

CHAPTER IV

Results

4.1 Characteristics of recommended stocks

Table 1 presents the descriptive statistics of stocks that recommended by analysts. In column (2), the table shows total number of listed firms for each country. Column (3) represents the number of covered firms that have continuously recommended by analysts for the period that stocks are trading in the market. Column (4) is the percent of covered firms compare to total firms. Recommended firms are shown in the percentage of all firm listed in the market for both emerging markets (represented by South-East Asian countries) and developed market (represented by United States).

The market capitalization of all countries is over 80 percent of the capitalization of all firms in the markets. This is consistent with the conventional wisdom that analysts tend to issue recommendation for larger firms, because most of these firms provide more liquidity for the market and allow the investors to take larger position more easily in the firms' shares. As a result, brokerage firms will receive more commission revenue from the investors.

In column (6), the digit represents the average number of analysts per covered firms. The number of analysts per covered firms from developed country (United States) is equal to 4.22 per firm, more than two times compare with emerging countries. This indicates that analysts from developed country have followed the firms more closely than emerging countries. This is because the different between firms information for both countries. In developed country, analysts can take firms information easily, so they can focus in more firms. Where as the emerging countries

are hard to find firms information. Consequently, analysts have limit to issue recommendation for the firms.

Table 2 indicates number of recommendation for the period in each country. The result also provides number of recommendation in each category of recommendation. From the table, this is implied that analysts tend to recommend in “relative buy” more then “relative sell”. This is because analysts reluctant to issue sell and strong sell recommendation due to the conflict of interest between optimism and accuracy. From the prior researches (Stickel (1995), Womack (1996), Barber et al. (2001), Jegadeesh et al. (2002)) concern that relative sell recommendation because more harsh negative return and longer period effect than normal condition. Moreover, the result shows that developed country has more concern in the recommendation type effect than emerging countries (97.69% in relative buy and hold and 2.31% in relative sell). This situation can be imply that firms from analysts lists in developed country like United States have high performance and good quality for “relative buy and hold” in analysts’ recommendation issues.

Table 3 offers the change in analysts’ opinion in their recommended stocks. More than a half of recommendation remains unchanged. Analysts tend to confirm their opinion on the recommended stocks from prior period. This is because some of the recommendations that enter into the consensus can be fairly stale. Analysts leave their recommendation unchanged for long period of time.

4.2 The regression result

Table 4 provides the relationship between analysts’ recommendation and stock returns both before and after adjusted recommendation in I/B/E/S database. For both before and after adjusted recommendation in I/B/E/S database, the result provide significant that analysts have influence to stock return in emerging countries such as

Malaysia, Singapore, and Thailand, analysts can be influence to stock return movement except Philippines. The empirical evidence shows that there are high levels significant in estimated coefficient in emerging countries except Philippines. The evidence does not exist for United States as a proxy of developed country. The result gives you an idea about insignificant in estimated coefficient in developed countries.

In the table, the result provides the negative significant in estimated coefficient because good opinions (strong buy or buy) from analysts have explained by the low numerical number (strong buy=1, buy=2). Oppositely, bad opinions (sell or strong sell) from analysts have explained by the high numerical number (sell=4, strong sell=5). In logically, when analysts issue good opinion to the target stocks, stock returns will be positive. When analysts issue bad opinion to the target stocks, stock returns will be negative. As a result, the stock returns will convert to analysts' recommendation in generally.

For before adjusted recommendation in I/B/E/S, analysts from Singapore and Thailand have influence on stock returns for all type of firms (Total firms, small firms, and large firms) in the markets (Significant at 95% and 99% confidence level). The result shows insignificant from United States in all type of firms.

For after adjusted recommendation in I/B/E/S, analysts from Singapore and Thailand have influence on stock returns for all firms in the markets (Significant at 95% and 99% confidence level). Moreover, the study classifies firms into large firms and small firms by market capitalization in order to study analysts focus on size of stocks in the markets. The result indicates that analysts from Singapore and Thailand have influence on large firms (Significant at 95% and 99% confidence level). Analysts from Malaysia and Thailand have influence on small firms (Significant at 99% confidence level). Philippines is the only a country that the result shows

insignificant because Philippines has not enough data to run the result. The result also shows insignificant from United States in all type of firms.

