

Internet Appendix to “Disagreement and Bond PEAD”

A Bond PEAD: Initial Look

In this section, we study the cumulative daily abnormal returns 60 trading days after earnings announcements. The use of daily returns provides us with the initial look at the bond PEAD and allows us to pin down when the drift arises.

To this end, we calculate a daily abnormal return on a bond as the difference in return between the bond and a benchmark. We use six value-weighted portfolios of bonds in our sample double sorted by credit rating (IG and HY) and time to maturity (< 5 years, 5 to 10 years, ≥ 10 years) as the benchmark. Since bonds do not trade every day, we calculate a daily return only when the bond is traded on two consecutive trading days and use the subsample of relatively liquid corporate bonds that have at least 15 daily return observations over the event window $[d - 1, d + 60]$.¹ Then, we classify bonds into five groups based on earnings surprises. The threshold is set using the panel data of earnings surprises. We take the value-weighted average of abnormal returns on the bonds within each group and compound the daily average abnormal returns for the first and fifth earnings-surprise quintiles to obtain cumulative average abnormal returns. To value-weight bonds in a quintile, we use the bonds' market value as weights. Standard errors for the quintile-level abnormal returns are calculated by regressing bonds' daily abnormal returns on a constant (where each observation is weighted by a bond's lagged amount outstanding) and clustered by calendar dates to account for cross-sectional correlation in bond returns.

We plot bonds' cumulative abnormal returns in Figure 1. Panel A depicts the returns and their 95% confidence interval when we classify bonds based on CAR . We measure the drift using the difference in cumulative abnormal returns between 60 days and 1 day after the announcement. We use Day 1 rather than Day 0 as a reference point because the earnings surprise measure (CAR) includes the information on Day 1. We find that, for the bonds with the top 20% earnings surprise (Q5), the difference in the cumulative abnormal returns on Day 60 and Day 1 is 0.15%, while for those with the bottom 20% (Q1), the difference is -0.25%. These findings suggest that bond prices tend to drift in the same direction after earnings announcements as their initial reactions to the

¹Daily bond returns and bond market values are winsorized at the 0.5th and 99.5th percentiles in the pooled bond-day panel before the rating $\times$ maturity benchmark averages and the quintile-level value-weighted averages are computed. The treatment limits the influence of extreme daily observations on the cumulative averages plotted in Figure 1 and does not affect the monthly-return sample used in the main tables.

news.

Panel A of Figure 1 also highlights the importance of downside risk in the bond market. On Day 1, the magnitude of the returns is greater for Q1 (-0.21%) than Q5 (0.18%), highlighting the key feature of corporate bonds that are exposed to downside risk but have limited upside potentials. Furthermore, the magnitude of the drift after the announcement for Q1 (0.25%) is greater than that for Q5 (0.15%), suggesting that PEAD is more pronounced after negative news than positive news.

This asymmetric response aligns with the perspective that corporate bonds are equivalent to holding the risk-free rate while shorting a put option on the underlying firm's value (e.g., Merton 1974). Given this capped payoff structure relative to equities, bonds naturally exhibit heightened sensitivity to negative information. Negative news, which increases perceived default risk, significantly reduces bond prices more than equivalent positive news can increase them. This asymmetry is clearly evident in Figure 1 Panel A, where the value-weighted cumulative return for Q1 (i.e., negative news) is notably lower (-0.46%) at Day 60 compared to Q5 (i.e., positive news) at 0.33%. This robust pattern consistently holds across various samples and alternative measures of earnings news presented in subsequent subplots.

Panels B and C of Figure 1 present the cumulative abnormal returns separately for IG and HY bonds. These figures show that there is PEAD both in IG and HY bonds, especially after bad news. However, PEAD is more pronounced for HY bonds than for IG bonds, consistent with Chordia et al. (2017) who find that anomalies are more pronounced for HY bonds than for IG bonds in the corporate bond market.

Finally, Panels D and E report the cumulative abnormal bond returns when earnings surprise is measured by *CE* and *FOM*. In this case, both the initial reactions to earnings news and the subsequent drifts are smaller in magnitude than the case with *CAR*. Still, the cumulative abnormal returns in 60 days are significantly different from Day-0 returns for the bonds with the bottom 20% earnings surprise, suggesting that bond prices exhibit drift after negative news regardless of the proxy we use for earnings surprises.

Akey, Gregoire, and Martineau (2022) and Meursault et al. (2022) show that stock *CAR* re-

sponds to soft information contained in press releases distributed upon announcement as well as the headline numbers. In addition, there is arguably more room for disagreement over the interpretation of soft information than earnings per share. This greater role of disagreement explains why bond prices exhibit greater drift after announcement using stock *CAR* than *CE* and *FOM*, which are both based on hard information. We formalize this argument in Section 3.

B PEAD Profits When Holding Period Is Longer Than One Month

In this section, we study the persistence of profits of the PEAD strategy. We follow Jegadeesh and Titman (1993) to buy and hold value-weighted portfolios for K months, and record their monthly returns. We then take the simple average of monthly returns across portfolios formed in months $t, \dots, t - K + 1$, and obtain returns on the quintile portfolios. Table A8 reports the strategy's average excess returns and 8-factor alphas. The profits of a bond PEAD strategy decay slowly within a year: For example, when the holding period is three months, the average excess returns and 8-factor alphas are 13 bps and 16 bps, respectively, which are more than a third of the main results where $K = 1$. However, the decay in profits for a longer horizon suggests that it is difficult to profit from a simple PEAD strategy with a lower rebalancing frequency.

C Bond PEAD Using Sample from 1997 to 2020

In this section, we use Merrill Lynch's quote data provided by ICE from 1997 to 2020 to examine bond PEAD. With this data, we create a bond PEAD strategy using subsamples before and after the introduction of TRACE, measure the potential impact of the introduction of TRACE, and observe the longer-term trend in bond PEAD profitability.

Table A9 shows the average excess returns and factor alphas for deciles sorted on stock *CAR* around earnings announcement dates. Similarly, we use the two duration-adjusted bond CAPM factors of van Binsbergen, Nozawa, and Schwert (2025) and the six stock factors of Fama and French (2018) to control for risks.

In Panel A, we study bond PEAD using the sample from January 1997 to June 2002. The

average excess return on the long-short portfolio on earnings surprise is 6 bps, which is statistically indistinguishable from zero. Thus, we do not see evidence supporting bond PEAD during this (roughly) five-year period.

In Panel B, we study the subsample from July 2002 (when TRACE was introduced) to December 2020. In this period, the average excess return on the bond PEAD strategy is 29 bps, which is very similar to the main results based on TRACE in Table 3. These quote-based results are best viewed as complementary to the TRACE-based evidence in the main text. The similarity of results across the two data constructions suggests that the PEAD pattern is not specific to one pricing source. This finding also suggests that the introduction of TRACE does not necessarily make the bond market more efficient.

D Proofs

Details of Equilibrium Characterization

Section 3.2 has outlined how to characterize equilibrium in the model. Here, we provide additional details that were previously omitted in that section.

Below we derive the economy without public information, i.e., $\sigma_\eta = \infty$. To incorporate public information, we simply need to make the following adjustment. Denote the untruncated normal distribution as $\mathcal{V}'$. The characterized equilibrium prices and demands remain unchanged after replacing

$$E[\tilde{\mathcal{V}}'] = m \text{ with } E[\tilde{\mathcal{V}}' | \tilde{y}] = m + \frac{\sigma_\theta^2}{\sigma_\theta^2 + \sigma_\eta^2} \tilde{y}, \quad (\text{D1})$$

$$Var[\tilde{\mathcal{V}}'] = \sigma_\theta^2 \text{ with } Var[\tilde{\mathcal{V}}' | \tilde{y}] = \frac{\sigma_\theta^2 \sigma_\eta^2}{\sigma_\theta^2 + \sigma_\eta^2}. \quad (\text{D2})$$

