

Key Takeaway: Post-earnings announcement drift exists in the Stock Exchange of Thailand, with a magnitude substantially larger than the cross-country range reviewed in Fink (2021), supporting the role of inattention among retail investors.

RESEARCH CONTEXT

Motivation

- Post-earnings announcement drift (PEAD) is a finance anomaly prevalent in many markets.
- Stocks can move in the direction of earnings surprises for weeks or months.
- Two mechanisms to explain this anomaly:
 - Investor inattention and underreaction (Daniel et al., 1998; Hirshleifer et al., 2009)
 - Limits to arbitrage (Schleifer & Vishny, 1997; Fink et al., 2024)
- We examine both the long and short legs of the portfolios to identify the mechanism.

Research Questions/Hypotheses

Primary questions:

- Is PEAD significantly larger in Thailand than in developed markets, and does it survive adjustment for standard risk factors?
- Is drift concentrated in the long leg (consistent with the attention channel) or short leg (limits to arbitrage channel)?
- Does aggregate retail trading share covary with the time-series variation in PEAD magnitude?

Hypotheses:

- H1: PEAD is significant not fully explained by the Fama-French five-factor or q-factor model.
 H2: When retail activity is higher, PEAD is stronger.

Literature Review

- PEAD is among the oldest, most replicated anomalies in finance (Ball & Brown, 1968; Bernard & Thomas, 1989, 1990).
- PEAD is global but its size differs widely (Fink, 2021): 0.2-0.8%/mo across developed markets, 0.43%/mo in the US (Daniel, Hirshleifer & Sun, 2020).
- Drift is larger where information environments are weaker (Hung, Li & Wang, 2015) and efficiency is lower (Griffin, Kelly & Nardari, 2010).

