolio in week } t. \]

\[ a_i \text{ and } b_i \text{ are the intercept and slope coefficients respectively, estimated from a market model regression of the form of (3) below.} \]

\[ R_{it} = \alpha_i + \beta_i R_{mt} + \epsilon_{it} \]  

(3)

These regressions are based on periods without earnings/dividend announcements. Various statistical problems arise when using these estimates particularly in cases where shares are thinly traded\(^2\). In particular the lack of stationarity in the model could seriously bias the estimates. In order to control misspecifications of this nature the expected return is re-estimated using two variations of the market model as suggested by BROWN and WARNER (1980) and (1985).

### 3.2 The Zero-One Model (ZOM)

In this model the parameters of (2) above are set to zero and one respectively. Expected returns in the event window are defined as follows:

2. See SCHOLES and WILLIAMS (1977) and DIMSON (1979) for a discussion of these estimation problems.
\[ E(R_{it}) = R_{mt} \] (4)

This characterisation of expected return implies that expectations are formed on the market as a whole and attributed equally to all shares regardless of risk differences. Literally, therefore, this model will be misspecified. However, where large samples are used, the errors will be averaged out. Obvious advantages over the market model are the avoidance of the stationarity assumption and the results obtained with this model will be insensitive to the choice of event window length since the estimation does not require out of sample data.

3.3 The Average Return Model (ARM)

The average return model defines expected returns as (5) below.

\[ E(R_{it}) = \bar{R}_i \] (5)

where:

\[
\bar{R}_i = \text{the average return on share } i \text{ in the non-announcement periods.}
\]

\[
\bar{R}_i = \frac{1}{T} \sum_{t=1}^{T} R_{it}
\]

\[ T = \text{the number of weeks in the estimation period which excludes all event windows} \]

This model avoids the misspecification potential of the MM and ZOM. However, if the sign of the unexpected earnings/dividend model is correlated with the systematic risk of the share, this method will give spurious results. This model is potentially sensitive to the choice of the length of the event window.

All three models were employed using three different length observation windows of five, eleven and twenty one weeks surrounding each announcement. This controls the potential sensitivity of the results in the case of the MM and ARM.

The abnormal returns so estimated were pooled and averaged across announcements and finally accumulated over the event window as follows:

3. Reliance on the law of large numbers will be inadequate where announcements tend to be clustered. There is little evidence of clustering in the data used in this study.
\[ CAR_{pt} = \frac{1}{N} \sum_{i=1}^{N} \sum_{t=-w}^{w} U_{it} \]  

(6)

where:

\[ CAR_{pt} = \text{the cumulative abnormal return on portfolio } p \]
\[ \text{in event week } t \text{ relative to the announcement at } t=0. \]
\[ N = \text{the number of announcements in portfolio } p. \]

Table 1 presents the \( CAR_{pt} \) for the full sample of Swiss earnings/dividend announcements for weeks \( -w \) through \( +w \) where \( w \) is defined as two, five and ten for the three event windows of five, eleven and twenty-one weeks respectively.

All estimates are based on weekly price data. The test statistic in each case is the \( t \)-statistic which in the case of a cumulative abnormal return is defined as:

\[ t\text{-statistic} = \frac{CAR_{pt}}{\sigma(CAR_{pt})} \]

\[ \sigma = \text{standard deviation} \]

The null hypothesis of no information content is that \( CAR_0 \) is not significantly different from zero.

If all announcements are pooled the information content of “good news” and “bad news” will tend to set off through averaging since the abnormal returns will be expected to have opposite signs in the week of the announcement.

In order to prevent this it is necessary to partition the total sample into “good news” and “bad news” portfolios. This partitioning was carried out in a variety of ways using the earnings and dividend models described below.

4. THE INFORMATION CONTENT OF EARNINGS

In order to estimate the information content of earnings the total sample was partitioned into two separate portfolios. The criterion for the allocation of announcements to these portfolios was the sign of the forecast error from the following general model.

\[ f_{it} = e_{it} - E(e_{it}) \]  

(7)
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<th>Table 1</th>
<th>Cumulative Abnormal Returns (CARs): Total Sample</th>
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where:

\[ f_{it} = \text{the earnings forecast error (unexpected earnings) for firm } i \text{ in year } t. \]

\[ e_{it} = \text{the earnings reported by company } i \text{ in year } t \text{ scaled by the firm's pre-announcement market capitalisation}^4. \]

The model generating earnings expectations is characterised as (8).

\[ e_{it} = a_i + b_i e_{mt} \quad (8) \]

where:

\[ e_{mt} = \text{the average market earnings in year } t \text{ scaled by average market capitalisation in year } t. \]

