Analyst Behavior Following IPOs: ‘The Bubble Period’
Evidence

Dan Bradley, Clemson University
Brad Jordan, University of Kentucky
Jay Ritter, University of Florida

ABSTRACT

For companies going public in 1999-2000, the number of analysts covering the company during the following year is independent of the number of managing underwriters, contrary to the conventional wisdom that issuing firms are buying additional analyst coverage by hiring incremental co-managers. Initiations at the end of the quiet period are overwhelmingly by managing underwriters, and the market reaction to these (predictable) initiations is muted. There is a bigger market impact from initiations during the following year. Once we control for the effect of quiet period versus later initiations, we find little evidence of any distinction between the market reaction to affiliated versus non-affiliated analyst recommendations, suggesting that non-affiliated analysts are faced with the same conflicts of interest as affiliated analysts.