Internet Appendix for "Analyst Forecast Consistency"*

The following Appendix provides additional results that supplement the analysis in "Analyst Forecast Consistency" published in the Journal of Finance (2012).

Table IA.I presents a correlation table for the main variables.

Table IA.II presents the results of the estimation of different models that predict analyst forecast errors.

Table IA.III reestimates the specifications reported in Table II of the main text after removing observations that are both accurate and consistent (i.e., observations for which *Cons* and *Accu* are both above their median values).

Table IA.IV reestimates the specifications reported in Table II of the main text, but uses a version of *Accu* that is orthogonolized with respect to *Cons*.

Table IA.V reestimates the specifications reported in Table II of the main text for a sample of analysts who started to issue forecasts after 1994 and have at least 12 quarters of forecasts in our sample. We then estimate *Beta* and *SqrBeta* using the first six quarters and *Cons* using the following six quarters.

Table IA.VI reestimates the specifications reported in Table II of the main text including a control for insider status (*Bookrunner)*. *Bookrunner* is the number of years a brokerage firm (i.e., an analyst's employer) served as equity offering bookrunner over the entire sample period (according to the SDC Platinum database).

Table IA.VII reestimates the specifications reported in Table II of the main text treating consistency and stated accuracy as analyst characteristics instead of analyst-firm characteristics.

Table IA.VIII reestimates the effect of consistency and accuracy on analysts' demotion using *DemoLarge* and *DemoTop10* as measures of demotion. *DemoLarge* is an indicator variable that takes the value of one if the analyst moves from a large brokerage house (i.e., one that employs more than 25 analysts) to a small one. *DemoTop10* is an indicator variable that takes the value of one if the analyst moves from one of the 10 largest brokerage houses based on the number of analysts to a smaller employer.

Table IA.IX estimates the effect of consistency and accuracy on analyst promotion. *Promo*, *PromoLarge,* and *PromoTop10* are similar to *Demo*, *DemoLarge,* and *DemoTop10* but take the value of one if the analyst is promoted, and zero otherwise.

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Table IA.X reestimates the specifications reported in Table IV of the main text conditional on the level of institutional ownership.

Table IA.XI estimates the effect the fraction of lowballed forecasts on forecast informativeness.

Table IA.XII examines if lowballing, consistency, and accuracy have decreased after Reg FD went into effect.

Table IA.I
Correlation Table

Beta is the coefficient obtained by regressing *Bhr3d* on forecast revisions, *Rev*, over all quarters for which each analyst covered the firm. *SqrBeta* is the signed square root of the absolute value of *Beta*. *Cons* is a measure of consistency based on the rank of the standard deviation of forecast errors. *Accu* is a measure of accuracy based on the rank of the absolute value of forecast errors. *Boldness* represents the distance from the consensus, measured as the absolute value of the distance between the forecast and the consensus forecast (defined as the average of the forecasts from other analysts). *Horizon* is the number of days between the forecast date and the earnings announcement date. *Experience* is the log of the number of quarters the analyst has followed the firm. *Breadth* is the number of firms followed by the analyst in the year that the forecast was issued. *Boldness*, *Horizon*, *Experience*, and *Breadth* are rank variables similar to *Cons* and *Accu*. *Brokersize* is the log of the number of analysts employed by a brokerage house in the year when the forecast was issued. *Cover* is the log of the number of analysts following the firm in a given quarter. All variables (except *Cons*) are the average values over the previous eight quarters. All correlations are significantly different from zero at the 5% level or better.

	Beta	*SqrBeta*	*Cons*	*Accu*	*Horizon*	*Boldness*	*BrokerSize*	*Experience*	*Breadth*
SqrBeta	0.91	1.00							
Cons	0.08	0.06	1.00						
Accu	0.03	0.04	0.29	1.00					
Horizon	0.05	0.06	-0.08	-0.15	1.00				
Boldness	-0.03	-0.02	-0.08	-0.12	-0.05	1.00			
BrokerSize	0.03	0.04	0.05	0.07	0.09	0.05	1.00		
Experience	-0.01	0.00	-0.04	0.03	0.07	0.00	0.03	1.00	
Breadth	0.00	0.00	-0.02	-0.04	0.05	-0.01	0.06	0.19	1.00
Cover	0.09	0.06	0.02	0.00	-0.04	-0.00	0.03	-0.16	-0.04