Following Banerjee et al. (2025), we can show that the conditional cash flow distribution remains truncated normal, with the normal distribution having mean μ_i and variance σ_s^2 . Given investor i 's information set $\{\tilde{y}, \tilde{s}_i, \tilde{s}_p\}$, where $\tilde{s}_p = (\tilde{s}_{pD}, \tilde{s}_{pE})'$, we apply Bayes' rule and compute the conditional

moments as follows:

$$\mu_i \equiv E[\tilde{\mathcal{V}}' \mid \tilde{s}_i, \tilde{s}_{pD}, \tilde{s}_{pE}] = m + \sigma_s^2 \left(\frac{\tilde{s}_i}{\sigma_\varepsilon^2} + \beta_D \tilde{s}_{pD} + \beta_E \tilde{s}_{pE} \right), \quad (\text{D3})$$

and

$$\begin{aligned} \sigma_s^2 \equiv \text{Var}[\tilde{\mathcal{V}}' \mid \tilde{s}_i, \tilde{s}_{pD}, \tilde{s}_{pE}] &= \sigma_\theta^2 \sigma_\varepsilon^2 \cdot \left(b_D^2 b_E^2 \sigma_{zD}^2 \sigma_{zE}^2 + b_E^2 (1 - \rho_D^2) \sigma_{zE}^2 \sigma_\theta^2 + b_D^2 (1 - \rho_E^2) \sigma_{zD}^2 \sigma_\theta^2 \right) \times \\ &\quad \left(b_D^2 \sigma_{zD}^2 (\sigma_\varepsilon^2 + (1 - \rho_D^2) \sigma_\theta^2) \sigma_\theta^2 + b_E^2 \sigma_{zE}^2 (\sigma_\varepsilon^2 + (1 - \rho_E^2) \sigma_\theta^2) \sigma_\theta^2 \right. \\ &\quad \left. + \left(\rho_E^2 + \rho_D^2 - 2\rho_D^2 \rho_E^2 - 2\rho_D \rho_E \sqrt{1 - \rho_D^2} \sqrt{1 - \rho_E^2} \right) \sigma_\varepsilon^2 \sigma_\theta^4 + b_D^2 b_E^2 \sigma_{zD}^2 \sigma_{zE}^2 (\sigma_\varepsilon^2 + \sigma_\theta^2) \right)^{-1}, \quad (\text{D4}) \end{aligned}$$

where the β coefficients are

$$\beta_D = \frac{b_E^2 \rho_D \sigma_{zE}^2 + \rho_D (1 - \rho_E^2) \sigma_\theta^2 - \rho_E \sqrt{1 - \rho_D^2} \sqrt{1 - \rho_E^2} \sigma_\theta^2}{b_D^2 b_E^2 \sigma_{zD}^2 \sigma_{zE}^2 + b_E^2 (1 - \rho_D^2) \sigma_{zD}^2 \sigma_\theta^2 + b_D^2 (1 - \rho_E^2) \sigma_{zD}^2 \sigma_\theta^2}, \quad (\text{D5})$$

$$\beta_E = \frac{b_D^2 \rho_E \sigma_{zD}^2 + \rho_E (1 - \rho_D^2) \sigma_\theta^2 - \rho_D \sqrt{1 - \rho_D^2} \sqrt{1 - \rho_E^2} \sigma_\theta^2}{b_D^2 b_E^2 \sigma_{zD}^2 \sigma_{zE}^2 + b_E^2 (1 - \rho_D^2) \sigma_{zD}^2 \sigma_\theta^2 + b_D^2 (1 - \rho_E^2) \sigma_{zD}^2 \sigma_\theta^2}. \quad (\text{D6})$$

(Note that $E[\tilde{\mathcal{V}}' \mid \tilde{y}, \tilde{s}_i, \tilde{s}_p]$ and $\text{Var}[\tilde{\mathcal{V}}' \mid \tilde{y}, \tilde{s}_i, \tilde{s}_p]$ take the same form as in Equations (D3) and (D4), but with the parameters $m + \frac{\sigma_\theta^2}{\sigma_\theta^2 + \sigma_\eta^2}$ and $\frac{\sigma_\theta^2 \sigma_\eta^2}{\sigma_\theta^2 + \sigma_\eta^2}$ in place of m and σ_θ^2 .)

Therefore, the posterior distribution of the firm's cash flows follows a truncated normal distribution, with the unconditional mean m replaced by the conditional mean μ_i and the unconditional variance σ_θ^2 replaced by the conditional variance σ_s^2 .

We next derive investor i 's conditional expected utility.

$$\begin{aligned} \mathcal{U} &\equiv E[-\exp(-\gamma W_i) \mid \tilde{s}_i, \tilde{s}_p] \\ &= E\left(-\exp\left(-\gamma \left(\kappa(P_D + P_E) + x_{E,i}(\tilde{V}_E - P_E) + x_{D,i}(\tilde{V}_D - P_D)\right)\right)\right) \\ &= -\exp(-\gamma((\kappa - x_{D,i})P_D + (\kappa - x_{E,i})P_E)) \times E\left[\exp\left(-\gamma(x_{D,i}\tilde{V}_D + x_{E,i}\tilde{V}_E)\right)\right]. \end{aligned}$$

The expectation term can be simplified as follows:

$$\begin{aligned}
& E \left[\exp \left(-\gamma \left(x_{D,i} \tilde{V}_D + x_{E,i} \tilde{V}_E \right) \right) \mid \tilde{s}_i, \tilde{s}_p \right] \\
&= \int_0^\infty \exp \left(-\gamma x_{D,i} \cdot \min\{t, K\} - \gamma x_{E,i} \cdot \max(t - K, 0) \right) dF_V(t \mid \tilde{s}_i, \tilde{s}_p) \\
&= \int_0^K \exp \left(-\gamma t x_{D,i} \right) dF_V(t \mid \tilde{s}_i, \tilde{s}_p) + \int_K^\infty \exp \left(-\gamma (K x_{D,i} + (t - K) x_{E,i}) \right) dF_V(t \mid \tilde{s}_i, \tilde{s}_p) \\
&= \int_0^K \exp \left(-\gamma t x_{D,i} \right) \frac{\frac{1}{\sqrt{2\pi}\sigma_s} \exp\left\{-\frac{1}{2} \frac{(t-\mu_i)^2}{\sigma_s^2}\right\}}{1 - \Phi\left(-\frac{\mu_i}{\sigma_s}\right)} dt \\
&\quad + \int_K^\infty \exp \left(-\gamma (K x_{D,i} + (t - K) x_{E,i}) \right) \frac{\frac{1}{\sqrt{2\pi}\sigma_s} \exp\left\{-\frac{1}{2} \frac{(t-\mu_i)^2}{\sigma_s^2}\right\}}{1 - \Phi\left(-\frac{\mu_i}{\sigma_s}\right)} dt \\
&= \exp \left\{ \frac{1}{2} \sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} - \gamma x_{D,i} \right)^2 - \frac{1}{2} \sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} \right)^2 \right\} \frac{\Phi \left(\frac{K - \sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} - \gamma x_{D,i} \right)}{\sigma_s} \right) - \Phi \left(\frac{-\sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} - \gamma x_{D,i} \right)}{\sigma_s} \right)}{1 - \Phi\left(-\frac{\mu_i}{\sigma_s}\right)} \\
&\quad + \exp \left\{ -\gamma (x_{D,i} - x_{E,i}) K + \frac{1}{2} \sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} - \gamma x_{E,i} \right)^2 - \frac{1}{2} \sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} \right)^2 \right\} \frac{1 - \Phi \left(\frac{K - \sigma_s^2 \left(\frac{\mu_i}{\sigma_s^2} - \gamma x_{E,i} \right)}{\sigma_s} \right)}{1 - \Phi\left(-\frac{\mu_i}{\sigma_s}\right)} \\
&\equiv \exp \left\{ g \left(-\gamma x_i + \mathbf{1} \frac{\mu_i}{\sigma_s^2} \right) - g \left(\mathbf{1} \frac{\mu_i}{\sigma_s^2} \right) \right\},
\end{aligned}$$

where the function $g : \mathbb{R}^2 \rightarrow \mathbb{R}$ is defined as

$$\begin{aligned}
g \begin{pmatrix} y_D \\ y_E \end{pmatrix} &\equiv \log \left(\exp \left\{ \frac{1}{2} \sigma_s^2 y_D^2 \right\} \left(\Phi \left(\frac{K - \sigma_s^2 y_D}{\sigma_s} \right) - \Phi \left(\frac{-\sigma_s^2 y_D}{\sigma_s} \right) \right) \right. \\
&\quad \left. + \exp \left\{ (y_D - y_E) K + \frac{1}{2} \sigma_s^2 y_E^2 \right\} \left(1 - \Phi \left(\frac{K - \sigma_s^2 y_E}{\sigma_s} \right) \right) \right). \quad (\text{D7})
\end{aligned}$$

Taken together, investor i 's expected utility is

$$\begin{aligned}
\mathcal{U} &\equiv E \left[-\exp \left(-\gamma W_i \right) \mid \tilde{s}_i, \tilde{s}_p \right] \\
&= -\exp \left(-\gamma \left((\kappa - x_{D,i}) P_D + (\kappa - x_{E,i}) P_E \right) + g \left(-\gamma x_i + \mathbf{1} \frac{\mu_i}{\sigma_s^2} \right) - g \left(\mathbf{1} \frac{\mu_i}{\sigma_s^2} \right) \right).
\end{aligned}$$

E Limited Attention

In this section, we examine another potential explanation for bond PEAD, which is investors' limited attention. Limited attention provides a compelling intuition for PEAD; if bond investors do not pay attention to earnings announcements, then the bond's price will not immediately reflect the news, leading to a drift thereafter. The challenge in assessing a limited attention-based explanation is that researchers do not observe investors' attention directly and, instead, rely on noisy proxies.

