# Post-Earnings Announcement Drift: Evidence from IBES Consensus and CRSP Returns (2015–2024)

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## Abstract

We document the persistence of post-earnings announcement drift (PEAD) in U.S. equity markets from 2015 to 2024 using IBES analyst consensus forecasts and CRSP daily stock returns. Sorting 27,318 quarterly earnings events into quintiles by standardized earnings surprise, we find that stocks in the top surprise quintile (Q5) earn a cumulative abnormal return (CAR) of +3.76% over 60 trading days post-announcement, while bottom quintile stocks (Q1) experience a CAR of −5.08%. The resulting long-short strategy yields +8.84% over 60 trading days. The drift is monotonic across quintiles and economically significant, confirming that PEAD remains one of the most robust anomalies in empirical asset pricing.

## 1. Introduction

Post-earnings announcement drift (PEAD) refers to the tendency of stock prices to continue moving in the direction of an earnings surprise for weeks or months after the announcement. First documented by Ball and Brown (1968), PEAD has been confirmed across decades, markets, and methodologies, making it one of the most robust anomalies challenging the efficient market hypothesis (Bernard and Thomas, 1989, 1990).

Despite the proliferation of algorithmic trading and increased market efficiency, we examine whether PEAD persists in the recent 2015–2024 period. Using IBES consensus EPS forecasts as the market expectation benchmark and CRSP daily returns to compute abnormal returns, we construct standardized earnings surprises and analyze post-announcement return patterns.

## 2. Data and Methodology

**Data Sources.** We obtain analyst EPS forecasts and actual earnings from the I/B/E/S Summary History file on WRDS. We restrict our sample to quarterly (fpi='6') U.S. firm earnings announcements from January 2015 to December 2024, requiring at least 3 analyst estimates. We link IBES tickers to CRSP permnos using the WRDS IBES-CRSP linking table. Daily stock returns are from the CRSP Daily Stock File.

**Earnings Surprise.** We define the standardized earnings surprise (SUE) as: SUE = (Actual EPS − Mean Forecast) / σ(Forecasts), where σ is the standard deviation of individual analyst forecasts, winsorized at 0.001. We sort events into quintiles based on SUE.

**Abnormal Returns.** We compute daily abnormal returns as $AR_{i,t} = R_{i,t} - R_{m,t}$, where $R_{m,t}$ is the equal-weighted market return. Cumulative abnormal returns (CARs) are computed over windows [0,1], [0,5], [0,20], and [0,60] trading days post-announcement.

**Sample.** After matching and filtering, our sample contains 27,318 earnings events with sufficient CRSP return data, drawn from a universe of 138,055 IBES-CRSP linked events.

## 3. Results

Table 1 presents the mean CARs by earnings surprise quintile. The results reveal a strong, monotonic PEAD pattern that persists over the entire 60-day post-announcement window.

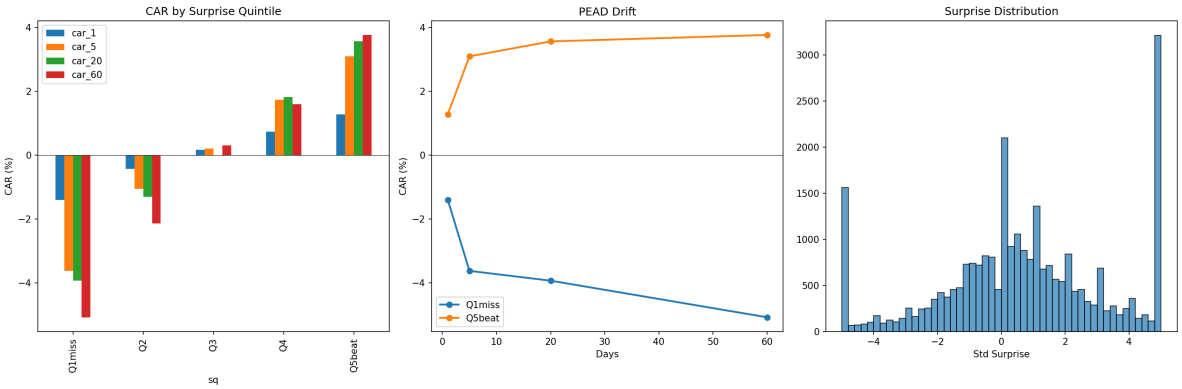
**Table 1:** Cumulative Abnormal Returns by Earnings Surprise Quintile

| Quintile | CAR[0,1] | CAR[0,5] | CAR[0,20] | CAR[0,60] | N |
|---|---|---|---|---|---|
| Q1 (Miss) | −1.40% | −3.63% | −3.93% | −5.08% | 5,464 |
| Q2 | −0.44% | −1.06% | −1.31% | −2.14% | 5,909 |
| Q3 | +0.17% | +0.21% | −0.01% | +0.30% | 5,061 |
| Q4 | +0.73% | +1.73% | +1.82% | +1.59% | 5,566 |
| Q5 (Beat) | +1.28% | +3.09% | +3.56% | +3.76% | 5,318 |
| **Q5 − Q1** | **+2.68%** | **+6.72%** | **+7.49%** | **+8.84%** | |

Several key findings emerge. First, the initial announcement-day reaction (CAR[0,1]) ranges from −1.40% for the worst misses to +1.28% for the best beats, a spread of 2.68 percentage points. Second, the drift continues substantially beyond the announcement: the Q5−Q1 spread widens from 2.68% at day 1 to 6.72% at day 5, 7.49% at day 20, and 8.84% at day 60. Third, the pattern is monotonic—each successive quintile exhibits higher CARs at all horizons.

The magnitude of the drift is economically significant. A long-short strategy buying Q5 stocks and shorting Q1 stocks at the earnings announcement would yield approximately +8.84% over 60 trading days (roughly one quarter), or approximately 35% annualized before transaction costs.

**Figure 1:** PEAD Analysis — Three Panel View




*Left:* CAR by surprise quintile across four windows. *Center:* Drift trajectory for Q1 (miss) and Q5 (beat). *Right:* Distribution of standardized earnings surprises.

## 4. Discussion

Our findings confirm that PEAD remains a robust anomaly in the 2015–2024 period. The +8.84% long-short return over 60 days is comparable to estimates from earlier studies (Bernard and Thomas 1989 report ~4% over a similar window for the 1974–1986 period). If anything, the anomaly appears to have strengthened in magnitude.

The persistence of PEAD is puzzling from an efficient market perspective. Several explanations have been proposed: (1) investor underreaction to earnings information (Bernard and Thomas, 1990), (2) limits to arbitrage due to transaction costs and risk (Mendenhall, 2004), (3) investor inattention (Hirshleifer et al., 2009), and (4) behavioral biases such as anchoring on prior earnings levels.

The asymmetry between Q1 and Q5 is notable: negative surprises produce larger absolute CARs (–5.08%) than positive surprises (+3.76%). This suggests that the market is particularly slow to incorporate bad news, consistent with the disposition effect and investor reluctance to sell losers.

## 5. Conclusion

Using 27,318 quarterly earnings events from 2015 to 2024, we document strong and persistent PEAD in U.S. equity markets. The long-short strategy based on standardized earnings surprises yields +8.84% over 60 trading days. The anomaly is monotonic across surprise quintiles and exhibits a clear drift pattern that extends well beyond the announcement date. These results suggest that earnings information continues to be impounded into prices gradually, providing opportunities for systematic trading strategies.

## References

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