Table IA.II
Predicting Forecast Error

This table reports regressions of the quarterly forecast error on its determinants. *Size* is the log of the market value of equity at the end of the previous quarter. *Mkt-to-Bk* is the market-to-book ratio at the end of the previous quarter. *Lev* is total liabilities divided by total equity at the end of the previous quarter. *StdRoa* is the log of the standard deviation of the firm's return on assets over the previous eight quarters. To control for seasonality, we include Q^n, a vector of indicator variables for the 1st, 2nd, and 3rd quarters of the year. Other variables are as previously defined. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for clustering of observations by analyst, firm, and year.

Variable	FE_t 1	FE_t 2	FE_t 3	FE_t 4	FE_t 5
FE_{t-1}		0.26	0.26		0.10
		(25.42)	(25.28)		(7.81)
Size		0.00		0.00	
		(2.73)		(2.70)	
Mkt-to-Bk		-0.00		-0.00	
		(-1.63)		(-1.08)	
Lev		0.00		0.00	
		(2.33)		(2.16)	
StdRoa		0.00		0.01	
		(3.30)		(3.02)	
Cover		0.00		0.00	
		(1.77)		(1.69)	
Horizon		-0.00		-0.00	
		(-6.99)		(-6.36)	
Boldness		0.00		0.00	
		(5.50)		(5.28)	
BrokerSize		0.00		0.00	
		(5.52)		(5.46)	
Experience		-0.00		-0.00	
		(-1.78)		(-1.26)	
Breadth		0.00		0.00	
		(2.53)		(2.24)	
Quarter indicator variables	No	Yes	No	Yes	No
Firm-analyst Fixed effects	Yes	No	No	No	Yes
N	740,817	732,597	740,817	732,597	740,817
R^2	19.28	6.56	5.91	0.76	20.03

Table IA.III
The Effect of Consistency on Informativeness after Removing Observations That Are Both Accurate And Consistent

This table reports cross-sectional regressions of the sensitivity of the market response to analyst forecast revisions (*Beta* and *SqrBeta*) on the consistency and accuracy of analysts' forecasts after removing observations that are both accurate and consistent (i.e., observations for which *Cons* and *Accu* are both above their median values). Variables are defined in Table IA.I. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst and firm.

Variable	*Beta*	*SqrBeta*
	1	2
Intercept	-19.08	-1.64
	(-5.23)	(-4.08)
Cons	9.41	0.89
	(10.25)	(8.50)
Accu	2.53	0.59
	(3.26)	(6.43)
Horizon	19.44	2.56
	(8.98)	(9.50)
Boldness	-7.94	-0.73
	(-3.77)	(-2.72)
BrokerSize	1.04	0.19
	(3.65)	(5.00)
Experience	0.94	0.31
	(0.89)	(2.33)
Breadth	0.04	-0.05
	(0.04)	(-0.41)
Cover	6.82	0.52
	(6.16)	(4.42)
N	27,243	27,243
R^2	1.90	1.47

Table IA.IV
The Effect of Consistency on Informativeness Using Orthogonalized Values of Consistency And Accuracy

This table reports cross-sectional regressions of the sensitivity of the market response to analyst forecast revisions (*Beta* and *SqrBeta*) on the consistency and accuracy of analysts' forecasts. *OAccu* and *OCons* are orthogonalized values of *Accu* and *Cons*, respectively. Other variables are defined in Table IA.I. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst and firm.

Variable	*Beta*	*SqrBeta*
	1	2
Intercept	-14.35	-0.99
	(-4.04)	(-2.56)
OCons	2.85	0.26
	(12.32)	(9.96)
OAccu	0.58	0.13
	(2.89)	(5.76)
Horizon	20.11	2.56
	(9.96)	(10.39)
Boldness	-6.27	-0.54
	(-3.28)	(-2.29)
BrokerSize	0.70	0.15
	(2.52)	(4.09)
Experience	-0.46	0.15
	(-0.47)	(1.19)
Breadth	0.63	0.03
	(0.67)	(0.28)
Cover	7.43	0.57
	(6.27)	(4.65)
N	38,096	38,096
R^2	1.93	1.36

Table IA.V
The Relation between Analyst Consistency And Early Career's Informativeness

This table reports cross-sectional regressions of the sensitivity of the market response to analyst forecast revisions (*Beta* and *SqrBeta*) on the consistency and accuracy of analysts' forecasts. Variables are defined in Table I of the manuscript. We estimate *Beta* and *SqrBeta* using the first six quarters and *Cons* using the following six quarters. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst and firm.

