Is Post-Earnings Drift Still Tradable? 43,000 Announcements, 2023–2026

Gaurav Gupta · Research note · 25 October 2026 · 43,111 US earnings announcements by 4,058 companies, January 2023 – October 2026

+1.7 pp
Best minus worst surprise quintile, 60 days vs S&P 500 (t = 4.2)

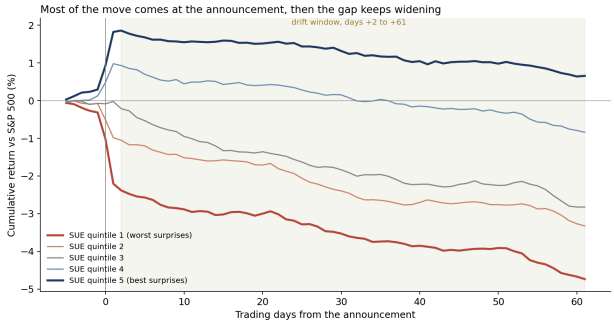
+2.0 pp
Same spread in large caps over $10bn (t = 3.4)

6.0%
A year after 10 bp, mid/large long-short; 2.1% at 30 bp

2.6 → 0.5
Spread (pp), 2023–24 vs 2025–26 announcements

60-day spread vs S&P 500	All	Micro	Small	Mid	Large
Top minus bottom SUE quintile	+1.7 pp	+6.2	+1.1	+1.4	+2.0
t-stat (15 quarters)	4.2	1.8	2.1	2.9	3.4
2023–24 / 2025–26	+2.6 / +0.5	+8.9 / +4.2	+2.2 / −0.2	+2.2 / +0.4	+2.3 / +1.7

Mid+large long-short book: 7.9% a year gross, 6.0% after 10 bp (Sharpe 0.93, max drawdown −5.3%), 4.0% at 20 bp, 2.1% at 30 bp; by year −1.3%, +13.6%, +2.2%, +7.9% (2026 YTD). Small caps 1.8% after 25 bp. Price-reaction signal (EAR): +1.3 pp (t = 1.4).



Cumulative return vs S&P 500 around announcements, by earnings-surprise quintile.

SOURCES

- Earnings calendar, reported EPS, shares and daily prices: Yahoo Finance via huggingface.co/datasets/defeatbeta/yahoo-finance-data (ODC-BY), sha256-pinned
- Ball & Brown (1968) JAR 6(2); Bernard & Thomas (1989) JAR 27 Suppl.; Chan, Jegadeesh & Lakonishok (1996) JF 51(5)
- Martineau (2022), Critical Finance Review, doi 10.1561/104.00000122

METHOD

- Day 0 = first trading day on/after the announcement
- SUE = (EPS − EPS a year ago) ÷ std of prior 4–8 changes
- Positions at close of day +1; drift days +2..+61 vs SPY
- Quintile breakpoints from the prior 91 days only
- Price ≥ $5, ≥ $1M daily dollar volume

KEY CALCULATIONS

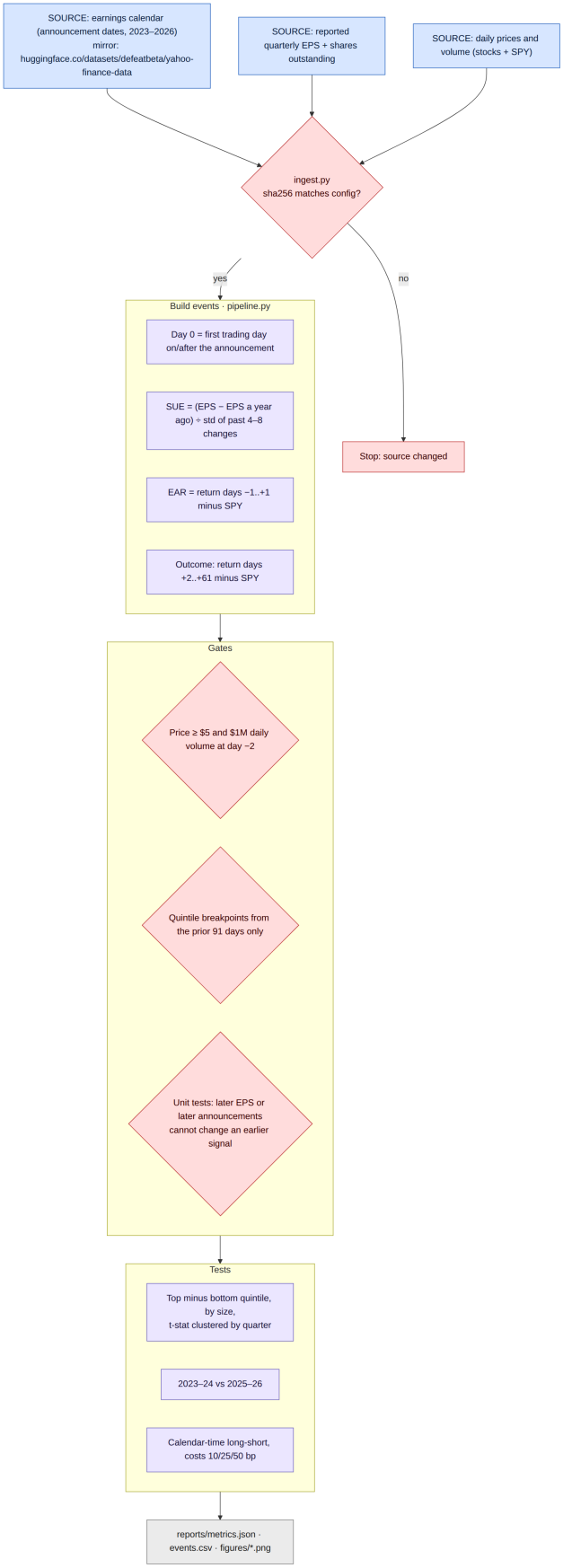
- t-stats on quarterly averages of the spread (15 quarters)
- Calendar-time book: equal-weight names in window; costs on entry and exit
- Size from shares outstanding × price at day −2
- $100M each side, mid/large: about $6.0M a year after 10 bp (illustrative)

RECOMMENDATIONS

- Keep earnings drift as one signal in a multi-signal equity model, not a stand-alone strategy.
- Trade it only where execution is cheap: it survives 10 bp, mostly gone at 30 bp. Measure realized costs.
- Use the earnings surprise, not just the price reaction: it was the stronger signal in every size group.
- Write the exit rule now: cut the allocation if the rolling one-year spread reaches zero.
- Limits: under four years of announcements; partial survivorship; own-history surprise, not analyst consensus; costs illustrative. Not investment advice; not deployed.

Code: github.com/guptagaurav-info/earnings-drift-out-of-sample · Article: guptagaurav.info/articles/earnings-drift · Independent research on public data. Not investment advice.

Pipeline: sources, checksum gate, events, gates, tests, outputs.



From the announcement to the book decision.