As a result, the study confirms that analysts from developed market have not influence on stock returns. The empirical evidence implies that type of the market can be important for stocks returns. In emerging markets, they are lack of sufficient distributed information to supply investors. Recommendation information is an “insider” to investors because not all participants can access the recommendation. While the developed market, information has fully efficient. Analysts cannot use the advantage from analyzing the information to provide their clients. As a result, there is insignificant on the result from developed market data represented by United States.

4.3 Stock return and portfolio performance

4.3.1 One month and three months post event returns

The market adjusted abnormal returns are present in the table 5. Panel a) from the table 5 presents the result of market adjusted abnormal return for one month from each type of recommendation in each country. This result indicates that the market response accordingly to the “recommendation” by stock analysts. Significant and positive abnormal returns on the ‘strong buy’ for all countries except Philippines imply that the market seems to react positively to the ‘good quality’ recommended stock by stock analysts. Analysts’ recommendation has value to investors. However, the result does not provide the significant result from ‘hold’ and ‘relative sell’ in all countries. Moreover, the result indicates that, in short term, analysts’ recommendation can be ‘insider’ to the investors in emerging markets. The result shows that recommended stocks have higher abnormal returns in emerging markets than developed market.

Panel b) from the table 5 presents the result of market adjusted abnormal return for three months from each type of recommendation in each country. The result indicates that holding longer period for recommended stocks can produce higher abnormal returns. As we see from the result, abnormal returns from the result have raised up in all countries after holding the portfolios for three months. The more significant and positive abnormal return on the 'strong buy' can observe in all countries. Moreover, the significant and positive abnormal return on the 'buy' can observe in all countries except Philippines. However, the result can find the evidence that significant and negative returns have occur in 'relative sell' recommended stocks in emerging countries. It is implied that investors also react to 'bad quality' stocks reported by analysts. In additional, This result indicate the effect of analysts' recommendation that stock return have lag time before an increasing or decreasing stock returns. Investors react to recommendation after determining to invest following analysts' recommendation. Furthermore, investors from developed country react more greatly to analysts' recommendation after a long run effect. They believe that optimistic recommended stocks from their analysts have value in the long period after issuing recommendation.

4.3.2 Recommendation portfolio performance

To evaluate analysts' performance in recommendation, we using Cahart four factors model in case study to evaluate analysts' performance in each country. The table 6 presents the analysts' performance in Malaysia for one-month holding period and three-month holding period. For one-month holding period, the result shows that the intercept of 'buy portfolio' is significant positive for the model. It implies that analysts have skill to pick up value stock for 'buy recommendation' portfolio relative to other type of recommendations in the market. For 'strong buy' and 'buy' portfolio,

the significant positive in CAPM coefficient indicates that analysts concentrate on higher than average market risk stocks. They also concentrate on 'growth stocks' than 'value stock' in all type of recommendations.

For three-month holding period, the result provides that the intercept of 'strong buy portfolio' and 'buy portfolio' is significant positive for the model. It implies that analysts have skill to pick up value stock for 'strong buy recommendation' and 'buy recommendation' portfolio relative to other type of recommendations in the market. They still concentrate on 'growth stocks' than 'value stock' in all type of recommendations except 'strong sell portfolio'. The result can be implied that analysts from Malaysia have skill to pick up stock for short and long period in relative buy case.

Table 7 presents the analysts' performance in Philippines. For one-month holding period, the result shows that analysts have performance in recommend 'relative buy' and 'hold'. But analysts show poor performance in recommendations because the evidence provides that the result shows negative return when analysts recommends 'strong buy', 'buy', and 'hold'. 'Strong sell' recommendations in Philippines also have higher risk than average market risk. Moreover, analysts reflect on stocks that perform poorly in the past to determine recommendations. For three-month holding period, the result no longer finds the significant of analysts' skill. The result can be implied that analysts from Philippines show poor performance to recommend short term stocks. And they also have no skill to pick up stocks in longer period.

The table 8 presents the analysts' performance in Singapore. The result indicates that the intercept of 'strong buy' portfolio is also significant positive for the model. It implies that analysts have performance to recommend value stock for

'strong buy recommendation' portfolio relative to other type of recommendations in the market. For all type of recommendations, the significant positive in CAPM coefficient indicates that analysts concentrate on higher than average market risk stocks. Moreover, they also concentrate on 'large stocks' than 'small stock' for 'strong buy recommendations'.