Variable	*Beta*	*SqrBeta*
	1	2
Intercept	-21.07	-0.50
	(-4.23)	(-1.25)
Cons	1.39	0.07
	(0.84)	(0.50)
Accu	0.24	0.08
	(0.14)	(0.60)
Horizon	10.51	1.08
	(3.08)	(3.73)
Boldness	0.05	-0.02
	(0.01)	(-0.08)
BrokerSize	0.80	0.06
	(1.29)	(1.11)
Experience	8.80	0.32
	(3.16)	(1.36)
Breadth	2.67	0.10
	(1.28)	(0.60)
Cover	8.97	0.48
	(7.42)	(4.93)
N	21,363	21,363
R^2	0.61	0.31

Table IA.VI
The Effect of Consistency on Informativeness Controlling for Bookrunner Status

This table reports cross-sectional regressions of the sensitivity of the market response to analyst forecast revisions (*Beta* and *SqrBeta*) on the consistency and accuracy of analysts' forecasts after removing observations that are both accurate and consistent (i.e., observations for which *Cons* and *Accu* are both above their median values). *Bookrunner* is the number of years a brokerage firm (i.e., an analyst's employer) served as equity offering bookrunner over the entire sample period (according to the SDC Platinum database). Other variables are defined in Table IA.I. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst and firm.

Variable	*Beta*	*SqrBeta*
	1	2
Intercept	-19.40	-1.54
	(-5.24)	(-3.86)
Cons	8.67	0.71
	(11.12)	(8.09)
Accu	1.96	0.45
	(2.88)	(5.75)
Horizon	20.02	2.55
	(9.94)	(10.37)
Boldness	-6.13	-0.52
	(-3.20)	(-2.22)
BrokerSize	0.29	0.10
	(0.90)	(2.37)
Experience	-0.51	0.14
	(-0.52)	(1.15)
Breadth	0.44	0.01
	(0.47)	(0.10)
Cover	7.51	0.58
	(6.34)	(4.73)
Bookrunner	1.75	0.20
	(2.36)	(2.25)
N	38,096	38,096
R^2	1.95	1.39

Table IA.VII
The Effect of Consistency on Informativeness Treating Consistency As Analyst Characteristic

This table reports cross-sectional regressions of the sensitivity of the market response to analyst forecast revisions (*Beta* and *SqrBeta*) on the consistency and accuracy of analysts' forecasts. *ACons* and *AAccu* are the average values of *Cons* and *Accu* for a given analyst over the different firms that he or she follows. *Cons*, *Accu,* and other variables are defined in Table IA.I. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst and firm.

Variable	*Beta*	*SqrBeta*
	1	2
Intercept	-23.72	-2.08
	(-6.06)	(-4.94)
ACons	14.14	1.15
	(6.33)	(4.40)
AAccu	5.89	1.19
	(3.11)	(5.31)
Horizon	20.02	2.58
	(9.98)	(10.55)
Boldness	-6.72	-0.58
	(-3.56)	(-2.50)
BrokerSize	0.52	0.12
	(1.85)	(3.41)
Experience	-0.49	0.15
	(-0.50)	(1.18)
Breadth	1.09	0.09
	(1.16)	(0.74)
Cover	7.47	0.57
	(6.29)	(4.65)
N	38,096	38,096
R^2	1.68	1.28

Table IA.VIII
The Effect of Consistency And Accuracy on Analysts' Demotion

This table reports panel regressions of demotion to a smaller broker on the consistency and accuracy of analysts' forecasts. *DemoLarge* and *DemoTop10* are measures of demotion. *DemoLarge* is an indicator variable that takes the value of one if the analyst moves from a large brokerage house (i.e., one that employs more than 25 analysts) to a small one. *DemoTop10* is an indicator variable that takes the value of one if the analyst moves from one of the 10 largest brokerage houses based on the number of analysts to a smaller employer. Other variables are defined in Table IA.I except here we calculate *Cons*, *Accu*, *Boldness, Breadth,* and *Cover* for each analyst-firm-quarter using a rolling eight-quarter window and then take the average over all firms covered by analyst *i* in year *t* (from July 1 or year *t*-1 to June 30 of year *t*). *Experience* is the log of the number of years analyst i has appeared in the I/B/E/S earnings forecast database as of year *t*. We also include but do not tabulate broker and year fixed effects. We estimate the regression using a probit specification. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by broker and year.