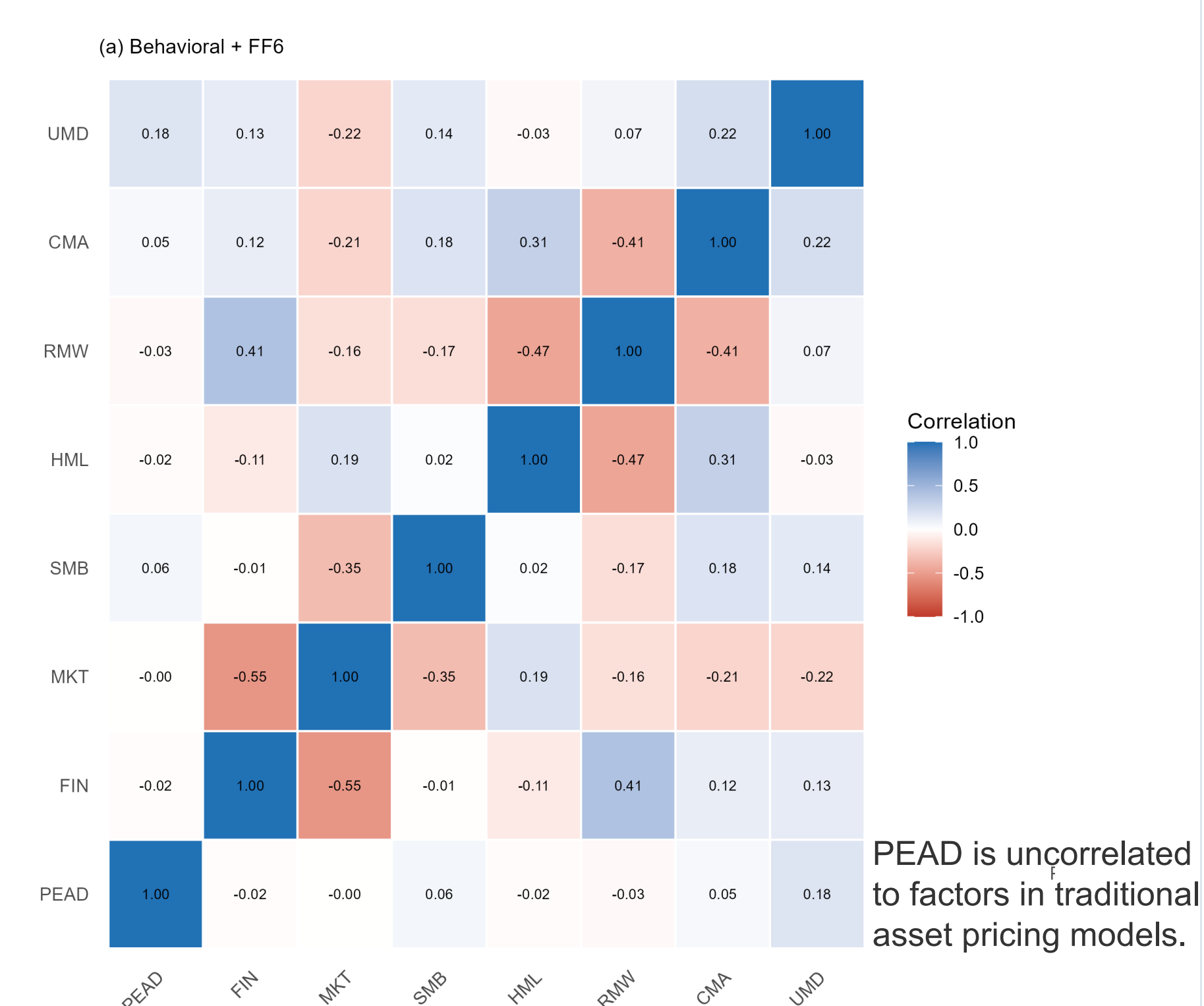
Contributions

- We provide the first systematic study of PEAD in Thailand, a market where retail investors dominate trading, and document drift among the largest on record compared to prior cross-country evidence.
- By decomposing the drift into its long and short legs, we exploit Thailand's retail dominance and short-sale constraints to separate the attention channel from limits-to-arbitrage.
- We connect the time-series intensity of the anomaly directly to the participation of retail investors, providing market-level evidence that who trades shapes how fast prices incorporate earnings news.

Data

- The primary data source for fundamental data, stock returns, and announcement dates is SETSMART. We include common stocks from the SET main board and the Market for Alternative Investment (MAI).
- The sample is from July 2001 to December 2025 (294 months).
- We exclude penny stocks with prices below 0.90 Baht and stocks with zero trading volume.

Factor Correlation Heatmap



METHODOLOGY/RESULTS

Factor Construction

- For each firm-quarter, we compute the cumulative abnormal return (CAR) in the event window [-2, +1] trading days around the earnings announcement date.
- Each month, we sort stocks independently by size (market capitalization) and the most recent CAR signal into a 2x3 matrix using the 90% cumulative market cap cutoff for size and the 20th/80th percentiles for CAR. Stale signals are carried forward up to 5 months.
- The PEAD factor is the equal-weighted average of the two high-CAR portfolios (small high-CAR and big high-CAR) minus the equal-weighted average of the two low-CAR portfolios.
- Portfolios are rebalanced monthly.

Empirical Design

We use the two asset pricing models to adjust for risk factors:

- Fama-French six-factor model: MKT (market excess return), SMB (size), HML (value), RMW (profitability), CMA (investment), and UMD (momentum), (Fama and French, 2015, 2018)
- q-factor model: MKT, ME (size), I/A (investment), and ROE (return on equity), (Hou et al., 2015)

Result

Table 1. Summary Statistics of Factor Returns

Factor	Mean (%)	t-stat	Std Dev (%)	Sharpe Ratio	Skew.	Kurt.	N
<i>Standard Factors</i>							
MKT	0.78	2.37	5.68	0.48	-0.41	3.48	294
SMB	0.10	0.49	3.64	0.10	-0.24	2.74	294
HML	0.49	2.72	3.07	0.55	-0.19	0.93	294
RMW	0.16	0.92	2.94	0.18	0.52	1.85	294
CMA	0.35	1.94	3.13	0.39	-0.39	2.11	294
UMD	1.00	3.76	4.55	0.76	-0.68	3.06	294
<i>Behavioral Factors</i>							
PEAD	1.24	6.76	3.13	1.37	0.22	1.82	294
FIN	0.55	2.20	4.31	0.44	0.27	1.12	294
<i>q-Factors</i>							
ME	0.25	1.24	3.44	0.25	0.10	1.91	294
I/A	0.44	2.63	2.85	0.53	-0.03	2.68	294
ROE	1.08	5.50	3.37	1.11	-0.21	2.46	294