For three-month holding period, the result shows that 'strong buy portfolio' and 'buy portfolio' is significant. It implies that analysts have skill to pick up value stock for 'strong buy recommendation' and 'buy recommendation' portfolio relative to other type of recommendations in the market. They also choose riskier stocks compare to the market in all type of recommendations.

Table 9 presents the analysts' performance in Thailand. For one-month holding period, the result indicates that the intercept of 'strong buy' portfolio is also significant positive for the model. It implies that analysts have ability to recommend value stock for 'strong buy recommendation' portfolio relative to other type of recommendations in the market. For all type of recommendations, the significant positive in CAPM coefficient indicates that analysts concentrate on higher than average overall market risk stocks. Moreover, they also concentrate on good performance stocks in the past than performance poorly in the past for 'strong buy recommendations'.

For three-month holding period, the result provides that the intercept of 'strong buy' portfolio is significant positive for the model like one-month holding period case. The result can be implied that analysts from Thailand have skill to recommend value stocks for 'strong buy' portfolio for both holding period.

Table 10 presents the analysts' performance in United States. The result indicates that analysts have performance to recommend value stocks for 'strong buy' and 'buy' portfolio relative to other type of recommendations. For all type of recommendations, the significant positive in CAPM coefficient indicates that analysts also concentrate on higher than average overall market risk stocks. In case of 'relative buy' and 'hold' stocks, analysts pay attention to large stocks and perform poorly in the past.

For three-month holding period, the result can be found significant in all type of recommendation except 'strong sell'. Analysts in United States have skill to pick up value stocks for investors and they also recommend failure stocks.

In conclusion for this section, analysts have more skill to predict value stocks in relative buy case for longer holding period. If investors pick up stocks following recommendation and holding longer period, they will receive positive returns. Moreover, the result implies that analysts from developed country have more skill to predicting stocks especially in case of failure stocks (sell recommendation).

4.3.3 High analyst covered stocks Vs Low analyst covered stocks

The abnormal return in high analyst covered stocks is presented in table 11 panel a). The result indicates that abnormal return in high analyst covered stocks is 1.065% in the developed market. The study finds no evidence significant in abnormal return in emerging markets in this case.

In panel b), the result shows that abnormal return can find in both markets. The significant positive abnormal return indicates that analysts have 'insider' information to bring benefit to investors. Low covered stocks generate higher abnormal return than high covered stocks in both markets. Moreover, the study can

observe that low covered stocks from emerging can generate higher abnormal return than low covered stocks from developed market.

4.4 Recommendation and trading volume

Table 12 presents abnormal trading volume in each type of recommendation in each country. Most of all overreact in 'relative buy' and 'relative sell' recommendations. The volume is low in 'hold' recommendation. The result implies that investors take action following analysts' recommendations. Moreover, analysts often issue recommendation in type of buy or sell not likely recommend in hold position because analysts want to attract investors to purchase or sell stock following the recommendations in order to get brokers' fee.

Table 1
Number of listed firms Vs Recommended firms

This table provides number of listed firms in Malaysia, Philippines, Singapore, Thailand, and United State equity markets. The number of listed firms and covered firms are from I/B/E/S database during 1996-2005. The number of covered firms is the number of firms with at least one recommendation in I/B/E/S database. The market capitalization of covered firms as a percent of the total market capitalization is the average ratio between the sum of all stocks market capitalization and the market value of stocks used in the data. The last column is the average rating of all analysts' recommendation in database.

Country	No. of Listed Firms	No. of Covered Firms	Covered firms		Analysts per Covered Firm	Average Rating
			As a % of Listed firms	Market Cap. As % of Market		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Malaysia	1,161	295	25.41	90.44	1.75	2.52
Philippines	250	58	23.20	83.40	2.04	2.49
Singapore	730	192	26.30	96.94	2.03	2.29
Thailand	612	170	27.78	96.57	1.88	2.66
United States	3,404	1,895	55.67	96.50	4.22	2.22

Table 2
Number of recommendations and type of recommendations

This table indicates the number of the recommendation issues from analysts in in Malaysia, Philippines, Singapore, Thailand, and United State equity markets during 1996-2005. This table provides number of the recommendation issues classified by type of recommendation (Strong buy, Buy, Hold, Sell, and Strong sell) and also shows the percentage in each type of recommendations.