Variable	*DemoLarge*	*DemoTop10*
	1	2
Cons	-0.29	-0.44
	(-2.19)	(-12.71)
Accu	-0.12	-0.08
	(-0.80)	(-0.65)
Boldness	-0.48	0.35
	(-1.40)	(0.77)
Breadth	-0.01	-0.01
	(-1.21)	(-2.58)
Cover	0.12	0.05
	(1.24)	(0.50)
Experience	0.05	-0.06
	(1.57)	(-1.01)
N	13,531	6,878
Pseudo R^2	9.33	7.51

Table IA.IX
The Effect of Consistency And Accuracy on Analysts' Promotion

This table reports panel regressions of promotion to a larger broker (*Promo*) in Column 1, to a large broker (*PromoLarge*) in Column 2, and to a very large broker (*PromoTop10*) in Column 3 on the consistency and accuracy of analysts' forecasts. *Promo* is an indicator variable equal to one if analyst *i* is demoted in the following year (i.e., between July 1 of year *t* and June 30 of year *t* + 1) and zero otherwise. An analyst is assumed to be demoted if he or she starts working for a different brokerage house that is smaller, in terms of the number of analysts employed, than the previous brokerage house. *PromoLarge* is an indicator variable that takes the value of one if the analyst moves from a small brokerage house (i.e., one that employs fewer than 25 analysts) to a large one. *DemoTop10* is an indicator variable that takes the value of one if the analyst moves from a small broker to one of the 10 largest brokerage houses based on the number of analysts. Other variables are defined in Table IA.I except here we calculate *Cons*, *Accu*, *Boldness, Breadth,* and *Cover* for each analyst-firm-quarter using a rolling eight-quarter window and then take the average over all firms covered by analyst *i* in year *t* (from July 1 of year *t*-1 to June 30 of year *t*). *Experience* is the log of the number of years analyst *i* has appeared in the I/B/E/S earnings forecast database as of year *t*. We also include but do not tabulate broker and year fixed effects. We estimate the regression using a probit specification. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by broker and year.

Variable	*Promo*	*PromoLarge*	*PromoTop10*
	1	2	3
Cons	-0.10	-0.13	-0.18
	(-0.81)	(-0.74)	(-0.96)
Accu	0.06	-0.16	0.18
	(0.51)	(-1.06)	(0.91)
Boldness	0.13	-0.28	-0.01
	(0.48)	(-0.56)	(-0.03)
Breadth	0.00	0.00	-0.00
	(0.36)	(0.71)	(-0.61)
Cover	0.10	0.09	0.16
	(1.59)	(0.69)	(1.85)
Experience	-0.15	-0.18	-0.21
	(-5.37)	(-2.70)	(-3.95)
N	14,405	3,871	8,877
Pseudo R^2	19.55	19.85	23.83

Table IA.X
The Effect of "Lowballing" on Consistency Conditional on Investor Sophistication

This table reports panel regressions of forecast consistency (*Cons*) and forecast accuracy (*Accu*) on the level of lowballing conditional on the level of institutional ownership. We split our overall sample into low (Columns 1 and 3) and high (Columns 2 and 4) institutional ownership subsamples. *Lowball* is a rank variable based on the difference between the number of pessimistic and optimistic forecasts scaled by the total number of forecasts. Other variables are defined in Table I except here we calculate all variables using a rolling eight-quarter window before the current quarter. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst, firm, and year.