Spanning Regressions

Table 2. Spanning Tests: Behavioral Factors

	PEAD			FIN		
	CAPM (1)	FF6 (2)	q-factor (3)	CAPM (4)	FF6 (5)	q-factor (6)
Alpha	1.237*** (0.174)	1.112*** (0.164)	1.099*** (0.163)	0.878*** (0.227)	0.619*** (0.180)	0.664*** (0.226)
MKT	-0.001 (0.041)	0.031 (0.057)	0.026 (0.051)	-0.415*** (0.057)	-0.395*** (0.050)	-0.440*** (0.059)
SMB		0.042 (0.093)	0.082 (0.093)		-0.169*** (0.061)	-0.201*** (0.074)
/ME					0.199** (0.088)	
HML		-0.049 (0.068)			0.651*** (0.089)	0.308*** (0.069)
RMW		-0.049 (0.097)	0.061 (0.070)		0.242** (0.099)	-0.113 (0.077)
/ROE		0.004 (0.111)	0.068 (0.101)		-0.025 (0.050)	
CMA		0.125** (0.058)				
/I/A						
UMD						
N	294	294	294	294	294	294
Adj. R ²	-0.003	0.017	0.003	0.297	0.459	0.370

Long Leg, Short Leg, and Spread

Table 3. PEAD Portfolio Decomposition: Long Leg, Short Leg, and Spread

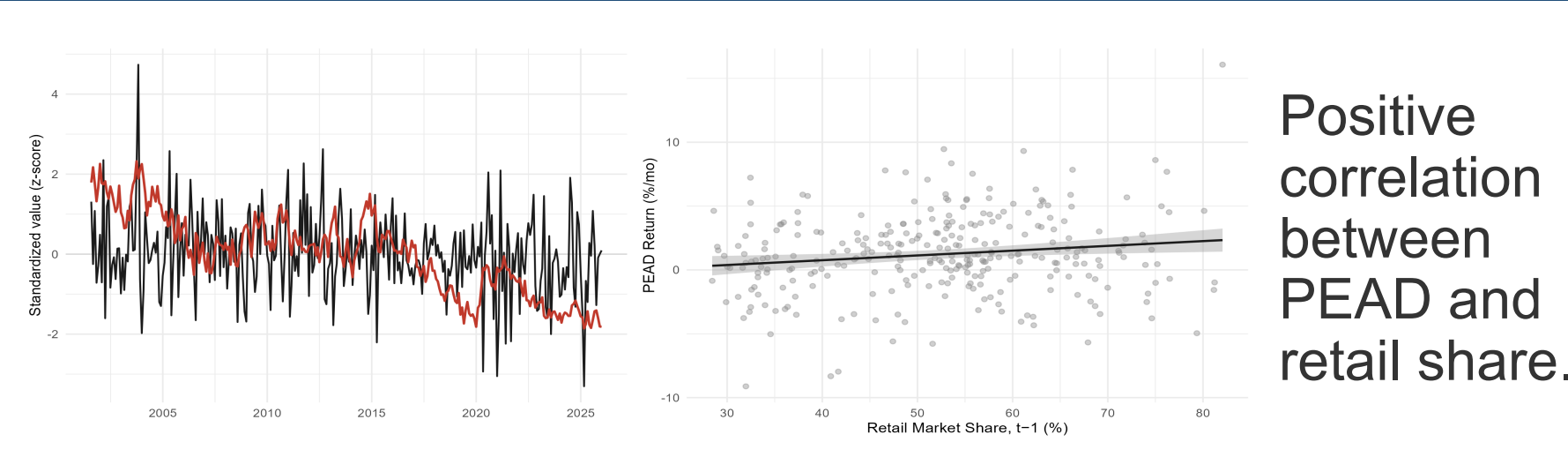
	Long Leg (H)		Short Leg (L)		Spread (H-L)	
	Mean (%)	t-stat	Mean (%)	t-stat	Mean (%)	t-stat
Full	1.650***	3.74	0.414	1.04	1.236***	7.12
Small	1.989***	3.91	0.164	0.37	1.824***	8.28
Large	1.312***	3.03	0.663*	1.68	0.649**	2.40

Retail Trading and PEAD Factor Returns

Table 4. Aggregate Time-Series Conditioning: PEAD Factor Returns on Retail Market Share