Country	No. of rec	S.Buy	Buy	Hold	Sell	S.Sell
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Malaysia	30,594	3,866	10,196	10,105	4,880	1,547
Philippines	9,170	938	3,173	3,109	1,440	510
Singapore	23,744	4,548	7,458	7,113	3,169	1,456
Thailand	25,278	3,966	6,175	7,080	3,140	4,917
United States	189,430	17,996	109,137	57,921	3,910	466
<u>Percentage</u>	No. of rec (%)	S.Buy(%)	Buy(%)	Hold(%)	Sell(%)	S.Sell(%)
Malaysia	100	12.64	33.33	33.03	15.95	5.06%
Philippines	100	10.23	34.60	33.90	15.70	5.56%
Singapore	100	19.15	31.41	29.96	13.35	6.13%
Thailand	100	15.69	24.43	28.01	12.42	19.45%
United States	100	9.50	57.61	30.58	2.06	0.25%

Table 3
Number of upgraded, unchanged, and downgraded stocks

The analysis of transition structure bases on analysts' recommendation among sample countries during 1996-2005. Analysts' recommendations are divided into three groups based on their average rating change presented in the next published recommendation. Upgrades are average rating scores change upward on their next published recommendation. Unchanges are rating scores no change on their next published recommendation. Downgrades are rating scores change downward on their next published recommendation.

Country (1)	No. of Event (2)	%	Up grade (3)	%	Un change (4)	%	Down grade (5)	%
Malaysia	30,437	100	6,112	20.08	18,156	59.65	6,169	20.27
Philippines	9,170	100	1,995	21.76	5,233	57.07	1,942	21.18
Singapore	23,644	100	4,766	20.16	14,027	59.33	4,851	20.52
Thailand	25,003	100	4,795	19.18	15,304	61.21	4,904	19.61
United States	188,571	100	45,694	24.23	99,178	52.59	43,699	23.17

Table 4
Regression Result

This table indicates regression result between analysts' recommendation and stock returns in each country. The result classifies into 2 categories; prior recommendation and post recommendation. The study classifies the result into three types: 1) Regress stock returns on all firms' recommendation data, 2) Regress stock returns on large firms' recommendation data and small firms' recommendation data (split by market capitalization).

Country (1)	All		Large Firms		Small Firms	
	Intercept (2)	Estimate (2)	Intercept (3)	Estimate (3)	Intercept (4)	Estimate (4)
Panel a) Prior recommendation regression result						
<u>Emerging</u>						
Malaysia	0.0033 (0.88)	0.0005 (0.31)	0.0200 (2.60)	-0.0039 (-1.35)	-0.0009 (-0.22)	0.0011 (0.68)
Philippines	-0.0007 (-0.09)	0.0038 (1.23)	0.0125 (1.17)	-0.0010 (-0.24)	-0.0035 (-0.27)	0.0046 (0.97)
Singapore	0.0214 (5.55)	-0.0052*** (-3.38)	0.0172 (3.68)	-0.0039** (-2.29)	0.0295 (4.25)	-0.0077*** (-2.67)
Thailand	0.0300 (4.96)	-0.0196*** (-9.36)	0.0464 (2.82)	-0.0232*** (-3.54)	0.0278 (4.27)	-0.0191*** (-8.60)
<u>Developed</u>						
United States	1.5290 (10.85)	-0.0421 (-1.02)	1.2421 (8.58)	0.0354 (0.71)	1.4851 (7.13)	-0.1132 (-1.14)
Panel b) Post recommendation regression result						
<u>Emerging</u>						
Malaysia	0.0024 (0.76)	-0.0001 (-0.02)	0.0076 (1.97)	-0.0009 (-0.60)	0.0037 (0.75)	-0.0082*** (-3.63)
Philippines	0.0045 (0.69)	-0.0007 (-0.27)	0.0093 (1.11)	-0.0015 (-0.47)	-0.0008 (-0.08)	0.0004 (0.10)
Singapore	0.0162 (4.64)	-0.0032** (-2.27)	0.0202 (4.64)	-0.0044** (-2.50)	0.0099 (1.61)	-0.0019 (-0.77)
Thailand	0.0254 (4.96)	-0.0087*** (-4.92)	0.0374 (4.80)	-0.0115*** (-4.21)	0.0145 (2.19)	-0.0068*** (-2.94)
<u>Developed</u>						
United States	1.3087 (12.73)	-0.0369 (-0.82)	1.1892 (8.37)	0.0294 (0.47)	1.4035 (9.31)	-0.0972 (-1.49)