Variable	*Cons*	*Cons*	*Accu*	*Accu*
	1	2	3	4
	Low Inst	High Inst	Low Inst	High Inst
Intercept	0.54	0.58	0.74	0.81
	(23.81)	(27.25)	(27.35)	(29.23)
Lowball	0.19	0.21	-0.08	-0.14
	(20.49)	(26.79)	(-4.16)	(-7.14)
Horizon	-0.26	-0.28	-0.33	-0.37
	(-12.39)	(-13.71)	(-12.39)	(-16.50)
Boldness	-0.26	-0.23	-0.34	-0.26
	(-16.19)	(-17.12)	(-15.61)	(-17.46)
BrokerSize	0.03	0.02	0.03	0.02
	(7.15)	(4.73)	(7.27)	(4.66)
Experience	0.05	0.04	0.05	0.05
	(5.31)	(3.33)	(5.52)	(4.58)
Breadth	-0.01	-0.03	-0.03	-0.06
	(-1.61)	(-3.94)	(-2.85)	(-5.23)
Cover	-0.00	-0.01	-0.00	-0.01
	(-1.52)	(-2.97)	(-0.90)	(-2.22)
N	133,369	134,370	134,369	134,370
R^2	6.33	6.72	4.35	5.01

Table IA.XI
The Effect of Lowballing on Informativeness

This table reports cross-sectional regressions of the sensitivity of the market response to analyst forecast revisions (*Beta* and *SqrBeta*) on the consistency and accuracy of analysts' forecasts. Variables are defined in Table IA.I. *Lowball* represents the percentage of lowballed forecasts. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst and firm.

Variable	*Beta*	*SqrBeta*
	1	2
Intercept	-12.11	-0.71
	(-3.54)	(-1.91)
Lowball	11.55	1.34
	(11.49)	(12.89)
Horizon	18.15	2.30
	(9.42)	(9.71)
Boldness	-8.05	-0.77
	(-4.26)	(-3.28)
BrokerSize	0.64	0.14
	(2.37)	(3.99)
Experience	-1.20	0.09
	(-1.23)	(0.73)
Breadth	0.27	-0.02
	(0.30)	(-0.14)
Cover	6.14	0.42
	(5.33)	(3.53)
N	38,096	38,096
R^2	2.54	2.12

Table XII
The Effect of Reg FD

This table examines if lowballing, consistency, and accuracy have decreased after Reg FD went into effect. *LB* is the difference between the number of pessimistic and optimistic forecasts scaled by the total number of forecasts. *StdErr* is the log of the standard deviation of the forecast error for analyst *i* and firm *j* over the eight quarters prior to quarter *q*. *MeanErr* is the log of the mean absolute forecast error for analyst *i* and firm *j* over the eight quarters prior to quarter *q*. *FD* is indicator variable that takes the value of one if the quarter is post-Reg FD, and zero otherwise. *TimeTrend* is a yearly time trend. *Bold* represents the distance from the consensus, measured as the absolute value of the distance between the forecast and the consensus forecast. Other variables are defined in Table IA.I. We calculate all variables using a rolling eight-quarter window and we exclude the quarters in 2000, 2001, and 2002 from these tests because the variables estimated in these years are both pre- and post-Reg FD. We estimate the regression using OLS. Z-statistics (reported in parentheses) are corrected for heteroskedasticity and are adjusted for clustering of observations by analyst, firm, and year.

	LB	*StdErr*	*MeanErr*
	1	2	3
Intercept	-51.591	124.160	123.631
	(-5.64)	(3.78)	(3.58)
FD	-0.060	0.489	0.538
	(-1.72)	(4.10)	(4.32)
TimeTrend	0.026	-0.064	-0.064
	(5.61)	(-3.87)	(-3.67)
Horizon	-0.075	0.148	0.160
	(-3.78)	(2.88)	(3.08)
Boldness	-0.090	0.317	0.307
	(-5.49)	(9.32)	(8.98)
Experience	0.015	-0.111	-0.104
	(1.45)	(-4.11)	(-3.78)
Breadth	0.017	0.021	0.042
	(1.55)	(0.63)	(1.22)
BrokerSize	0.020	-0.008	-0.006
	(5.24)	(-0.65)	(-0.48)
Size	-0.003	-0.145	-0.144
	(-0.41)	(-6.66)	(-6.44)
Mkt-to-Book	0.013	-0.165	-0.156
	(4.96)	(-18.62)	(-18.80)
Lev	-0.004	0.107	0.100
	(-1.69)	(14.33)	(13.25)
Coverage	0.098	-0.057	-0.022
	(4.56)	(-0.92)	(-0.36)
StdRoa	-0.038	0.478	0.443
	(-6.36)	(24.61)	(22.71)
N	222,534	222,534	222,534
R^2	7.28	38.45	37.25