

midnight trader

Earnings Notebook

[introduction]

Earnings, or profits, drive stock prices. The market values a company based on its current and anticipated future ability to make money. The market takes the earnings pulse of a company four times per year when quarterly reports are issued. Over 90% of publicly traded companies release earnings outside of the regular session. When this information is released in the extended-hours (typically after hours) it can often be a trend-changing or a trend confirming event because the information is so vital to the market's perception of the vitality of that company.

Chief Financial Officers at these companies have become adept at managing their quarterly earnings numbers to present the company in its most favorable light. They carefully manage the expectations of analysts assigned to follow the company so that when earnings are announced, they do not issue a disappointment. However, many sophisticated individual and institutional traders have their own earnings expectations on stocks they trade and immediately act on those expectations in the after hours and before the open the following day. As a result, change in the stock's price in the after-hours and regular session following an earnings announcement tends to be significant and often follows a predictable pattern. In fact, many company's stock price histories show predictable movements the day after earnings are issued, repeating the same pattern quarter after quarter, year after year.

[its predictive nature]

MidnightTrader's Earnings Notebook is designed to help the equity trader, portfolio manager and analyst identify companies that are earnings sensitive and have a consistent pattern of extending gains or losses in the regular session following an earnings release in the after hours or pre-market. **MidnightTrader's** proprietary analysis of extended-hours market data consists of over four years of stock and event specific reaction history on over 3,000 publicly traded companies. This advance notice of reaction history provides a predictive guide as to how a stock's price is likely to react in the hours and days following its next announcement.

Night vision for the investment community

Each Earnings Notebook report provides current expectations plus a complete picture of a stock's quarterly reporting and price reaction history going back up to four years. The combination of both fundamental earnings and technical price history for issues which trade actively in the extended-hours provides an accurate guide as to how that issue is likely to react following its next release. This reaction history consists of the company's quarterly earnings (EPS, Revenues and guidance) versus First Call expectations and its price reaction in both the after-hours and by the close of the following regular session. The patterns become clear when comparing current day's price reaction to how the stock has reacted in the past to similar news, both after hours and the following day. This service provides the end user with a unique and proprietary view into **MidnightTrader's** historical extended-hours event reaction and transaction database. The data behind this service consists of over 20 quarters of stock and event specific information (primarily earnings, though other regularly scheduled event types are also reported) coupled with the resulting trading activity; detailing price reactions in the after-hours followed by regular session price action.

In short, the **Earnings Notebook** service provides a proprietary historical pattern recognition tool which allows users to gauge how a stock is most likely to trade the following day based on how it has reacted in both the after-hours and following regular session on similar news in the past. For example, some stocks tend to trade higher after-hours following better than expected quarterly results, only to fall into negative territory the next trading day. This type of historical pattern recognition and reaction data allows **MidnightTrader's** analysts to provide an excellent predictive tool for the determining how a stock is likely to react tomorrow based on how it has reacted overnight combined with its past event specific reactions.

[who can benefit from this unique information?]

Earnings Notebook is a premium service from a recognized expert in extended-hours equity market news and analysis. Our proprietary methods of information gathering have allowed us to archive, analyze and disseminate in a timely manner over four years of historical stock and event specific reaction history. The result is a customized text based service that provides daily stock specific reports which are issued ahead of the regular close on issues scheduled to report earnings or other regularly scheduled corporate announcements in the after-hours.

Ultimately, the **Earnings Notebook** is designed to provide investment professionals with valuable, easy understand insight into historical events and data. Subscribers to the **Earnings Notebook** will gain access to a wealth of knowledge not available anywhere else.

[recent examples]

Stocks that recorded wider next-day movement in the majority of their most recent after-hours earnings events, and how they performed in the most recent past earnings event, include:

• • • **Whole Foods Market (WFMI):** The grocer has developed a strong pattern of extending price moves in the regular sessions following its after-hours earnings-related events, extending its move after eight of its past nine earnings reports. Most recently, on November 2nd, WFMI fell 12% after hours in response to a disappointing earnings report. The stock ended the following regular session down 23%.

• • • **Walmart (WMT):** Same store sales figures from retail giant Walmart provides some consistent movement in the issue both in the pre-market and following regular session. Looking back at the last 12 months of session-to-session performance data following same store sales announcements, the stock favors a narrowing pattern between the sessions, cutting back its pre-market gains or losses in the following regular session trade nine times in the last twelve same store sales events.

Historical overnight reactions

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• • • **Disney (DIS):** The entertainment company has consistently extended its losses in the regular session following its extended-hours earnings release. The near-term performance is firmly in a widening pattern, with the last five earnings events seeing more aggressive, same direction movement in price the next day. Most recently, DIS fell 2% after the close on November 9th, followed by a decline of 3.5% by the close on the 10th.

• • • **JDS Uniphase (JDSU):** JDSU is a consistent performer for **MidnightTrader's** clients. It is clearly one to watch for potential next-day wider movement as the stock has seen more aggressive next-day action following nine of its last 11 after-hours earnings events. The telecommunications equipment company reported better than expected quarterly results after hours on November 2nd, gaining 5.6%. In next day trade buyers pushed those gains to over 15% by the regular session close.

[who is midnighttrader?]

Widely and frequently recognized in the press and with over 60 US and European institutions and thousands of individual professionals as customers, **MidnightTrader** is the leader in pre- and post-market trading support and information to the active trading community.

[delivery options]

The proprietary **Earnings Notebook** service is available direct from **MidnightTrader** and through many industry leading market data platforms and content aggregators. Contact **MidnightTrader** or your market data sales representative for a trial.

[contact us for a free trial and subscription information]

For more information about how **MidnightTrader** can benefit your organization, contact us today:

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