***Indicates significant at the 99% confidence level

**Indicates significant at the 95% confidence level

Table 5
Abnormal returns on recommendation stocks

This table indicates the abnormal return for each type of portfolios constructed by analysts' recommendation. We calculate average abnormal returns on each recommendation type, Panel a) is the abnormal return for one month holding period returns and Panel b) is the abnormal return for three month holding period returns.

Country	1 Month Post-Event Date				
	Strong buy	Buy	Hold	Sell	Strong Sell
(1)	(2)	(3)	(4)	(5)	(6)
Panel a) the abnormal return for one month holding period returns					
Malaysia	1.47%	1.69%**	-0.26%	-0.12%	0.50%
	1.96	2.10	-0.40	-0.14	0.41
Philippines	1.08%	1.45%	1.03%	1.43%	-6.01%
	1.09	1.48	0.76	0.96	-2.08
Singapore	3.80%***	0.64%	-0.35%	-1.15%	-0.97%
	3.51	0.92	-0.56	-1.25	-0.82
Thailand	2.90%**	0.92%	0.05%	-1.10%	-0.62%
	2.23	1.23	0.05	-0.98	-0.47
United States	1.90%***	1.32%***	0.80%	0.74%	-0.02%
	4.13	3.16	1.82	0.96	-0.04
Panel b) the abnormal return for three months holding period returns					
Malaysia	5.06%***	3.19%**	-0.49%	-0.26%	-0.18%
	3.65	2.23	-0.35	-0.16	-0.08
Philippines	3.83%**	2.71%	1.25%	-0.28%	-8.69%
	2.10	1.37	0.64	-0.12	-1.71
Singapore	13.18%***	3.66%**	-0.20%	-4.26%**	-3.26%
	4.50	2.20	-0.12	-2.50	-1.51
Thailand	5.95%***	3.86%**	0.50%	-1.09%	-2.76%
	2.68	2.49	0.28	-0.46	-1.18
United States	6.23%***	4.41%***	1.83%**	0.40%	0.87%
	7.04	5.63	2.26	0.31	0.95

***Indicates significant at the 99% confidence level

**Indicates significant at the 95% confidence level

Table 6

Descriptive characteristics for analysts' recommendation portfolios in Malaysia

This Table provides regression results on portfolios returns and descriptive characteristics for stocks in each type of recommendation in Malaysia from 1996-2005. We adopt regression model to evaluate analysts' performance from Cahart four factors model. From the model, intercept means analysts' performance for each type of recommendation. Rm-Rf means risk adjusted market returns. SMB means small stocks versus large stocks. HML means growth firms versus value firms. PRIOR means good performance firms in the past versus poor performance firms in the past.

one-month holding period return result

Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.0049	0.9381 ^{***}	-0.0279	-0.3978 ^{***}	0.0145	0.2867
Strong Buy	0.15	3.98	-0.44	-3.67	0.04	
2	0.0827 ^{***}	0.4352	-0.0201	-0.4454 ^{**}	0.2243	0.1530
Buy	2.58	1.83	-0.31	-2.52	0.41	
3	-0.0048	0.3567	-0.0245	-0.4505 ^{***}	-0.1333	0.2692
Hold	-0.18	1.78	-0.26	-4.89	-0.46	
4	0.0056	0.3828	-0.0640	-0.3688 ^{***}	-0.2315	0.1875
Sell	0.18	1.63	-0.58	-3.43	-0.69	
5	0.0232	0.4946	0.0318	-0.8232 ^{***}	-0.0954	0.4041
Strong Sell	0.31	0.94	0.12	-3.80	-0.12	