\( a \) and \( b \) are intercept and slope coefficients respectively estimated from the following regression:

\[ e_{it} = \alpha_i + \beta_i e_{mt} + \epsilon_{it} \quad (9) \]

In this study, given the low number of observations in the annual earnings data series, a zero-one version of (8) was used as represented by (10).

\[ E(e_{it}) = e_{mt} \quad (10) \]

The forecast error is thus a proxy for the unexpected component of earnings and the sign of this error was used to classify announcements as good news (positive) or bad news (negative). The results of this analysis are reported in tables 2a and 2b. Variations of this model are widely used in the literature\(^5\). The rationale for market adjusted earnings is that an alternative "naive model" which assumes all earnings changes to be surprises, is unrealistic. A firm that announces an increase in earnings will not receive a positive

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4. See Christie (1987) for the justification of using market capitalisation as a scaling factor when using earnings and dividend data in studies of this nature.

5. Ball and Brown (1968) introduced this approach into the literature.
market response if the market expected earnings to be higher. The adjustment in (10) attempts to proxy market expectations via the general trend in earnings across all firms. The observation of CARs for the pair of portfolios based on the earnings partitions, whilst ignoring dividends, effectively treats dividend information content as being independent of earnings information. In the current research design the effect of the dividend component is washed out in the pooling process. The next phase of the study attempts to observe the impact of dividends whilst holding earnings constant. Finally, the two effects will be studied jointly.

5. THE INFORMATION CONTENT OF DIVIDENDS

The model used to generate dividend forecast errors is the dividend counterpart of (10) above.

\[ F_{it} = d_{it} - E(d_{it}) \]  

where:

\( F_{it} \) = the dividend forecast error (unexpected dividends) for firm \( i \) in year \( t \).

\( d_{it} \) = the dividends announcement by firm \( i \) in year \( t \) scaled by the firm's pre-announcement market capitalisation.

\[ E(d_{it}) = d_{mt} \]  

where:

\( d_{mt} \) = the average market dividend in year \( t \) scaled by the average market capitalisation in year \( t \).

The forecast error is thus a proxy for the unexpected component of dividends and the sign of this error was used to classify announcements as good news (positive) or bad

6. As indicated in section 8.4 below the null hypothesis of independence in the signs of the dividend and earnings forecast errors could not be rejected at a 99% level of confidence.
### Table 2a

Cumulative Abnormal Returns (CARs): Earnings Model; Positive Forecast Error.

| Number of announcements = 149 |

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Table 2b

Cumulative Abnormal Returns (CARs): Earnings Model; Negative Forecast Error.

<table>
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<tr>
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<td>+10</td>
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</table>
news (negative). The results for this section of the study which observe the information content of dividends ignoring earnings are reported in table 3.

6. THE JOINT INFORMATION CONTENT OF EARNINGS AND DIVIDENDS

In order to control the interactions between the earnings and dividend models a separate set of partitions was formed based on the sign of both the earnings and dividend forecast errors. Thus the total sample was partitioned four ways into (1) a positive earnings and dividend forecast error portfolio (++) , (2) a negative earnings and dividend forecast error portfolio (- -) , (3) a positive earnings and negative dividend forecast error portfolio (+-) and (4) a negative earnings and positive dividend portfolio (-+). The results of this section of the study are reported in table 5.

In addition to the CAR analysis, a series of cross-sectional regressions were run using the various models to test the robustness of the results obtained from the CAR analysis. These results are reported in table 4 below.

Prior to proceeding to the results and interpretation a brief description of the data used is presented in the next section.

7. DATA

The announcement dates required in this study were obtained by direct correspondence with all companies quoted on the Swiss Stock Exchange. All types of shares viz. the Bearer, Participation and Registered varieties were included although the studies were repeated on the bearer class alone and no significant difference in result and interpretation was observed. In all three, hundred and ninety one announcements were included. Earnings and dividend data were obtained from various issues of the Swiss Stock Guide published by Union de Banques Suisses. Share price data were obtained from the University of Fribourg Share Price database. The market proxy used was the Swiss Performance Index (SPI) a value weighted index. All return measures were logarithms of the price relative, had a periodicity of a week (Wednesday to Wednesday) and were all adjusted for dividends and capitalisations. The key inclusion criteria were that a precise announcement data was available and that the announcement occurred at least twenty five weeks into the data at both ends of the interval July 1984 to December 1988.

7. The results for the information content of dividends and all other variations reported after table 1 report only the MM results since no significant differences across models were observed.
Table 3
Cumulative Abnormal Returns (CARs): Dividend Model.