Here we use two ideas proposed in the literature to measure limited attention. First, we compare announcements that investors are likely to be distracted from against those that engage their immediate attention. To this end, we follow Hirshleifer et al. (2009) and use the number of announcements that are made on the same day as a measure of distraction. We classify each announcement into ten groups based on the number of announcements made on that day. If more announcements are on a particular day, then investors are arguably more distracted and pay less attention, which would strengthen PEAD. Additionally, we follow Dellavigna and Pollet (2009) and Michaely et al. (2016) and compare announcements made on a Friday against those made on other days of the week. If investors are more distracted on Fridays than on other days, then we expect a more pronounced bond PEAD following Friday announcements.

The second idea is to examine investors' news searching and reading activities. If investors search for and read certain information on firms, then we interpret this action as investors paying attention to the news. To this end, we follow Ben-Rephael et al. (2017) and construct two measures related to abnormal institutional investor attention (*AIA*) using news readership scores downloaded from the Bloomberg terminal. *AIA* is a dummy variable that equals one if Bloomberg's readership score is 3 or 4,² and zero otherwise; meanwhile, *AIAC* is a continuous value transformed from Bloomberg's raw readership scores using the conditional means of the truncated normal distribution.³ A greater value of those variables means that investors are paying more attention to a firm's news on its earnings announcement date.

²Bloomberg assigns a score of 0 to 4 based on the count of a firm's news searches and readership. These values correspond to below 80%, between 80% and 90%, 90% and 94%, 94%, and 96%, and greater than 96% of the distribution over the previous 30 days.

³We convert the raw scores to -0.350, 1.045, 1.409, 1.647, and 2.154, assuming that the distribution for news searching activities over the previous 30-day follows a normal distribution.

In Panel A of Table A10, we run a Fama-MacBeth regression of monthly returns on earnings announcement *CAR* and its interaction with inattention measures. We find that the average slope coefficients on the interaction terms are economically small relative to the coefficients on *CAR* and statistically insignificant, aside from the number of competing announcements, which has a *t*-statistic of 1.65. The insignificant loading on the interaction between earnings surprises and *AIA* is particularly important since *AIA* measures the attention of institutional investors who are dominant in the bond market.

Next, we study whether the effect of investors' attention differs after positive and negative news. Given that corporate bonds have limited upside potentials but are exposed to downside risk, investors may pay more attention to negative news than to positive news. Thus, we create two dummy variables corresponding to positive and negative values of *CAR* and use them in Fama-MacBeth regressions. The results reported in Panel B of Table A10 show that the interactions between the news dummies and (in)attention measures are all insignificant. Taken together, we do not find compelling evidence for inattention in generating PEAD.

F Disposition Effect

Frazzini (2006) reports that investor disposition effects exacerbate sluggish movements in stock prices. The disposition effect refers to the psychological bias of wanting not to sell securities at a loss but, instead, wanting to sell securities that have appreciated in value since their purchase. In other words, if a bond is held with a capital gain, then the holder is more likely to sell it, which prevents good news from being quickly incorporated into the price. In contrast, if an investor carries a bond at a loss, then she is less likely to sell the bond, which prevents negative news from being reflected in the price. Consistent with this hypothesis, Frazzini (2006) finds that stocks that have higher earnings surprises and higher capital gains earn higher returns than stocks that have lower earnings surprises and lower capital gains.

To examine whether the disposition effect drives bond PEAD, we follow Frazzini (2006) and calculate capital gains overhangs (*CGO*) using eMAXX's bond holding data. First, we calculate the reference price for institutional investors' aggregate trade as

$$RP_{i,q} = \frac{1}{\bar{V}} \sum_{n=0}^q V_{i,q,q-n} P_{i,q-n}, \quad (\text{D8})$$

where $V_{i,q,q-n}$ is the face value of bond i purchased in quarter $q-n$ and still held in quarter q , $P_{i,q-n}$ is the bond price in quarter $q-n$, and $\bar{V} = \sum_{n=0}^q V_{i,q,q-n}$. If a bond is purchased at different points in time and some of the holding is sold later, then we assume the first-in-first-out rule to calculate $V_{i,q,q-n}$.

We measure CGO for bond i as the ratio of the gap between a market price and a reference price to the market price,

$$CGO_{i,q} = \frac{P_{i,q} - RP_{i,q}}{P_{i,q}}. \quad (\text{D9})$$

If $CGO_{i,q}$ is positive, then the average institutional investor carries bond i at a capital gain. If $CGO_{i,q}$ is negative, she carries the bond at a loss.

To construct CGO , we use institutional investors' bond holding data provided by eMAXX. These holdings data cover U.S. insurance firms, mutual funds, pension funds, and other investors from 2002Q1 to 2022Q4, accounting for 48% of our sample period's average ownership share. In addition, we use institutional stock ownership data provided by Thomson Reuters and the original Securities and Exchange Commission's 13F filings for the same period. We treat missing holding observations as zero holdings.

Using the CGO measure, we double-sort bonds every month based on the latest available values of the earnings surprises and $CGO_{i,q}$, and form 25 value-weighted portfolios. Table A11 reports each portfolio's 8-factor alphas. If the disposition effect explains bond PEAD, we expect significantly negative alphas for bonds with the lowest earnings surprises and lowest CGO . However, in the data, the 8-factor alpha is -12 bps with a t -statistic of -0.91. Furthermore, the alpha for the highest earnings surprise quintile with the highest CGO is 6 bps with a t -statistic of 0.73. Thus, we do not find evidence supporting the disposition effect as the primary driver behind bond PEAD.

G Transaction Costs

In this section, we provide details on how we calculate transaction costs. We directly measure the cost of implementing the bond PEAD strategy by accounting for portfolio turnover and bid-ask spreads. Specifically, we calculate a half spread for bond i on day d as

$$\text{half spread}_{i,d} = \frac{Sell_{i,d} - Buy_{i,d}}{Sell_{i,d} + Buy_{i,d}}, \quad (\text{D10})$$

where $Sell_{i,d}$ is the volume-weighted average price at which a dealer sells to a customer (i.e., ask), and $Buy_{i,d}$ is the volume-weighted average price at which a dealer buys from a customer (i.e., bid). In calculating half spreads, we only use transactions with volumes exceeding \$100,000 (the cutoff value set following Bessembinder et al. 2009), and thus the estimated transaction costs are for institutional investors rather than retail investors. If the dealer sells and buys do not occur on the same day, we treat observations on the day as missing. Monthly half spreads are the simple average of daily half spreads in a month. We take the average of half spreads across bonds in each *CAR*-quintile in a month and assign the portfolio-level spreads to all bonds that belong to a given portfolio.

Assigning the same half spread to all bonds in each portfolio yields an unbiased estimate for bond-level half spreads if bonds with missing half spreads have the same transaction costs as those with non-missing half spreads. However, this assumption is clearly invalid in that illiquid bonds do not trade as frequently as liquid bonds do. Thus, bonds with missing half spreads would incur high costs were they to trade. To attenuate this bias, we, before taking the average across bonds at the portfolio level, assign the 90-th percentile value of half spreads in a month to all bonds with missing half spread data. We then take the average across bonds in each quintile to obtain conservative estimates of portfolio-level spreads.

H Additional Results

In this section, we report the additional results mentioned in the paper.

- Figure A1 plots the estimated 8-factor alphas for bond PEAD, along with their associated two-standard-error confidence intervals, across various bond return datasets.
- Figure A2 plots the bid-ask spreads of corporate bonds, CDS, and stocks over time.
- Table A1 provides definitions and constructions of the main variables used in the paper.
- Table A2 reports the 8-factor alphas of decile bond PEAD portfolios using different weighting schemes, subsamples, and alternative earnings surprises measures.
- Table A3 presents the squared Sharpe ratio and pairwise model comparisons among various bond pricing factor models.
- Table A4 displays the coefficient estimates associated with the control variables in Table 4.
- Table A5 reports the PEAD effects using *CE* and *FOM* controlling for other news variables.
- Table A6 reports the coefficient estimates for the control variables in Table 9.
- Table A7 presents the panel regression estimates of bond returns on earnings surprises, disagreement, investors' attention, and the disposition effect.

Figure A1: Bond PEAD Across Different Databases

This figure plots monthly alphas of the bond PEAD portfolios across different databases. Alphas are estimated using a bond+stock model that combines two duration-adjusted bond factors from van Binsbergen, Nozawa, and Schwert (2025) and six stock factors from Fama and French (2018). We present the baseline 8-factor alphas alongside alternative estimates using bond return datasets from Dick-Nielsen, Feldhütter, Pedersen, and Stolborg (2023) (DFPS), Dickerson, Robotti, and Rossetti (2026) (DRR), and the WRDS Bond Returns database (WRDS). To obtain firm-level bond returns, we compute value-weighted averages of individual bond returns within each firm-month and report alphas based on equal-weighted firm portfolios. All alphas are in percent per month. Error bars denote the two-standard-error confidence intervals, where standard errors are Newey-West adjusted with six lags. The sample spans from August 2002 through December 2022, except for the DFPS data, which ends in December 2021.

