

The News in Earnings Announcement Disclosures: Capturing Word Context Using LLM Methods (MS)¹

1. What are the research questions?

- 1) Compared with numbers, how much incremental information does texts contribute to earnings announcements?
- 2) Which part of information does investors pay attention to?

2. Why are the research questions interesting?

In the field of asset pricing, there is a weak relationship between firm earnings and stock returns due to the lack of linguistic contexts. It's important to understand how language, not just numbers, contributes to the pricing.

3. What is the paper's contribution?

This paper provides new evidence of asset pricing and information, and it also enhances the understanding of how investors process information

4. What hypotheses are tested in the paper?

- 1) Earnings-announcement text contains significant incremental information about returns
- 2) Textual disclosures are more informative when earnings are less persistent or uncertainty is high.
- 3) LLM-based measures perform better than dictionary or non-LLM methods.

5. Comment on the appropriateness of the sample selection procedures

98,171 firm-quarter announcements, 2014–2023, small firms are excluded

6. Comment on the appropriateness of variable definition and measurement

CAR captures the abnormal return, and control variables such as tone, length, financial surprises exclude other confounding factors to get the pure information of text contexts

7. Appropriateness of regression model specification

OLS regression with R-squared to evaluate the performance

8. What difficulties arise in drawing inferences from empirical work?

One of the difficulties is how to explain the internal relationship between text contexts and returns, to make the paper more relatable to reality

9. Describe at least one feasible extension of this research?

It's a useful method for texts that in other fields, also it's important to construct more variables to make comprehensive cross checks on the usefulness.

10. What links exist among these papers?

Both two papers focus on context, but they focus on different ways to evaluate. This paper compares with the performance between LLM and non-LLM technologies, while the other paper focuses on fundamental architecture of LLM.

¹ Siano, F. (2025). The news in earnings announcement disclosures: Capturing word context using LLM methods. Management Science.