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<th>Number of announcements</th>
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<th>Positive t-statistic</th>
<th>Negative MM</th>
<th>Negative t-statistic</th>
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</table>
8. RESULTS AND INTERPRETATION

8.1 The Full Sample

The results for the full sample are presented in table 1 for the three expected return models and the three event windows. In all cases the week 0 CAR has the largest \( t \) statistic which is significant at the 95\% level in all cases. The pattern of CARs across the various event windows and return models is very similar. This indicates that the results are unlikely to be sensitive to the research design variables. For this reason all subsequent analysis will focus on the market model results and the eleven week window. The curiosity in the behaviour of the CARs for the full sample, which are plotted graphically in figure 1, is that on average all announcements had a positive impact on share prices.

The expected CAR value over the event window for the total sample is zero. Notice how in the post-announcement period this seems to be the case as the CARs remain at the same level from week zero to week + 5, although a slight downward drift is apparent.

Notice that all the pre-announcement CARs are not significantly different from zero. However, all post-announcement CARs are significant at the 99\% level in the post-announcement period.

This pattern is consistent with a number of explanations. Firstly, if the sample is representative of the whole market a certain inefficiency may exist. This is so because an obvious trading rule of buying shares before announcements and selling afterwards would yield a positive risk free return. Such arbitrage opportunities should not exist under market efficiency. The lack of representativeness of the sample is an unlikely candidate in explaining the results since it represents a significant sample of listed Swiss companies. Three hundred and ninety one announcements, in a four year period, were included.

Secondly, the existence of large valued outliers may have caused this anomalous behaviour. This potential distortion was controlled for by excluding all announcements with an unexpected return larger than +10\% and less than -10\%. This resulted in fifteen announcements being excluded. However, the results without these large valued items have similar characteristics to the results reported. Thirdly, the results may be a function of model misspecification. This is unlikely since no earnings or dividend expectations model is implied in the total sample and, furthermore, the results are the same across different research design specifications. It is evident that there is a significant price disturbance at the time of this event. While this phenomenon is not apparent in the U.S. studies, the existence of a total sample week zero significantly positive residual has been reported in at least two other markets viz. New Zealand and South Africa.

Studies by Emanuel (1984) and Knight (1983) report these results for New Zealand and South Africa respectively. Beaver (1968) reports a significant price effect in week zero for the U.S. market however his method analysed absolute abnormal returns and the net effect was not reported.
8.2 The Earnings Model Partitions

The CARs for the “good news” and “bad news” earnings portfolios, formed on the basis of the sign of the forecast error in equation (7), are reported in tables 2a and 2b.

The results of the nine window/model combinations are again reported for each portfolio as per table 1. The pattern across windows and models is similar and further analysis focuses purely on the market model/eleven week window CARs which are plotted graphically in figure 1.

The CARs for the positive forecast error (good news) portfolio are not significant until the week of announcement when they become significantly positive. Thereafter the CARs remain significantly positive and continue to drift up from the week zero value of 2.12 % to 3.27 % in week + 5. This result suggests that the market reaction to the earnings announcement is instantaneous which is consistent with information content. An additional gestation period is required to compound all the news value.

The behaviour of the negative forecast error (bad news) portfolio is, however, not symmetrical with its positive counterpart. The CARs in the pre-announcement period become significant in week - 2 and opposite in sign to the forecast error. This trend reverses from week + 1 and by week + 3 the CARs are again not significant. It seems that the sign of the forecast error is relatively powerful in discriminating between the two portfolios’ share price behaviour in the post-announcement period. On the other hand, the price reaction in week zero is positive for both portfolios although much larger for the positive forecast error portfolio.

Taken together, the results suggest a significant information content, although an inefficiency is evidenced by a sluggish response in both cases. The “good news” portfolios exhibit a positive drift in the post announcement period reinforcing the week zero response whereas the “bad news” portfolio exhibits a reversal of the week zero positive response. Both features suggest a degree of inefficiency in market response to an informative source.

Since all earnings announcements were accompanied by dividend announcements caution is required because of the likely interaction of the two signals.

The next section analysis the impact of the dividend dimension of the announcements on share prices.

8.3 The Dividend Model Partitions

The results of the analysis testing the association between the sign of the dividend forecast error and the CARs are reported on table 3. Notice that only the market model results are reported for the various windows. The results seem insensitive to model specification and all further analysis will be on MM CARs as indicated above.
Figure 1
Cumulative Abnormal Returns (CARs). Earnings Model.

- Total Sample
- Negative forecast error.
- Positive forecast error.