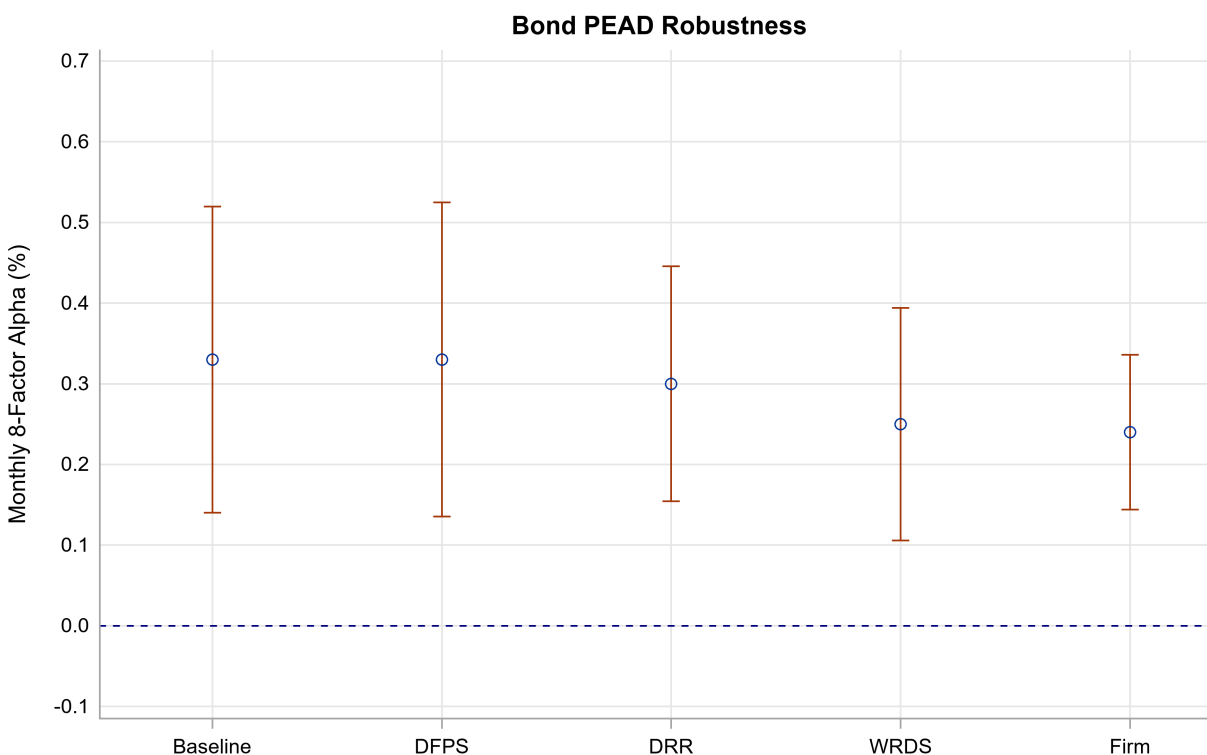


Figure A2: Time Series Plot of Bid-Ask Spreads

This figure presents the time series of average bid-ask spreads in the bond, CDS, and stock markets in our sample period from August 2002 to December 2022. We compute the bid-ask spreads as $(\text{ask price} - \text{bid price})/\text{mid price}$ for bonds and stocks, and as the absolute difference between the ask and bid prices for CDS. We take the weighted average of bid-ask spreads for each month, using the market value of the amount outstanding (for bonds) or firm market capitalization (for stocks and CDS) as weights. Bond bid-ask spreads are computed from TRACE. Stock bid-ask spreads are computed based on closing bid and ask prices from the CRSP daily stock file. CDS bid-ask spreads (only available after April 2010) are calculated from Markit. Panel A shows the level of bid-ask spreads. Panel B shows the natural logarithm of bid-ask spreads. The gray area is the NBER-dated recessions in our sample period (Jan 2008 - Jun 2009; Mar 2020 - Apr 2020).

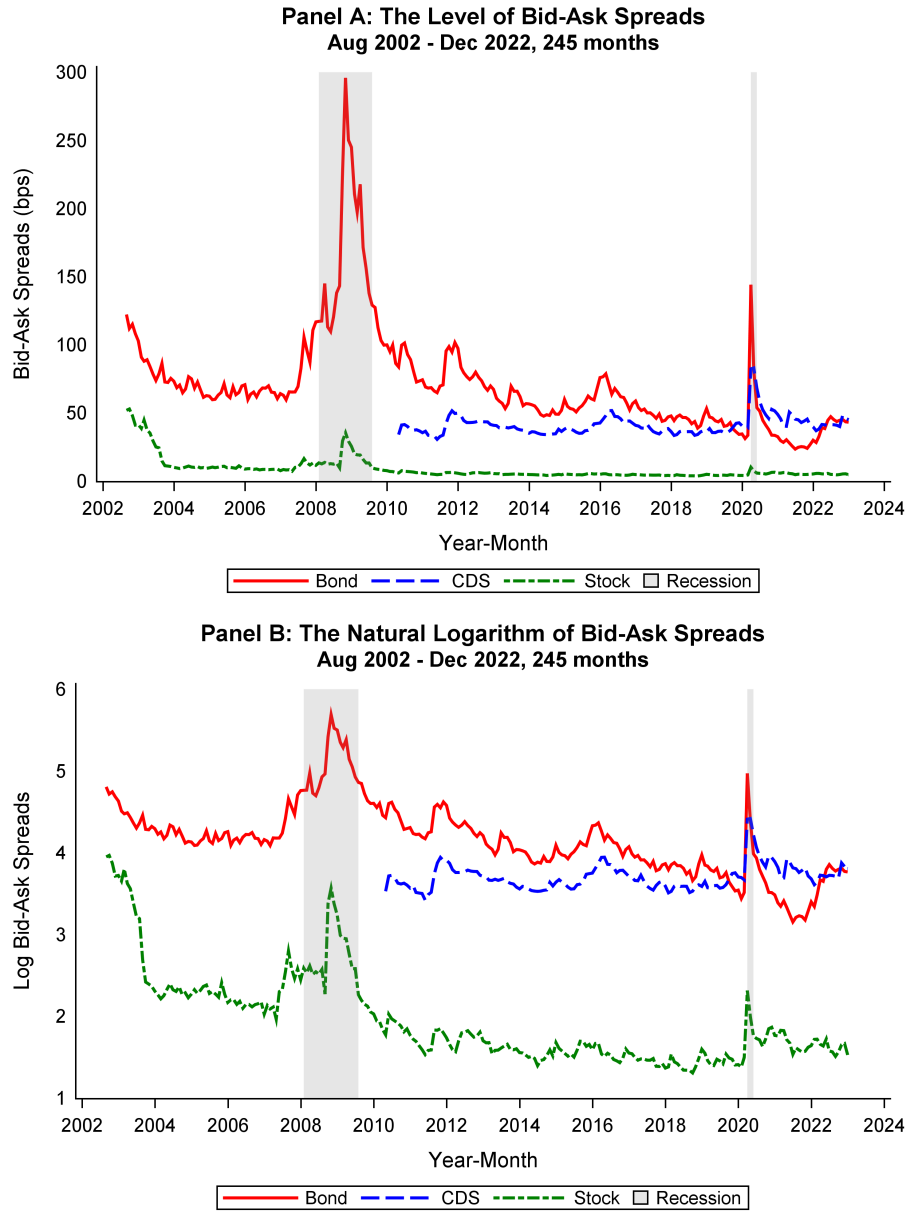


Table A1: Variable Definitions

Variables	Definitions
<i>Return</i>	Monthly bond return, reported in percent per month.
<i>Excess Return</i>	Bond return in excess of one-month Treasury bill rate, reported in percent per month.
<i>Rating</i>	Numerical rating score (1 for AAA, 21 for C rating by S&P and Moody's).
<i>Maturity</i>	Time-to-maturity of the bond in years.
<i>Size</i>	Market value of the amount outstanding of a bond.
<i>DOWN</i>	5% VaR of corporate bond return, defined as the second-lowest monthly return observation over the past 36 months.
<i>BAS</i>	Bid-ask spread, computed as $(S - B)/0.5(S + B)$, where S and B represent the volume-weighted average sell and buy prices, respectively, on a given day for a bond. The monthly average of daily bid-ask spreads is used.
<i>ACOV</i>	Autocovariance of the daily price changes within each month, multiplied by -1.
<i>Age</i>	Bond age, measured in years since the bond's issuance.
<i>Duration</i>	Bond's Macaulay duration.
<i>STR</i>	Short-term reversal, calculated as the previous month's bond return.
<i>MOM</i>	Past 11-month cumulative returns from month $t - 12$ to $t - 2$, skipping the short-term reversal month $t - 1$.
<i>Vol</i>	Bond return volatility estimated using bond returns over the past six months.
<i>SRVol</i>	Stock return volatility estimated using daily stock returns in month t .
<i>Frac(Bid)_t</i>	Fraction of dollar bid (dealer buy) volume relative to the total volume for a daily price in month t .
<i>Frac(Bid)_{t+1}</i>	Fraction of dollar bid (dealer buy) volume relative to the total volume for a daily price in month $t + 1$.
<i>Stock CAR</i>	Cumulative abnormal stock returns adjusted by the Fama-French three-factor model from trading day -1 to 1 around the earnings announcement date.
<i>Bond CAR</i>	Cumulative abnormal bond returns from trading day $t - 1$ to $t + 1$, where $t = 0$ is the earnings announcement date. The abnormal return is calculated using market-adjusted returns, with the Bloomberg US Corporate Total Return Index serving as the market return proxy.
<i>CE</i>	Analyst forecast errors based on median consensus.
<i>FOM</i>	Fraction of analyst forecasts that miss on the same side (Chiang et al. 2019), calculated as $K/N - M/N$, where K (M) represents the number of forecasts strictly lower (higher) than actual earnings, and N is the total number of analyst forecasts.

