

The Impact of Financial News and Press Freedom on Abnormal Returns around Earnings Announcements in Greater China

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Abstract : This study examines the impacts of news sentiment and press freedom on abnormal returns during the earnings announcement in greater China including the Shanghai, Shenzhen and Taiwan stock markets. The news sentiment ratio is calculated by using the content analysis of semantic orientation. The empirical results show that news released prior to the event date may decrease the cumulative abnormal returns prior to the earnings announcement regardless of whether it is released in China or Taiwan. By contrast, companies with optimistic financial news may increase the cumulative abnormal returns during the announcement date. Furthermore, the difference in terms of press freedom is considered in greater China to compare the impact of press freedom on abnormal returns. The findings show that, the freer the press is, the more negatively significant will be the impact of news on the abnormal returns, which means that the press freedom may decrease the ability of the news to impact the abnormal returns. The intuition is that investors may receive alternative news related to each company in the market with greater press freedom, which proves the efficiency of the market and reduces the possible excess returns.

Keywords : news, press freedom, Greater China, earnings announcement, abnormal returns

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