Weeks Relative to Earnings/Dividend announcements (Week 0).
Again focusing on the results for the eleven-week window it will be noticed that the \textit{CARs} become significant in weeks - 2 and -1 for the negative and positive forecast error portfolios, respectively. The results are presented graphically in figure 2.

Curiously the anticipated market response is positive for the negative forecast errors and in week -1 the \textit{CAR} for each portfolio is identical and significantly greater than zero. In week zero this positive trend continues although the positive error portfolio exhibits a greater increase in \textit{CAR}. After week zero a definite distinction between the two is apparent. The "good news" portfolio \textit{CARs} remain constant and the "bad news" portfolio \textit{CARs} decrease dramatically so that by week + 3 the \textit{CARs} cease to be significant at a 95\% level. The results are asymmetrical since for the "good news" portfolio the market correctly anticipates the information content a week before the event. In week zero the reaction is instantaneous and no post-announcement drift is observed. This is consistent with dividends possessing information content and the market impounding such in an efficient manner. However, the reaction to the "bad news" announcement is positive before the event, but is sluggishly reversed after week zero.

As with the earnings analysis caution should be exercised in interpreting these results in isolation because of the possible interactive effects of simultaneous dividend and earnings announcements.

Prior to proceeding to discuss the results of an analysis of these joint effects between earnings and dividends, some additional tests of robustness are presented for each case discussed so far.

\subsection*{8.4 Cross Sectional Regressions}

In order to verify the results presented further tests were carried out, the results of which are reported in table 4.

So far the analysis has been restricted to testing the association between the sign of a forecast error and the sign of the price reaction. This section focuses on the association between the magnitude of the error and the magnitude of the price reaction. In order to evaluate this latter relationship a series of cross sectional regressions were performed for both the earnings and dividend forecast errors of the form in (13) and (14) respectively.

\begin{equation}
U_i = \alpha_i + \beta_i f_i + \epsilon_i \tag{13}
\end{equation}

\begin{equation}
U_i = \alpha_i + \beta_i F_i + \epsilon_i \tag{14}
\end{equation}

Each cross sectional regression was repeated for each week in the eleven week window including and excluding outliers. In all forty four regressions were performed. The
Figure 2
Cumulative Abnormal Returns (CARs). Dividend Model.

- ▼ Forecast error negative.
- ▲ Forecast error positive.

Weeks relative to Earnings/Dividend Announcements (Week 0)
regression parameters for both models for each week are reported. These results were based on all observations including outliers. The results based on 376 observations excluding outliers were similar and are consequently not reported.

The results for the earnings error are reported in table 4 panel a. Notice how the slope coefficient is significant and positive at a 98% level only in the week of the announcement. This indicates that the results of the CAR are not caused by a few large value

<table>
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<th>t-statistic</th>
<th>Beta</th>
<th>Std.error</th>
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<td>0.13133</td>
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</table>

The results for the earnings error are reported in table 4 panel a. Notice how the slope coefficient is significant and positive at a 98% level only in the week of the announcement. This indicates that the results of the CAR are not caused by a few large value
announcements and that there is a significant relationship between the magnitude of the forecast error and the abnormal return in week zero. This is consistent with the alternative hypothesis of information content. The null hypothesis of no information content cannot be accepted with any degree of confidence. Notice that the intercept coefficient is likewise significant in week zero and in week -1. This reflects the result shown on figure 1 where, on average, all announcements have a positive price impact. The explanatory power of the earnings as reflected in the R-squared values is low, yet much higher in the week of the announcement than in any other week.

Further research using this method by adding additional variables to explain the magnitude of the abnormal return may be fruitful. Candidates for inclusion are, inter alia, firm size, industry and concentration of ownership.

Turning now to the regressions reported in table 4 panel b, an analysis of the dividend forecast error is presented.

Again the pattern for the intercept coefficient is identical to the earnings error results. However, curiously, the slope coefficient in week zero is insignificant while the week -2 coefficient is negatively significant. This suggests firstly, that dividends are anticipated by the market and, secondly, that the magnitude of the dividend error is inversely related to the market reaction. This negative reaction to “good news” is consistent with an interpretation that unexpectedly increasing dividends signal a reduction in expected future value-creating growth opportunities for the firm.

Again, the results and interpretation should be viewed cautiously because of the potential lack of independence between the earnings and dividend forecast errors. It is, however, reported that applying a CHI-squared test of independence the null hypothesis of independence between the sign of the earnings and dividend forecast errors could not be rejected at a 95 % level⁹. Therefore, the assumption of independence implied in the results so far presented is not unjustified.

8.5 Joint Earnings and Dividend Model Partitions

In order to analyse the joint impact of earnings and dividends on share prices the CAR analysis was repeated by partitioning the total sample into four portfolios based on the sign of both the earnings and dividend forecast error. The results are reported in table 5 and presented graphically in figure 3. These results shed considerable light on the information content of earnings/dividend announcements in Switzerland.