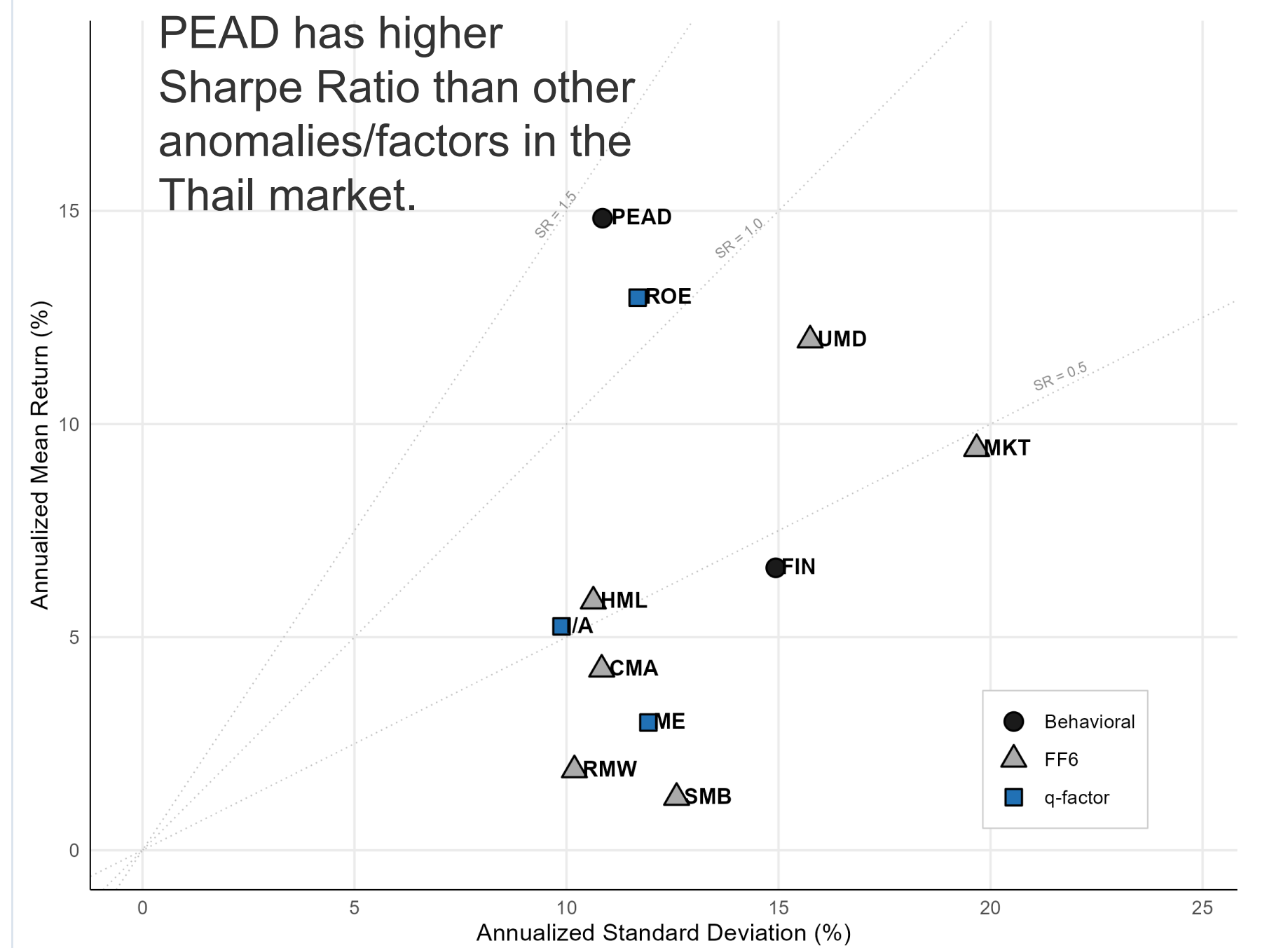
	(1) Same	(2) FF6	(3) q	(4) Lag	(5) FF6	(6) q
Retail share	3.738*** (1.357)	3.414** (1.488)	3.479** (1.418)	3.743** (1.461)	3.535** (1.510)	3.402** (1.502)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
N	294	294	294	293	293	293
R ²	0.023	0.054	0.035	0.023	0.059	0.029

