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Article

Empirical Analysis of Analyst Reports Utilizing Natural Language Processing Technology: Changes in Sentiment and Stock Market Reactions

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We propose a new methodology to quantitatively evaluate analyst reports of individual stocks utilizing natural language processing technology, and perform empirical analysis to determine the usefulness of the descriptive information content within the reports. By calculating a sentiment score for each analyst report based on information closely associated to the investment judgment of the analyst, we found that changes in sentiment scores precede changes in judgment, and the degree to which the sentiment score changed prior to the judgment change affects the subsequent excess return rate.

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