Order Aggressiveness as a Metric to Evaluate the Usefulness of Accounting Information: Evidence from the Italian Stock Exchange

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This paper proposes to use order aggressiveness as a metric to evaluate the usefulness of accounting information. I test, through an analysis of order aggressiveness, whether earnings announcements of firms listed in the Italian Stock Exchange limit order book have information content. I estimate an ordered probit relating order aggressiveness to unexpected earnings and to three market determinants of aggressiveness. I conjecture that unexpected earnings affect in opposite directions order submission strategies of traders who predict an underreaction and traders who predict an overreaction to the news. Consistently with this, I find that order aggressiveness is increasing in the absolute value of unexpected earnings. The results provide evidence on the extent to which the information contained in earnings is used by traders.