Discussing the Top10 Results in the original version

The first 5 ranks in the Top10 are all managers saying “good morning,” either generically in the call of to an individual person. Despite being upbeat when greeting other people, this answer has <u>nothing</u> to do with evaluating the financial performance of the company.

In general, one should probably filter out obvious “small talk” messages, maybe even messages regarding the conduction of the call (albeit these are probably formatted in a neutral way).

According to Loughran & McDonald (2011), “**negative** sentiment has a <u>much bigger</u> effect on liquidity than positive sentiment.” Further, questions regarding at “panic” should have a quicker impact on turnover or number of quotes in the market.

Loughran & McDonald (2016) find that as well: “firms with positive tone in the question-and-answer portion of the conference call experience significantly higher stock returns. Conversely, conference calls with negative tone, as measured by the Henry (2008) lists, have negative **<u>abnormal</u>** returns.”

From my perspective as a non-finance academic these findings make intuitive sense. While financial documents and communication are commonly written and expressed in a somewhat neutral tone, there should be a tendency of “good” managers to always have a positive sounding bias in their expression, rendering a positive tone less important when it comes to predicting financial performance.

In addition, managers may risk getting sued when being too negative publicly. So, this re-affirms the idea that probably most financial communication is biased toward a positive/neutral tone. Yet, if managers dare making negative comments publicly, they must be sure about the negative financial performance of the company.