The portfolio of announcements which had a positive error on both signals exhibits a high positive information content which was assimilated with a high degree of efficiency. The CAR on week zero for this group (++) is highly significant and again in week +1 there is a further increase in the CAR. This suggests a digestion period of about 1 week.

⁹. The coefficient of determination between the earnings and dividend forecast errors is 0.13.
Thereafter the CAR remains constant without any reversals. The other earnings positive portfolio (+-) i.e. with the dividend error negative, exhibits a similar pattern but of smaller magnitude and only significantly different to zero at the 90% significance level in week zero. A comparison between the (++) portfolio and the (+-) portfolios suggests that the

<table>
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<th>Dividend Forecast Error</th>
<th>Positive (MM)</th>
<th>Positive (t-statistic)</th>
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Figure 3
Cumulative Abnormal Returns (CARs). Earnings & Dividend Models.

Weeks Relative to Earnings/Dividend announcements (Week 0).
information content in earnings dominates that in dividends. Since if earnings convey positive information the reaction is a sustained positive response regardless of the sign of the accompanying dividend. Since the (+-) portfolio exhibits a considerably lower response than the (++) portfolio, it would appear that dividends do possess information content.

This dominance of dividend information by earnings information is corroborated by observing the behaviour of the (-+) portfolio. In this case the dividend conveys positive news and the earnings the opposite. The pattern of CARs suggests that the market's initial response is to the dividends and the CAR in week zero is significantly positive. However this is immediately reversed in week +1 and the CARs subsequently remain around zero. This is consistent with the net information content being zero because the earnings bad news sets off the initial positive response to the dividends good news. The CARs' behaviour for the fourth portfolio (--) conveying negative news on both dimensions is somewhat of an anomaly.

The (-) portfolio represents the set of announcements which appears to be responsible for the curiosities unfolded in the individual studies referred to above. It is the only portfolio which exhibits significant pre-announcement movement in the CARs. The CARs become significantly positive in week -2 and remain so through to week +2 after which all abnormal returns are reversed.

These results strongly suggest the existence of price support by insiders for companies announcing unexpectedly adverse results. The price support by insiders appears to commence two weeks before the announcement and continue for two weeks afterwards. This explanation is not entirely satisfactory since it raises questions of rationality. However certain insiders may have reputation incentives to incur the cost of price support.

The alternative conclusion is that the market reacts inefficiently to bad news which permits an arbitrage profit opportunity.

9. CONCLUSION

In summary it seems that unexpected increases in dividends only convey positive information if accompanied by a positive earnings signal. Conversely, unexpected increases in earnings convey positive information regardless of whether accompanying dividends are unexpectedly good or bad, although the magnitude of the impact is reduced in the latter case.

It appears, therefore, that Swiss earnings numbers do convey significant information to the market and it appears as if this information dominates any dividend information. The reaction of the market to earnings information is typically efficient except when there is a mixed signal and the earnings error is negative. In this case (-+) there appears to be a week of contention between the two signals. Nevertheless the earnings dominate in week +1.
Finally, the curiosity is the reaction of the market to negative news on both signals. The results are consistent with an insiders price support which regrettably cannot be verified with a volume analysis. The results are also consistent with an anomaly in the Swiss market.

Although the Swiss accounting regulations are somewhat less onerous than their Anglo Saxon counterparts, the numbers generated by Swiss management appear to have a significant impact on price.
REFERENCES


ABSTRACT

This paper presents a series of studies on the impact of earnings and dividend announcements by Swiss companies on share prices in the Swiss equity market between 1984 and 1988. The results permit a rejection of the null hypothesis of no-information content at a 99% level of confidence. This information content is not symmetrical across the various announcement types. Taken separately, the earnings information content is more efficiently impounded than the accompanying dividend information. The earnings and dividend signals emitted by the Swiss corporations included in the study are, by and large, independent in any particular year. The earnings information clearly dominates the dividend information when the signals are considered jointly.

ZUSAMMENFASSUNG


RESUME

Une série d'études, analysant l'influence des annonces sur les gains et les dividendes effectuées de 1984 à 1988 par des compagnies suisses sur la base de prix sur actions, est présentée dans cet article. Les résultats obtenus permettent de rejeter l'hypothèse dont l'annonce, à 99% du niveau signifiant, ne contient aucune information. Cette influence dépend de la manière dont l'annonce a été faite. Prise séparément, l'information se rapportant aux gains est utilisée plus efficacement que celle concernant les dividendes.