^{***}Indicates significant at the 99% confidence level

^{**}Indicates significant at the 95% confidence level

three-month holding period return result

Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.0727 ^{**}	0.4527 ^{***}	-0.0624	-0.5373 ^{***}	0.0765	0.0630
Strong Buy	2.14	2.89	-0.44	-2.57	1.58	
2	0.0721 ^{**}	0.6596 ^{**}	-0.1269	-0.6858 ^{***}	0.2730	0.1593
Buy	2.23	2.50	-0.98	-3.31	0.42	
3	0.0000	0.3415 ^{***}	0.0895	-0.6166 ^{***}	-0.0160	0.1740
Hold	0.00	2.90	0.59	-3.01	-0.03	
4	-0.0809	0.1663	-0.0574	-0.6498 ^{**}	0.9443	0.0837
Sell	-1.05	1.99	-0.31	-2.43	1.15	
5	-0.0499	1.2317	0.0318	0.1563	-0.5208	0.0383
Strong Sell	-1.93	1.26	0.12	0.47	-0.42	

^{***}Indicates significant at the 99% confidence level

^{**}Indicates significant at the 95% confidence level

Table 7
Descriptive characteristics for analysts' recommendation portfolios in
Philippines

This Table provides regression results on portfolios returns and descriptive characteristics for stocks in each type of recommendation in Philippines from 1996-2005. We adopt regression model to evaluate analysts' performance from Cahart four factors model. From the model, intercept means analysts' performance for each type of recommendation. Rm-Rf means risk adjusted market returns. SMB means small stocks versus large stocks. HML means growth firms versus value firms. PRIOR means good performance firms in the past versus poor performance firms in the past.

one-month holding period return result

Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	-0.0493	0.1114	-0.0349	-0.0009	-0.0154	0.0547
Strong Buy	-1.90	0.26	-0.30	-0.92	-1.67	
2	-0.0501**	0.0320	0.1125	-0.0007	-0.0301***	0.1802
Buy	-2.42	0.10	1.13	-0.84	-4.04	
3	-0.0665***	-0.1322	0.0437	-0.0014	-0.0378***	0.2845
Hold	-3.22	-0.38	0.45	-1.77	-5.26	
4	-0.0377	0.5675	-0.0612	0.0019	-0.0298***	0.2550
Sell	-1.45	1.36	-0.48	1.46	-3.38	
5	0.0460	2.0485***	-0.2011	0.0009	-0.0222	0.6489
Strong Sell	1.04	3.09	-0.84	0.77	-1.87	

***Indicates significant at the 99% confidence level

**Indicates significant at the 95% confidence level

three-month holding period return result

Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.0536	1.0543	-0.3555	0.0231	-0.0044	0.0768
Strong Buy	1.03	1.30	-1.50	0.11	-0.24	
2	0.0545	-0.7371	-0.0881	-0.0038	-0.0336***	0.0991
Buy	1.03	-0.87	-0.36	-0.83	-2.72	
3	0.0057	0.3480	-0.7483***	-0.0033	-0.0279***	0.1658
Hold	0.12	0.47	-3.31	-0.86	-2.68	
4	0.0373	0.2783	-0.5624**	-0.0017	-0.0341***	0.0568
Sell	0.63	0.29	-1.98	-0.73	-2.71	
5	0.0986	2.5542	-0.8011	-0.0021	-0.0262	0.1774
Strong Sell	0.83	1.48	-1.46	-0.69	-0.83	

Table 8

Descriptive characteristics for analysts' recommendation portfolios in Singapore

This Table provides regression results on portfolios returns and descriptive characteristics for stocks in each type of recommendation in Singapore from 1996-2005. We adopt regression model to evaluate analysts' performance from Cahart four factors model. From the model, intercept means analysts' performance for each type of recommendation. Rm-Rf means risk adjusted market returns. SMB means small stocks versus large stocks. HML means growth firms versus value firms. PRIOR means good performance firms in the past versus poor performance firms in the past.

one-month holding period return result						
Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.0724**	1.7361***	-0.3084**	0.0532	-0.1589	0.1252
Strong Buy	2.06	2.88	-2.03	0.37	-0.42	
2	-0.0181	2.4694***	-0.0225	-0.0664	0.1445	0.1900
Buy	-0.60	3.78	-0.18	-0.62	0.50	
3	0.0458	2.0056***	-0.1883	-0.0821	-0.2169	0.2045
Hold	1.49	4.30	-1.47	-0.74	-0.73	
4	0.0063	1.1545**	-0.1171	-0.1456	-0.2877	0.0917
Sell	0.18	2.22	-0.74	-1.11	-0.85	
5	0.0006	1.5359**	-0.4878	-0.1682	-0.3636	0.2001
Strong Sell	1.26	2.37	-1.64	-0.90	-0.97	