Table A1, Continued

Variables	Definitions
<i>DISP</i>	Analyst forecast dispersion, defined as the standard deviation of annual year-end analyst forecasts scaled by the absolute mean forecast value after removing excluded or stopped estimates.
<i>IVOL</i>	Stock idiosyncratic volatility, defined as the standard deviation of the daily residuals estimated from the regression of excess stock returns on a constant and six factors (market, size, value, investment, profitability, momentum) from Fama and French (2018).
<i>RFY</i>	Bond-level reaching for yield proxy, defined as the difference between a bond's yield and the cross-sectional average yield of bonds with the same credit rating, following Choi and Kronlund (2018) and Chen and Choi (2024).
<i>CGO</i>	Capital gains overhang, measured as the percentage deviation of the aggregate cost basis from the quarter-end bond price. The reference cost is calculated following the procedure in Frazzini (2006).
<i>SRet1m</i>	Past one-month stock return, calculated as cumulative market-adjusted stock returns over the past one month, excluding the earnings announcement returns.
<i>SRet6m</i>	Past six-month stock return, calculated as cumulative market-adjusted stock returns over the past six months, excluding the earnings announcement returns.
<i>Trade</i> ^{Small}	Ratio of small-size trade, defined as the number of trades smaller than \$1 million divided by the total number of trades for each bond in a month.
<i>Micro</i>	A dummy variable that equals one if a firm belongs to the micro stock market capitalization group, defined as firms below the 20th percentile of NYSE market capitalization.
<i>Small</i>	A dummy variable that equals one if a firm belongs to the small stock market capitalization group, defined as firms between the 20th and 50th percentiles of NYSE market capitalization.
<i>Big</i>	A dummy variable that equals one if a firm belongs to the big stock market capitalization group, defined as firms with market capitalization above the NYSE median.

Table A2: Univariate Portfolios of Bonds Sorted on Earnings Surprises: Robustness

This table reports the 8-factor alphas of decile portfolios sorted on earnings surprises. Alphas are estimated using a bond+stock model that combines two duration-adjusted bond factors from van Binsbergen, Nozawa, and Schwert (2025) and six stock factors from Fama and French (2018). Panel A repeats the baseline analysis using a subsample of firms that announce earnings in months $t - 1$ and t only. Panel B reports alphas for value-weighted portfolios sorted based on alternative measures of earnings surprises, namely, *Bond CAR*, *CE*, and *FOM*. Panel C presents alphas for value-weighted portfolios sorted by stock *CAR* excluding the Global Financial Crisis period (Jan 2008 - Jun 2009). Panel D reports alphas estimated using alternative bond return datasets from Dick-Nielsen, Feldhütter, Pedersen, and Stolborg (2023) (DFPS), Dickerson, Robotti, and Rossetti (2026) (DRR), and the WRDS Bond Returns database (WRDS). Panel E reports alphas estimated after excluding the Bessembinder, Kahle, Maxwell, and Xu (2009) intraday price reversal filter, which removes transactions involved in a 20% or greater price change followed by a 20% or greater price change of the opposite sign. Details on the construction of these variables are provided in Table A1. Column “*SR/IR*” reports the annualized Sharpe ratios or information ratios for various bond PEAD strategies. All returns and alphas are in percent per month. Newey-West adjusted t -statistics (with six lags) are reported in parentheses below returns/alphas. *, **, and *** indicate the significance at the 10%, 5%, and 1% levels, respectively. The sample spans from August 2002 through December 2022, except for the DFPS data, which ends in December 2021.

	Low	2	3	4	5	6	7	8	9	High	High - Low	<i>SR/IR</i>
8-Factor Alphas of Earnings-Surprise-Sorted Portfolios												
Panel A: Subsample of Firms that Have Announcements at Months $t - 1$ and t Only												
Estimates	-0.08 (-1.09)	-0.07 (-1.30)	-0.04 (-0.80)	-0.01 (-0.41)	-0.01 (-0.34)	0.05 (0.86)	-0.05 (-1.29)	0.06** (2.17)	0.06** (2.05)	0.24*** (3.31)	0.32*** (3.18)	0.81
Panel B: Alternative Measures for Earnings Surprises												
<i>Bond CAR</i>	-0.08 (-0.78)	-0.03 (-0.65)	-0.03 (-1.01)	-0.01 (-0.41)	-0.02 (-0.97)	0.01 (0.56)	-0.01 (-0.29)	0.05 (1.55)	0.04 (0.85)	0.26** (2.56)	0.34*** (3.76)	0.93
<i>CE</i>	0.03 (0.44)	-0.06 (-1.35)	-0.01 (-0.19)	-0.00 (-0.10)	-0.03 (-1.25)	0.00 (0.10)	-0.03 (-0.64)	0.03 (1.28)	0.03 (0.78)	0.18*** (2.93)	0.15** (2.17)	0.33
<i>FOM</i>	0.02 (0.51)	-0.08 (-1.61)	-0.01 (-0.41)	-0.04 (-0.86)	0.09 (1.16)	0.04 (0.86)	-0.01 (-0.33)	-0.01 (-0.31)	0.01 (0.29)	0.03 (1.58)	0.01 (0.18)	0.03
Panel C: Excluding Global Financial Crisis Period												
Estimates	-0.05 (-0.97)	-0.02 (-0.43)	-0.03 (-0.96)	-0.07** (-2.22)	0.01 (0.50)	-0.04* (-1.80)	0.01 (0.36)	0.00 (0.00)	0.06** (2.47)	0.16*** (3.77)	0.21*** (4.51)	0.81
Panel D: Alternative Bond Return Datasets												
DFPS	-0.11 (-1.38)	-0.06 (-0.78)	-0.06 (-1.53)	-0.08** (-2.07)	-0.06** (-2.06)	0.00 (0.00)	0.02 (0.58)	0.01 (0.34)	0.07* (1.79)	0.22*** (3.33)	0.33*** (3.39)	1.29
DRR	-0.11 (-1.46)	-0.08 (-1.45)	0.06 (0.74)	-0.06 (-1.48)	-0.05* (-1.67)	0.05 (1.04)	0.04* (1.80)	0.01 (0.23)	0.05 (1.08)	0.19*** (3.75)	0.30*** (4.12)	1.19
WRDS	-0.09 (-1.41)	-0.03 (-0.69)	-0.04 (-1.16)	-0.04 (-1.25)	-0.02 (-0.81)	0.03 (0.78)	0.03 (1.10)	0.01 (0.24)	0.07** (2.13)	0.16*** (3.30)	0.25*** (3.47)	0.88
Panel E: Excluding Intraday Price Reversal Filter												
Estimates	-0.12 (-1.59)	-0.06 (-1.02)	-0.05 (-1.30)	-0.05 (-1.51)	-0.01 (-0.27)	0.00 (0.08)	0.02 (0.68)	0.00 (0.15)	0.08** (2.44)	0.21*** (3.61)	0.33*** (3.43)	1.02

Table A3: Model Comparison

This table presents the squared Sharpe ratio and pairwise model comparisons for various bond pricing factors, including the bond market factor (MKTB), the bond market factor augmented with our PEAD factor (MKTB and PEAD), the duration-adjusted bond CAPM (BDDUR and BDRISK) proposed by van Binsbergen, Nozawa, and Schwert (2025), and the TERM and DEF factors of Fama and French (1993). For each model, we compute the adjusted maximum squared monthly Sharpe ratio following the methodology of Barillas, Kan, Robotti, and Shanken (2020). The values in brackets represent the p -values associated with the differences in the squared Sharpe ratios. The analysis is based on a sample of 245 monthly observations spanning from August 2002 to December 2022.

