

Stock Price Informativeness and Profit Warnings: Empirical Analysis

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Abstract : This study investigates the nature of association between profit warnings and stock price informativeness in the context of Jordan as an emerging country. The analysis is based on the response of stock price synchronicity to profit warnings percentages that have been published in Jordanian firms throughout the period spanning 2005–2016 in the Amman Stock Exchange. The standard of profit warnings indicators have related negatively to stock price synchronicity in Jordanian firms, meaning that firms with a high portion of profit warnings integrate with more firm-specific information into stock price. Robust regression was used rather than OLS as a parametric test to overcome the variances inflation factor (VIF) and heteroscedasticity issues recognised as having occurred during running the OLS regression; this enabled us to obtained stronger results that fall in line with our prediction that higher profit warning encourages firm investors to collect and process more firm-specific information than common market information.

Keywords : Profit Warnings, Jordanian Firms, Stock Price Informativeness, Synchronicity

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