

## **The Information Content of Earnings Acceleration**

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We examine whether the change in earnings growth rates (earnings acceleration) conveys information to stock market participants. Results from cross-sectional short- and long-window returns-earnings regressions reveal a strong association between contemporaneous returns and earnings acceleration after controlling for earnings levels and changes. We also find that investors view earnings acceleration to be informative when its sign conforms to the sign of earnings growth, and we document that the information content of earnings acceleration appears to derive from its ability to predict earnings. Furthermore, we find that financial analysts appear to use the information in earnings acceleration in predicting future earnings, but our empirical evidence suggests that they do not use it efficiently. This study contributes to the returns-earnings literature by showing that more useful information can be extracted from reported earnings numbers than has been previously documented.