Retail Trading and PEAD Factor Returns

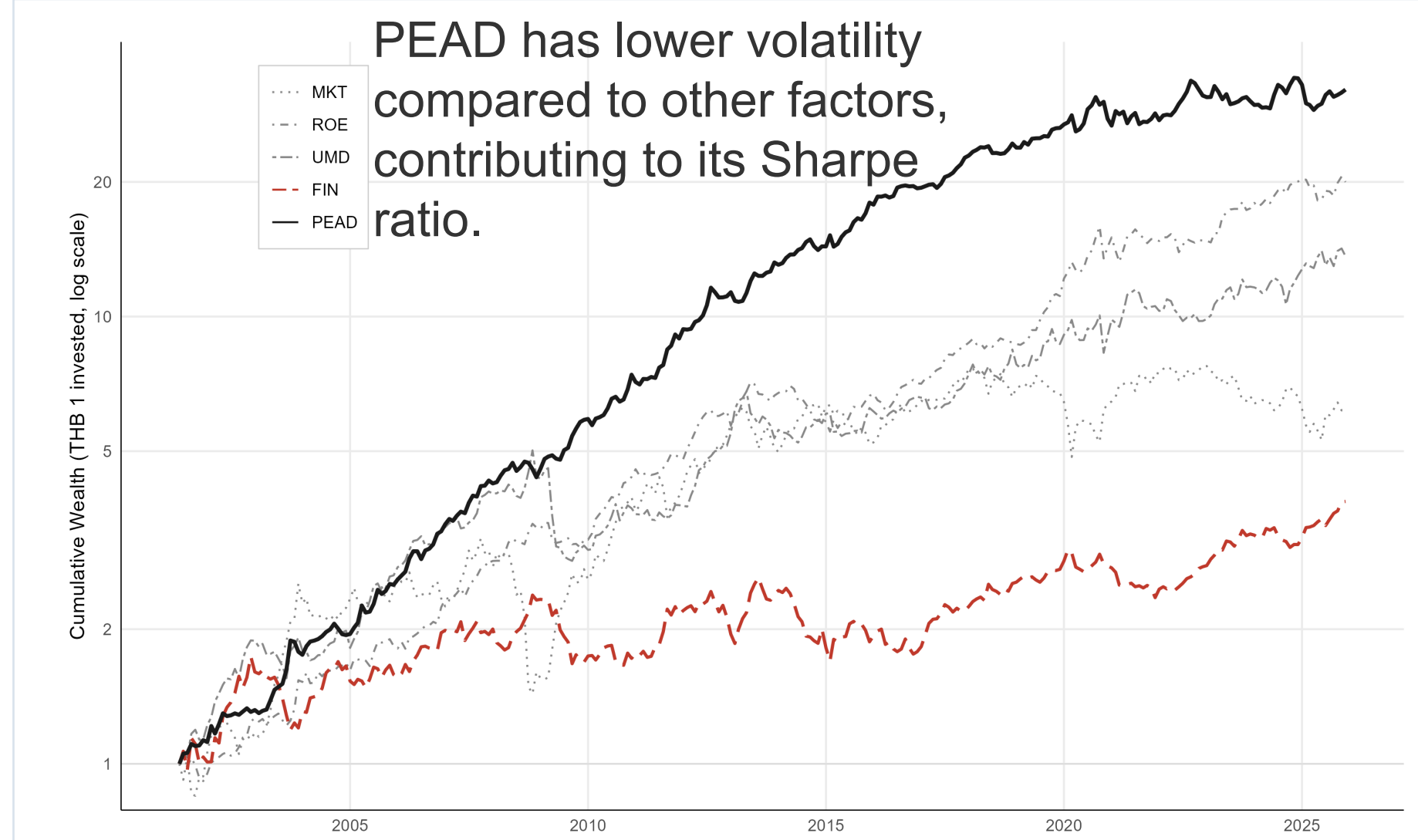


RESULTS AND IMPLICATIONS

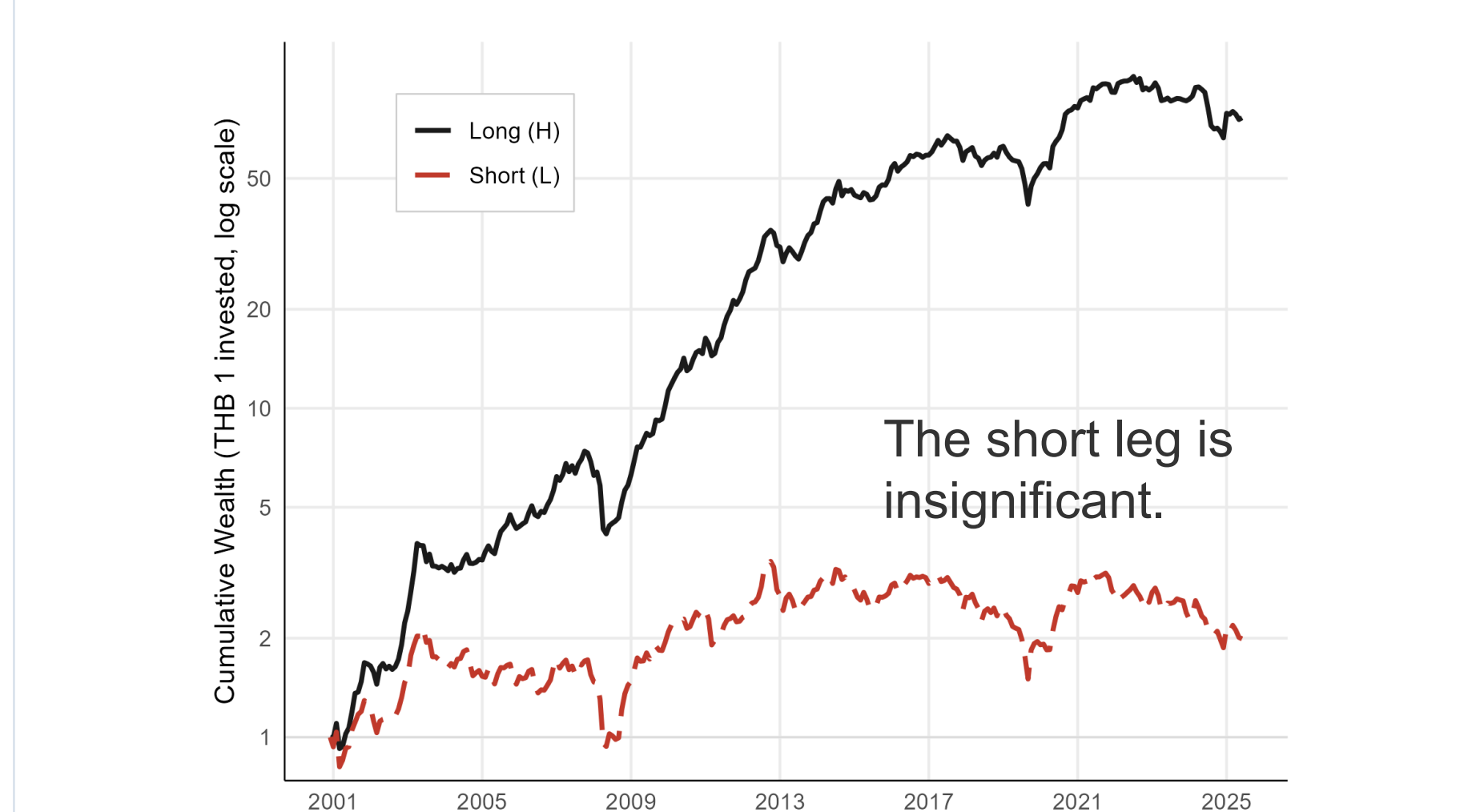
Risk-Return Trade-Off: All Factors



The Persistence of PEAD



Long Leg vs. Short Leg



Main Findings

Finding 1: the PEAD factor in Thailand earns 1.24% per month ($t = 6.76$, annualized Sharpe = 1.37) over July 2001 to December 2025, substantially larger than the cross-country range reviewed in Fink (2021).

Finding 2: PEAD drift is concentrated in the long leg.

Finding 3: Retail trading share is significantly positively associated with PEAD ($t = 2.75$), controlling for both the FF6 and q-factor models.

Policy Implications

- PEAD requires only a long-leg strategy on positive-surprise stocks in Thailand. The implementation is feasible and straightforward for practitioners.
- Mispricing is heaviest in small-capitalization stocks, where analyst coverage is thinnest and retail investors are most often the marginal price-setter. Measures that lower the cost of attending to earnings news, such as structured, machine-readable disclosure formats and a consolidated earnings calendar, could speed price discovery and reduce the mispricing costs borne by retail investors.
- The drift has compressed as the market has modernized and institutional participation has grown. Market-structure reforms that draw informed, professional capital into smaller-cap segments could narrow the gap further.

Conclusion

Thailand offers a rare research setting with a market where retail investors dominate trading, complementing existing PEAD research. In this setting the drift is large, robust to standard risk models, and one-sided, appearing only among positive-surprise stocks. That asymmetry is inconsistent with limits-to-arbitrage and consistent with investor inattention can. The retail tilt of the SET lets us draw the distinction more cleanly than developed markets allow.