***Indicates significant at the 99% confidence level

**Indicates significant at the 95% confidence level

three-month holding period return result						
Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.1521***	2.3034**	-0.1664	-0.1952	-0.3624	0.0887
Strong Buy	2.69	2.22	-0.40	-0.55	-0.41	
2	0.0674**	2.1031***	-0.4549**	-0.0168	-0.0292	0.0994
Buy	2.39	2.80	-2.13	-0.09	-0.06	
3	0.0111	2.3795***	-0.6167***	0.0927	-0.4550	0.1395
Hold	1.55	2.89	-2.70	0.47	-0.90	
4	0.0530	2.1257**	-0.0683	-0.2313	-1.2072**	0.0729
Sell	1.70	2.25	-0.24	-0.96	-2.03	
5	0.0676	3.1912***	-0.4738	-0.6806**	0.2476	0.1628
Strong Sell	1.11	2.97	-1.45	-2.39	0.37	

Table 9

Descriptive characteristics for analysts' recommendation portfolios in Thailand

This Table provides regression results on portfolios returns and descriptive characteristics for stocks in each type of recommendation in Thailand from 1996-2005. We adopt regression model to evaluate analysts' performance from Cahart four factors model. From the model, intercept means analysts' performance for each type of recommendation. Rm-Rf means risk adjusted market returns. SMB means small stocks versus large stocks. HML means growth firms versus value firms. PRIOR means good performance firms in the past versus poor performance firms in the past.

one-month holding period return result						
Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.0522**	0.6116***	0.0505**	0.0455	-0.4961***	0.2453
Strong Buy	2.05	3.92	2.11	0.36	-2.87	
2	0.0306	0.7811***	0.0490**	0.0814	-0.2490	0.3400
Buy	1.38	5.75	2.35	0.74	-1.65	
3	0.0107	0.8113***	0.0659**	-0.0381	-0.1578	0.2188
Hold	0.37	4.53	2.40	-0.26	-0.79	
4	0.0244	0.8809***	0.0651**	0.0465	-0.2440	0.2689
Sell	0.82	4.80	2.31	0.31	-1.25	
5	-0.0085	1.0427***	0.0931	-0.1161	-0.0837	0.1950
Strong Sell	-0.24	4.72	1.98	-0.65	-0.34	

***Indicates significant at the 99% confidence level
**Indicates significant at the 95% confidence level

three-month holding period return result						
Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.1397**	0.3026	0.0877	0.0423	-1.0204**	0.0543
Strong Buy	2.31	0.78	1.61	0.14	-2.34	
2	0.0030	0.8638***	0.1229***	-0.1740	0.1303	0.1303
Buy	0.07	2.96	3.11	-0.78	0.45	
3	-0.0361	0.7366**	0.0867	-0.0956	0.1732	0.0443
Hold	-0.70	2.21	1.84	-0.37	0.48	
4	0.0098	1.7432***	0.0743	-0.2878	-0.0428	0.1247
Sell	0.16	4.11	1.29	-0.89	-0.10	
5	0.0496	1.9092***	0.1214	-0.7371	-0.2389	0.0959
Strong Sell	0.64	3.62	1.70	-1.86	-0.43	

Table 10
Descriptive characteristics for analysts' recommendation portfolios in
United States

This Table provides regression results on portfolios returns and descriptive characteristics for stocks in each type of recommendation in United States from 1996-2005. We adopt regression model to evaluate analysts' performance from Cahart four factors model. From the model, intercept means analysts' performance for each type of recommendation. Rm-Rf means risk adjusted market returns. SMB means small stocks versus large stocks. HML means growth firms versus value firms. PRIOR means good performance firms in the past versus poor performance firms in the past.

one-month holding period return result						
Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.0673 ^{***}	0.8313 ^{***}	0.3274 ^{***}	-0.0543	-0.8949 ^{**}	0.2450
Strong Buy	2.66	3.76	3.30	-0.61	-2.28	
2	0.0553 ^{**}	0.8194 ^{***}	0.2905 ^{***}	-0.0786	-0.7803 ^{**}	0.2572
Buy	2.40	4.07	3.22	-0.97	-2.18	
3	0.0383	0.6408 ^{***}	0.1817 ^{**}	-0.1661	-0.7342 ^{**}	0.1976
Hold	1.60	3.21	2.03	-1.39	-2.07	
4	0.0641	1.0004 ^{***}	0.2233	-0.2232	-0.8335	0.1679
Sell	1.59	2.83	1.41	-1.39	-1.33	
5	0.0253	0.7863 ^{**}	-0.0605	-0.0954	-0.4067	0.0674
Strong Sell	0.61	2.18	-0.37	-0.66	-0.63	

