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**O E C O N O M I C A**

**SHORT-RUN REACTION TO NEWS ANNOUNCEMENTS: UK EVIDENCE**

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**Abstract.** In this paper we aim to investigate the behaviour of returns around corporate news announcements. The motivation of the paper is that neither the broad classification of news into “good” and “bad” in many previous studies, nor the focus on only one news announcement type such as earnings announcements, allows us to determine whether returns patterns are in general consistent with efficient markets explanations or behavioural finance models. We study a unique dataset of more than 8,000 news announcements collected for 100 UK companies over a period of 10 years. We compute both daily and cumulative abnormal returns over a 27 day event window to enable the observation not only of event day returns reactions but also pre- and post-event day returns. The results reveal that corporate events convey important economic information to investors. One interesting implication of this is an aggregated holistic approach towards firm events may not be appropriate. Some of the evidence found in this paper is not consistent with the efficient market expectations. Asymmetric reaction, sluggishness, over and under-reaction, and leakage are found in many types of news announcements.

**JEL Classification:** G10, G14

**Keywords:** news announcements, event study, abnormal returns, Efficient Market Hypothesis

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