The News in Earnings Announcement Disclosures Capturing Word Context Using LLM Methods

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1. What are the research questions ?

• How much news is there in earnings announcement text beyond accounting numbers?

• Under what economic circumstances and which textual information in earnings announcements do investors value?

2. Why are the research questions interesting?

•Traditional textual analysis mostly ignores context, reducing earnings press releases' explanatory power for stocks. Exploring related questions solves this, clarifies text's role, fills literature gaps and provides practical insights.

3. **What is the paper's contribution?**

•Earnings press release text explains short short-term markets, correcting prior underestimation. It shows accounting text drives stock moves, finds quick investor responses, uses LLM for valuation, and expands big data applications.

4. **What hypotheses are tested in the paper? List them explicitly.**

• H1: Text in earnings announcements contains incremental pricing information beyond numbers.

• H2: LLMs outperform conventional methods that ignore word context in extracting pricing information from earnings announcement text .

• H3: During periods of high uncertainty, textual information is more valuble .

• H4: Textual information is more valuable for firms with lower earning persistence.

• H5:Sentences that directly discuss numbers, appear at the beginning of the text, and contain new content are more valuable.

(a) Do these hypotheses follow from and answer the research questions? • Yes.

(b) Do these hypotheses follow from theory or are they otherwise adequately developed? • Yes.These hypotheses have solid theoretical and literature foundations.

5. Sample: comment on the appropriateness of the sample selection procedures.

•Sample selection is rigorous. Focusing on core channels, reasonable exclusions, balanced periods, valid data, sufficient size; exclusions don't hurt representativeness.

6. Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

• DVs include CAR[0,1] and immediate return variables. IVs cover LLM-predicted returns, other textual measures, and financial statement surprises.

7. Regression/prediction model specification: comment on the appropriateness of the regression/ prediction model specification.

• The model fits research goals. OLS tests text's explanatory power, controls fixed effects, uses non-linear modeling, out-of-sample prediction. Sensitivity analyses address uncontrolled factors.

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

Unobserved factors, endogenous timing, and causal ambiguity challenge textual-stock return links.

9. Describe at least one publishable and feasible extension of this research.

• Supplement analyst coverage data, divide into high/low groups, use the paper's LLM method to calculate the correlation between textual information and stock returns in both groups.

Context-Based Interpretation of Financial Information

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1. What are the research questions ?

• To what extent narrative disclosures alter informativeness of accounting numbers?

• How economically important this complementaritv shaping investors' belief?

• When does textual context matter most?

2. Why are the research questions interesting?

• Accounting standard setters seek to boost contextual disclosure. Answering related questions offers evidence for new standards. Prior studies note limited narrative value; understanding its role aids stakeholders' decisions..

3. **What is the paper's contribution?**

• Proposes a new deep-learning method to quantify textual contextuality, extendable to other communication modes. Quantifies numeric-narrative interaction value, exceeds direct narrative value. Contributes to textual analysis via deep learning, addresses prior unreachable questions. Introduces context-based earnings persistence measure, outperforming context-free ones.

4. **What hypotheses are tested in the paper? List them explicitly.**

• H1: Accounting number context boosts informativeness for future beliefs, especially if numeric data is less reliable.

• H2: Numeric-narrative interaction value outweighs direct narrative context value.

• H3: Markets and analysts use numeric-narrative interactions for forecasts.

• H4: Narrative context is more valuable if numeric data is less reliable or macro uncertainty is high.

• H5: Context-based earnings persistence measure captures heterogeneity, outperforming context-free ones in predicting future earnings.

(a) Do these hypotheses follow from and answer the research questions? • Yes.

(b) Do these hypotheses follow from theory or are they otherwise adequately developed? • Yes.These hypotheses have solid theoretical and literature foundations.

5. Sample: comment on the appropriateness of the sample selection procedures.

• Sample selection is appropriate. Filtered to reduce noise, the final sample is large enough for model training and analysis, aligning with research goals.

6. Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

• DVs are clearly defined with standard measures, aligning with testing context's role. IVs include classic financial inputs, inputs solving encoding issues, and contextuality quantifying interactions.

7. Regression/prediction model specification: comment on the appropriateness of the regression/ prediction model specification.

• The model specification is appropriate. It uses two benchmarks and two comparison models to isolate narrative context and its interaction value, with clear logic.

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

• BERT black-box limits interpretability; unobserved variables may bias inferences.

9. Describe at least one publishable and feasible extension of this research.

• Extend the method to study the role of interactions between vocal cues and narrative content in earnings conference calls.