

## Earnings-Related Information, Cognitive Bias, and the Disposition Effect

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**Abstract :** This paper discusses the reaction of investors in the Taiwan stock market to the most probable unknown earnings-related information and the most probable known earnings-related information. As compared with the previous literature regarding the effect of an official announcement of earnings forecast revision, this paper further analyzes investors' cognitive bias toward the unknown and known earnings-related information, and the role of media during the investors' reactions to the foresaid information shocks. The empirical results show that both the unknown and known earnings-related information provides useful information content for a stock market. In addition, cognitive bias and disposition effect are the behavioral pitfalls that commonly occur in the process of the investors' reactions to the earnings-related information. Finally, media coverage has a remarkable influence upon the investors' trading decisions.

**Keywords :** cognitive bias, role of media, disposition effect, earnings-related information, behavioral pitfall

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