	MKTB	MKTB + PEAD	BDDUR + BDRISK	TERM + DEF
Adj. SP ²	0.020	0.087	0.025	0.011
<i>Pairwise model comparison</i>				
MKTB		-0.068 [0.067]	-0.006 [0.479]	0.008 [0.453]
MKTB + PEAD			0.062 [0.100]	0.076 [0.050]
BDDUR + BDRISK				0.014 [0.424]

Table A4: Fama-MacBeth Regressions on Earnings Surprises, Past Stock Returns and Past Rating Changes, Detailed Estimates

This table reports the detailed estimates for Table 4, including those on control variables.

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>CAR</i>	0.093*** (3.21)	0.096*** (3.61)				0.096*** (3.81)	0.060*** (2.68)
<i>SRet6m</i>			0.126*** (4.47)			0.151*** (4.95)	
<i>SRet6mAll</i>							0.150*** (5.06)
<i>NoAnnCAR</i>				-0.015 (-1.00)		-0.037** (-2.33)	-0.032** (-2.05)
Dummy: <i>Downgrade</i>					-0.100 (-1.18)	-0.086 (-1.11)	-0.074 (-0.92)
Dummy: <i>Upgrade</i>					0.109** (2.39)	0.077** (2.05)	0.083** (2.08)
<i>Size</i>		0.037** (2.26)	0.031** (2.27)	0.036** (2.27)	0.032** (2.27)	0.037** (2.28)	0.038** (2.25)
<i>Rating</i>		0.049 (1.03)	0.036 (0.69)	0.034 (0.65)	0.038 (0.70)	0.042 (0.87)	0.041 (0.86)
<i>Maturity</i>		0.017 (0.27)	0.008 (0.13)	0.010 (0.17)	0.010 (0.17)	0.006 (0.10)	0.009 (0.14)
<i>Down</i>		0.104* (1.83)	0.107* (1.88)	0.104* (1.87)	0.109* (1.95)	0.110** (1.98)	0.106* (1.92)
<i>ACOV</i>		0.272 (1.45)	0.287 (1.48)	0.269 (1.43)	0.268 (1.44)	0.288 (1.50)	0.283 (1.49)
<i>STR</i>		-0.585*** (-11.74)	-0.578*** (-11.87)	-0.573*** (-11.71)	-0.580*** (-11.53)	-0.596*** (-12.31)	-0.595*** (-12.17)
<i>MOM</i>		-0.264** (-2.08)	-0.308** (-2.44)	-0.262** (-2.06)	-0.276** (-2.17)	-0.335*** (-2.63)	-0.339*** (-2.62)
<i>Vol</i>		0.097 (1.35)	0.096 (1.37)	0.104 (1.47)	0.107 (1.52)	0.112* (1.66)	0.115* (1.69)
<i>SRVol</i>		-0.143*** (-3.00)	-0.123*** (-2.81)	-0.140*** (-2.99)	-0.141*** (-2.92)	-0.103*** (-2.46)	-0.099** (-2.44)
<i>Frac(Bid)_t</i>		0.208*** (6.78)	0.207*** (6.74)	0.211*** (6.57)	0.210*** (6.46)	0.205*** (6.69)	0.205*** (6.63)
<i>Frac(Bid)_{t+1}</i>		-0.265*** (-8.46)	-0.264*** (-8.67)	-0.263*** (-8.67)	-0.264*** (-8.82)	-0.265*** (-8.73)	-0.266*** (-8.73)
<i>Intercept</i>	0.261** (2.55)	0.415*** (3.06)	0.362*** (2.92)	0.394*** (3.04)	0.399*** (3.02)	0.390*** (3.03)	0.392*** (3.07)
Industry Controls	YES	YES	YES	YES	YES	YES	YES
Observations	369,464	369,464	369,464	369,464	369,464	369,464	369,464
Average <i>R</i> ²	0.106	0.396	0.395	0.396	0.397	0.410	0.410

Table A5: Uniqueness of Earnings Surprise: Fama-MacBeth Regressions on Alternative Earnings Surprises, Past Stock Returns and Past Rating Changes

This table reports the average slope coefficients from Fama and MacBeth (1973) cross-sectional regressions of one-month-ahead corporate bond excess returns on alternative earnings surprises and other measures of news with and without controls. Earnings surprise is proxied by *CE* and *FOM*. *CE* is the analyst forecast errors based on median consensus. *FOM* is calculated as $K/N - M/N$, where $K(M)$ is the number of forecasts strictly lower (higher) than actual earnings, and N is the total number of analyst forecasts. *SRet6m* (*SRet6mAll*) is past six-month stock return, calculated as the cumulative market-adjusted stock returns over the past six months, excluding (including) the earnings announcement returns. *NoAnnCAR* is the pseudo *CAR* without earnings surprises, calculated as the three-day cumulative abnormal returns around a date randomly picked from significant price movement days in the previous six months, excluding the earnings announcement windows. We use the ratio of the standard deviation of *CAR* to the standard deviation of non-earnings-announcement *CAR* as a threshold to filter out pools of *NoAnnCAR*. *Downgrade* (*Upgrade*) is a dummy variable for rating downgrade (upgrade) in the previous three months, which equals one if there is at least one downgrade (upgrade) by any rating agencies. Bond characteristics controls include bond size (*Size*), credit rating, maturity, downside risk (*DOWN*), illiquidity (*ACOV*), short-term bond return reversal (*STR*), bond return momentum (*MOM*), bond return volatility (*Vol*), stock return volatility (*SRVol*), and the fraction of bid in month t and $t+1$. All continuous independent variables are standardized to have a mean of zero and a standard deviation of one. All regressions include industry dummy variables based on 30 Fama and French industry classifications. Newey-West adjusted t -statistics (with six lags) are given in parentheses. *, **, and *** indicate the significance at the 10%, 5%, and 1% levels, respectively. The sample period is from August 2002 to December 2022.

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns						
	(1)	(2)	(3)	(4)	(5)	(6)
<i>CE</i>	1.746*** (3.43)		1.633*** (3.15)		1.422*** (2.74)	
<i>FOM</i>		0.042*** (3.03)		0.028** (1.99)		0.009 (0.53)
<i>SRet6m</i>			0.142*** (5.24)	0.138*** (5.01)		
<i>SRet6mAll</i>					0.166*** (4.89)	0.168*** (4.90)
<i>NoAnnCAR</i>			-0.038** (-2.38)	-0.039** (-2.37)	-0.037** (-2.40)	-0.039** (-2.43)
Dummy: <i>Downgrade</i>			-0.119 (-1.62)	-0.096 (-1.26)	-0.104 (-1.39)	-0.078 (-0.99)
Dummy: <i>Upgrade</i>			0.087** (2.06)	0.082** (1.97)	0.086* (1.92)	0.083* (1.86)
Bond Controls	YES	YES	YES	YES	YES	YES
Industry Controls	YES	YES	YES	YES	YES	YES
Observations	369,464	369,464	369,464	369,464	369,464	369,464
Average R^2	0.400	0.393	0.414	0.408	0.414	0.408

Table A6: Panel Regressions of Bond Returns on Earnings Surprise and Disagreement, Detailed Estimates

This table reports the detailed estimates for Table 9, including those on the interactions between earnings surprise and disagreement quintiles. We use the most restrictive specification, controlling bond characteristics, $t+1$ stock returns, rating $\times$ time, and industry $\times$ time fixed effects.

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns				
	(1)	(2)	(3)	(4)
<i>CAR</i>	0.079*** (3.08)	0.011 (0.51)	0.036 (1.53)	0.014 (1.18)
<i>CAR</i> $\times$ <i>DISP2</i>		0.008 (0.26)		
<i>CAR</i> $\times$ <i>DISP3</i>		-0.021 (-0.68)		
<i>CAR</i> $\times$ <i>DISP4</i>		0.028 (0.93)		
<i>CAR</i> $\times$ <i>DISP5</i>		0.135** (2.42)		
<i>CAR</i> $\times$ <i>IVOL2</i>			-0.019 (-0.63)	
<i>CAR</i> $\times$ <i>IVOL3</i>			-0.044 (-1.06)	
<i>CAR</i> $\times$ <i>IVOL4</i>			-0.005 (-0.12)	
<i>CAR</i> $\times$ <i>IVOL5</i>			0.101* (1.83)	
<i>CAR</i> $\times$ <i>RFY2</i>				0.001 (0.10)
<i>CAR</i> $\times$ <i>RFY3</i>				0.065*** (3.22)
<i>CAR</i> $\times$ <i>RFY4</i>				0.074* (1.91)
<i>CAR</i> $\times$ <i>RFY5</i>				0.185*** (3.07)
Disagreement Quintiles	NO	YES	YES	YES
Bond Controls	YES	YES	YES	YES
Rating $\times$ Year-Month	YES	YES	YES	YES
Include $t + 1$ Stock Returns?	YES	YES	YES	YES
Industry $\times$ Year-Month	YES	YES	YES	YES
Observations	369,583	351,506	369,583	360,566
Adjusted R^2	0.407	0.413	0.407	0.462

