Discussion of "Earnings announcement promotions: A Yahoo Finance field experiment "

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Main Quesion

- The key question – and the question in Lawrence, Ryans, Sun and Laptev (LRSV) – is whether the media is ***causing*** any of this market response
- There is an identification problem

Main Question

If a WSJ presents an article about the earning announcement of Walmarts and prior literatures shows that Walmart could have an extreme return and more trading volume on such a day. But it could be due to:

- 1. WSJ cause the abnormal volume and return..
- 2. Some other factor – such as the earnings announcement - jointly causes both the article and the market response

In the former case, financial media play an important role and should be the subject of future research into the incentives, biases and consequences of their reporting. In the latter case, financial media play only an incidental role and become far less interesting.

Archival Approach - time-series

- authors compare media coverage and the corresponding market response at different points in time
- the time series approach will only be as successful as the authors' ability to show there are no differences in information arrival between the days with and without media coverage

Archival Approach - cross-sectional

- the cross-sectional treatment of coverage may not be random.
- the cross-sectional approach will only be as successful as the authors' ability to show that the cross-sectional treatment is random or their ability to exploit some exogeneity in treatment among the cross-section

This discussed paper-> The experimental approach

This is the approach taken in LRSV and, to the best of my knowledge, the first paper to execute the experimental approach in an accounting or finance journal in order to solve the identification problem described above.