***Indicates significant at the 99% confidence level
**Indicates significant at the 95% confidence level

three-month holding period return result						
Portfolio	Intercept	Estimated Coefficients				R ²
		Rm-Rf	SMB	HML	PRIOR	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	0.1780 ^{***}	0.3927	0.0703	-0.2601	-2.0323 ^{**}	0.0679
Strong Buy	3.47	0.88	0.35	-1.45	-2.56	
2	0.1715 ^{***}	0.3500	0.0176	-0.2657	-2.2063 ^{***}	0.1110
Buy	3.86	0.90	0.10	-1.71	-3.20	
3	0.1723 ^{***}	0.4239	-0.1970	-0.3185 ^{**}	-2.4974 ^{***}	0.1611
Hold	3.80	1.07	-1.11	-2.01	-3.56	
4	0.2669 ^{***}	1.8191 ^{***}	0.1615	-0.6135 ^{**}	-3.3314 ^{***}	0.2076
Sell	3.78	2.95	0.58	-2.48	-3.04	
5	0.1020	1.9915 ^{***}	-0.2354	-0.0878	-0.8577	0.1091
Strong Sell	1.26	2.80	-0.57	-0.27	-0.62	

Table 11**High analyst covered stock returns Vs Low analyst covered stock returns**

This table indicates stock returns that have different number of analysts' cover from 1996-2005. Panel a) is the high number of analysts' cover, Panel b) is the low number of analysts' cover and Panel c) is the difference returns between low number of analysts' cover and high number of analysts' cover

Country (1)	High analyst covered stock				
	Return (2)	S.D. (3)	T-stat (4)	Max (5)	Min (6)
Panel a) High analyst covered stocks					
Malaysia	0.133%	0.0725	0.20	0.2908	-0.1737
Philippines	0.582%	0.1234	0.52	0.7701	-0.2434
Singapore	0.528%	0.0844	0.69	0.5061	-0.1994
Thailand	-0.916%	0.1056	-0.94	0.3342	-0.2676
United States	1.065%***	0.0434	2.69	0.1296	-0.1359
Panel b) Low analyst covered stocks					
Malaysia	0.073%	0.0851	0.09	0.2467	-0.1577
Philippines	0.735%	0.0998	0.81	0.5437	-0.2088
Singapore	0.487%	0.0961	0.56	0.4756	-0.1906
Thailand	2.338%**	0.1382	2.23	0.8994	-0.1420
United States	1.306%***	0.0437	3.27	0.1199	-0.1401
Panel c) Difference returns					
Malaysia	-0.060%	0.0410	-0.16	0.2501	-0.1327
Philippines	0.153%	0.0539	0.31	0.1402	-0.2265
Singapore	-0.041%	0.0347	-0.13	0.1583	-0.1113
Thailand	3.173%***	0.1174	2.92	0.7636	-0.1880
United States	0.246%	0.0159	1.66	0.0612	-0.0555

***Indicates significant at the 99% confidence level
**Indicates significant at the 95% confidence level

Table 12**Abnormal trading volume**

This table indicates abnormal trading volume in each type of recommendation for each country in 1996-2005. We set that 1 (100%) is equal to normal trading volume.

Country (1)	Abnormal trading volume				
	Strong Buy (2)	Buy (3)	Hold (4)	Sell (5)	Strong Sell (6)
Malaysia	1.7395 174%	1.3627 136%	0.7899 79%	1.3813 138%	1.1020 110%
Philippines	1.3176 132%	0.7170 72%	0.7072 71%	0.7215 72%	1.1626 116%
Singapore	1.9989 200%	1.4610 146%	0.7021 70%	1.4340 143%	1.1726 117%
Thailand	1.4532 145%	0.9074 91%	1.1304 113%	1.0694 107%	1.6454 165%
United States	0.4567 46%	1.1462 115%	0.7880 79%	1.9839 198%	0.5836 58%