Table A7: Horse Race Tests: Panel Regressions of Bond Returns on Earnings Surprises, Disagreement, Investors' Attention, and Disposition Effect

This table reports the slope coefficients from panel regressions of one-month-ahead corporate bond excess returns on the earnings surprises, disagreement measures, investor attention proxies, and disposition effect. Earnings surprise (CAR) is cumulative abnormal stock returns adjusted by the Fama-French three-factor model from trading day $d-1$ to $d+1$ around the earnings announcement date. CAR^+ (CAR^-) is a dummy variable equals one if CAR is positive (negative), and zero otherwise. $NRank$ is the number-of-announcements decile based on the quarterly sort of the number of announcements on the day of the announcement. AIA is a dummy variable that equals one if Bloomberg's score is 3 or 4, and zero otherwise. To account for the missing values of AIA , we define AIA^* equals AIA if not missing, and zero otherwise. Similarly, we define $AIA_{Missing}$ equals one if AIA is missing, and zero otherwise. CGO is capital gains overhang as defined in Table A11 and we use the top and bottom quintile dummies of CGO to proxy for the disposition effect. Details on the construction of the control variables are provided in Table A1. All continuous independent variables are standardized to have a mean of zero and a standard deviation of one. All regressions control for disagreement quintile dummies, $t+1$ stock returns, rating $\times$ year-month, and industry $\times$ year-month fixed effects. We double cluster standard errors by firm and time, and t -statistics are given in parentheses. *, **, and *** indicate the significance at the 10%, 5%, and 1% levels, respectively.

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns			
	(1)	(2)	(3)
Panel A: $NRank$ as Attention Proxy			
CAR	0.034 (0.81)	0.041 (1.28)	-0.005 (-0.14)
$CAR \times DISP5$	0.138** (2.51)		
$CAR \times IVOL5$		0.098* (1.79)	
$CAR \times RFY5$			0.186*** (2.93)
$NRank$	-0.005 (-1.65)	-0.004 (-0.93)	0.001 (0.24)
$CGO1$	-0.000 (-0.00)	-0.002 (-0.02)	-0.001 (-0.01)
$CGO5$	-0.005 (-0.06)	-0.001 (-0.01)	0.007 (0.09)
$CAR \times NRank$	-0.005 (-0.75)	-0.001 (-0.19)	0.004 (0.68)
$CAR^- \times CGO1$	0.036 (0.44)	0.023 (0.29)	0.026 (0.38)
$CAR^+ \times CGO5$	0.025 (0.72)	0.009 (0.25)	-0.021 (-0.52)
Disagreement Quintiles	YES	YES	YES
Bond Controls	YES	YES	YES
Rating $\times$ Year-Month	YES	YES	YES
Include $t+1$ Stock Returns?	YES	YES	YES
Industry $\times$ Year-Month	YES	YES	YES
$CAR^+ \times CGO5 - CAR^- \times CGO1$	-0.011	-0.014	-0.047
p -value	0.895	0.862	0.580
Observations	346,644	364,662	355,692
Adjusted R^2	0.413	0.407	0.462

Table A7, Continued

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns			
	(1)	(2)	(3)
Panel B: <i>AIA</i> as Attention Proxy			
<i>CAR</i>	-0.100 (-1.14)	-0.081 (-0.95)	-0.132 (-1.53)
<i>CAR</i> $\times$ <i>DISP5</i>	0.121** (2.34)		
<i>CAR</i> $\times$ <i>IVOL5</i>		0.072 (1.45)	
<i>CAR</i> $\times$ <i>RFY5</i>			0.172*** (2.86)
<i>AIA</i> *	-0.029 (-0.46)	-0.039 (-0.62)	0.010 (0.24)
<i>AIA</i> _{Missing}	-0.082 (-1.19)	-0.097 (-1.40)	-0.045 (-0.96)
<i>CGO1</i>	0.001 (0.01)	-0.001 (-0.01)	0.004 (0.05)
<i>CGO5</i>	-0.006 (-0.08)	-0.005 (-0.06)	0.002 (0.02)
<i>CAR</i> $\times$ <i>AIA</i> *	0.101 (1.10)	0.087 (0.95)	0.124 (1.39)
<i>CAR</i> $\times$ <i>AIA</i> _{Missing}	0.145 (1.41)	0.193* (1.83)	0.202** (2.01)
<i>CAR</i> ⁻ $\times$ <i>CGO1</i>	0.034 (0.42)	0.022 (0.27)	0.018 (0.25)
<i>CAR</i> ⁺ $\times$ <i>CGO5</i>	0.029 (0.80)	0.019 (0.53)	-0.009 (-0.25)
Disagreement Quintiles	YES	YES	YES
Bond Controls	YES	YES	YES
Rating $\times$ Year-Month	YES	YES	YES
Include $t + 1$ Stock Returns?	YES	YES	YES
Industry $\times$ Year-Month	YES	YES	YES
<i>CAR</i> ⁺ $\times$ <i>CGO5</i> - <i>CAR</i> ⁻ $\times$ <i>CGO1</i>	-0.005	-0.004	-0.027
<i>p</i> -value	0.953	0.966	0.745
Observations	346,644	364,662	355,692
Adjusted R^2	0.413	0.407	0.463

Table A8: Bond PEAD Strategy Returns for Longer Holding Periods

At the beginning of each month from August 2002 to December 2022, decile portfolios are formed by sorting corporate bonds based on the corresponding firm's most recent earnings surprises at the end of the previous month. We use stock *CAR* as the earnings surprise measure. A PEAD investment strategy is to long bonds with the highest earnings surprises and to short bonds with the lowest earnings surprises. We use a rolling portfolio approach following Jegadeesh and Titman (1993) with a holding period of K months, where K is from 1 to 12. The resulting overlapping returns are calculated as the returns of a trading strategy that in any given month t holds an equal-weighted portfolio of *CAR*-sorted portfolios selected in the current month as well as in the previous $K-1$ months. We report average excess returns and 8-factor alphas for the value-weighted portfolios. All returns and alphas are in percent per month. Newey-West adjusted t -statistics (with six lags) are reported in parentheses below returns/alphas. Significance at 1%, 5%, and 10% levels are indicated by ***, **, and *, respectively.

Holding Period (month)	1	2	3	4	5	6	7	8	9	10	11	12
Average Excess Return	0.28*** (3.47)	0.20** (2.50)	0.13* (1.87)	0.08 (1.48)	0.04 (0.93)	0.04 (0.92)	0.04 (1.10)	0.05 (1.25)	0.05 (1.22)	0.04 (1.07)	0.04 (0.92)	0.03 (0.82)
8 Factor Alpha	0.33*** (3.48)	0.24*** (2.67)	0.16** (2.12)	0.10* (1.83)	0.06 (1.33)	0.05 (1.39)	0.06 (1.62)	0.07* (1.88)	0.07* (1.81)	0.07 (1.58)	0.05 (1.29)	0.05 (1.16)

Table A9: Average Returns and Alphas on Univariate Portfolios of Bonds Sorted by Earnings Surprises (1997-2020)

We use the Bank of America Merrill Lynch's bond pricing data. At the beginning of each month from January 1997 to December 2020, decile portfolios are formed by sorting corporate bonds based on the corresponding firm's most recent earnings surprises at the end of the previous month. We use stock *CAR* as our primary earnings surprises measure. Decile 1 is the portfolio with the lowest earnings surprises, and Decile 10 is the portfolio with the highest earnings surprises. The portfolios are held for one month and rebalanced monthly. Portfolios are value-weighted using the prior month's bond market value. This table reports the average excess return and alpha of the decile portfolios. Alphas are calculated from a bond factor model, a stock factor model, and a bond+stock model. The bond factor model uses two duration-adjusted bond CAPM factors from van Binsbergen, Nozawa, and Schwert (2025). The stock factors are the six factors (market, size, value, investment, profitability, and momentum) from Fama and French (2018). The bond+stock model combines the two bond factors and the six stock factors. Panel A reports the results in the period up to June 2002 while Panel B reports the period after. All returns and alphas are in percent per month. Newey-West adjusted *t*-statistics (with six lags) are reported in parentheses below returns/alphas. *, **, and *** indicate the significance at the 10%, 5%, and 1% levels, respectively.

	Low <i>CAR</i>	2	3	4	5	6	7	8	9	High <i>CAR</i>	High - Low
Panel A, Pre-TRACE: Jan 1997 - Jun 2002 (66 months)											
Average Excess Return	-0.07 (-0.45)	0.16 (1.14)	0.18 (1.06)	0.18 (1.06)	0.22 (1.31)	0.22 (1.33)	0.24 (1.47)	0.27 (1.64)	0.23 (1.57)	-0.01 (-0.06)	0.06 (0.32)
2 Bond Factor Alpha	-0.15*** (-2.77)	0.02 (0.66)	0.02 (0.29)	0.03 (0.47)	0.06 (1.05)	0.06 (1.02)	0.08 (1.53)	0.14** (2.18)	0.09** (2.13)	-0.04 (-0.38)	0.11 (0.83)
6 Stock Factor Alpha	-0.12 (-0.65)	0.08 (0.50)	0.04 (0.20)	0.13 (0.65)	0.10 (0.58)	0.11 (0.61)	0.10 (0.58)	0.18 (0.92)	0.13 (0.82)	-0.01 (-0.04)	0.11 (0.82)
8 Factor Alpha	-0.13** (-2.55)	0.02 (0.62)	-0.03 (-0.45)	0.06 (1.02)	0.03 (0.63)	0.03 (0.52)	0.03 (0.47)	0.13 (1.62)	0.07* (1.91)	0.03 (0.38)	0.16 (1.45)
Panel B, Post-TRACE: Jul 2002 - Dec 2020 (222 months)											
Average Excess Return	0.35** (2.35)	0.41*** (2.91)	0.41*** (3.31)	0.37*** (3.31)	0.41*** (3.41)	0.43*** (3.58)	0.43*** (3.93)	0.41*** (3.65)	0.48*** (3.97)	0.64*** (4.28)	0.29*** (4.54)
2 Bond Factor Alpha	-0.11** (-2.31)	-0.05 (-1.31)	-0.03 (-1.39)	-0.07** (-2.36)	-0.06** (-2.08)	-0.05 (-1.58)	-0.01 (-0.37)	-0.04 (-1.14)	0.06 (1.62)	0.20*** (2.95)	0.31*** (4.26)
6 Stock Factor Alpha	0.14 (0.99)	0.28* (1.82)	0.29** (2.17)	0.25** (2.22)	0.27** (2.20)	0.30** (2.56)	0.30*** (2.79)	0.29** (2.52)	0.35*** (3.12)	0.47*** (3.48)	0.33*** (4.94)
8 Factor Alpha	-0.12** (-2.41)	-0.04 (-0.88)	-0.02 (-0.84)	-0.07** (-2.17)	-0.07** (-2.05)	-0.05 (-1.48)	-0.01 (-0.32)	-0.02 (-0.74)	0.06 (1.59)	0.20*** (3.67)	0.32*** (4.74)

Table A10: Limited Attention: Regressions of Bond Returns on Earnings Surprises and Investors' Attention

This table reports the average slope coefficients from Fama and MacBeth (1973) cross-sectional regressions of one-month-ahead corporate bond excess returns on the earnings surprises, investor attention proxies, and their interactions. Earnings surprise (CAR) is cumulative abnormal stock returns adjusted by the Fama-French three-factor model from trading day $d-1$ to $d+1$ around the earnings announcement date. CAR^+ (CAR^-) is a dummy variable equals one if CAR is positive (negative), and zero otherwise. We use four investor attention measures. $NRank$ is the number-of-announcements decile based on the quarterly sort of the number of announcements on the day of the announcement. $Friday$ is a dummy variable that equals one if the announcements were made on Friday. AIA and $AIAC$ are two abnormal institutional investor attention measures based on Bloomberg news readership data. AIA is a dummy variable that equals one if Bloomberg's score is 3 or 4, and zero otherwise. $AIAC$ is transformed continuous values from Bloomberg's 0, 1, 2, 3, and 4 scores using the conditional means of the truncated normal distribution. Details on the construction of the control variables are provided in Table A1. Continuous independent variables are standardized to have a mean of zero and a standard deviation of one. The Fama and French 30 industry effect is included in each regression and Newey-West adjusted t -statistics (with six lags) are given in parentheses. The asterisks represent the significance level of 1% (***), 5% (**), and 10% (*), respectively.

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns				
	(1)	(2)	(3)	(4)
Panel A: Continuous CAR				
CAR	0.046** (2.19)	0.096*** (3.46)	0.024 (0.17)	0.058 (0.69)
$NRank$	0.003 (0.39)			
$CAR \times NRank$	0.010* (1.65)			
$Friday$		0.082* (1.73)		
$CAR \times Friday$		0.010 (0.30)		
AIA			-0.035 (-0.58)	
$CAR \times AIA$			0.024 (0.17)	
$AIAC$				0.000 (0.02)
$CAR \times AIAC$				-0.006 (-0.15)
Bond Controls	YES	YES	YES	YES
Industry Controls	YES	YES	YES	YES
Observations	369,920	369,920	241,370	241,370
Average R^2	0.401	0.400	0.439	0.439

Table A10, Continued

Left-Hand Side Variable: One-Month-Ahead Corporate Bond Excess Returns				
	(1)	(2)	(3)	(4)
Panel B: Positive and Negative <i>CAR</i> Dummies				
<i>CAR</i> ⁺	0.076** (2.22)	0.086*** (2.63)	-0.031 (-0.32)	0.051 (0.47)
<i>CAR</i> ⁻	-0.003 (-0.18)	-0.031 (-1.19)	0.046 (1.06)	0.090 (0.98)
<i>NRank</i>	-0.001 (-0.11)			
<i>CAR</i> ⁺ × <i>NRank</i>	0.007 (0.97)			
<i>CAR</i> ⁻ × <i>NRank</i>	-0.002 (-0.24)			
<i>Friday</i>		0.178 (1.53)		
<i>CAR</i> ⁺ × <i>Friday</i>		-0.039 (-0.70)		
<i>CAR</i> ⁻ × <i>Friday</i>		-0.091 (-1.11)		
<i>AIA</i>			-0.086 (-1.42)	
<i>CAR</i> ⁺ × <i>AIA</i>			0.132 (1.49)	
<i>CAR</i> ⁻ × <i>AIA</i>			-0.005 (-0.08)	
<i>AIAC</i>				-0.002 (-0.22)
<i>CAR</i> ⁺ × <i>AIAC</i>				0.006 (0.13)
<i>CAR</i> ⁻ × <i>AIAC</i>				-0.038 (-0.92)
Bond Controls	YES	YES	YES	YES
Industry Controls	YES	YES	YES	YES
Observations	369,920	369,920	241,370	241,370
Average <i>R</i> ²	0.396	0.396	0.437	0.438

Table A11: Disposition Effect: Bivariate Portfolios on Earnings Surprise and Capital Gains Overhang

25 portfolios are formed every month from August 2002 to December 2022 by independently sorting corporate bonds based on the capital gains overhang (CGO) and the corresponding firm's most recent earnings surprises. Earnings surprise is proxied by the stock CAR . We follow Frazzini (2006) and calculate (CGO) using eMAXX bond holding data. First, we calculate the reference price for the aggregate institutional investors' trade as, $RP_{i,q} = \frac{1}{\bar{V}} \sum_{n=0}^q V_{i,q,q-n} P_{i,q-n}$, where $V_{i,q,q-n}$ is the face values of bond i purchased in quarter $q-n$ and still held in quarter q , $P_{i,q-n}$ is the bond price in quarter $q-n$, and $\bar{V} = \sum_{n=0}^q V_{i,q,q-n}$. If a bond is purchased at different points in time and then some of the holdings are sold later, then we assume First-In-First-Out (FIFO) rule to calculate $V_{i,q,q-n}$. We measure capital gain overhang for bond i as the ratio of the gap between a market price and a reference price to the market price, $CGO_{i,q} = \frac{P_{i,q} - RP_{i,q}}{P_{i,q}}$. We present the 8-factor alphas, where portfolios are value-weighted using the market value of the amount outstanding as weights with a holding period of one month. All returns and alphas are in percent per month. Newey-West adjusted t -statistics (with six lags) are given in parentheses. *, **, and *** indicate the significance at the 10%, 5%, and 1% levels, respectively.

	Low CAR	$CAR, 2$	$CAR, 3$	$CAR, 4$	High CAR	High - Low
Low Capital Gains	-0.05 (-0.41)	0.10 (0.86)	0.21* (1.84)	0.10 (1.04)	0.31*** (2.61)	0.36*** (3.08)
$CGO, 2$	-0.07 (-1.10)	0.01 (0.13)	-0.02 (-0.38)	0.06 (1.37)	0.08* (1.69)	0.16** (2.25)
$CGO, 3$	-0.12* (-1.79)	-0.02 (-0.94)	-0.03 (-0.89)	0.04 (1.46)	0.09** (2.32)	0.22** (2.36)
$CGO, 4$	-0.07 (-1.40)	-0.02 (-0.42)	-0.01 (-0.25)	0.01 (0.36)	0.06* (1.71)	0.13*** (2.72)
High Capital Gains	-0.17* (-1.83)	-0.04 (-0.52)	-0.03 (-0.29)	-0.03 (-0.41)	0.05 (0.66)	0.22*** (4.33)
High - Low	-0.12 (-0.64)	-0.15 (-0.80)	-0.24 (-1.32)	-0.13 (-0.84)	-0.26 (-1.53)	-0.13 (-1.19)

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