

CHAPTER V

Conclusion and Recommendation

5.1 Conclusion

This paper examines analysts' recommendation in the South-East Asian countries and United States and evaluates the 'value' related to analysts' recommendation. The recommendation data are available in I/B/E/S database which covers the period from January 1996 to December 2005. Recommendation data are ranked by rating a scale of 1 to 5 on each recommendation. The study classifies rating into 5 mean consensus portfolios following analysts' recommendation. The study finds evidence that analysts are reluctant to issue '*relative sell*' recommendations due to conflict of interest between optimism and accuracy. The study also finds the power of analyst to move market returns in '*emerging markets*' caused by insider information and asymmetry information.

The study observes significant and positive abnormal returns in '*relative buy*' recommendations. Stock returns increase after holding portfolios longer period caused by lag time between recommendation and return movement. Furthermore, the study finds empirical evidence that analysts have performance to recommend '*relative buy*'.

The study finds that low covered stocks outperform high cover stocks and more effect in emerging markets than developed market. Abnormal trading volumes also find in buy and sell recommendations more than hold recommendation. Because brokerage firms will gain brokerages' fee from trading activities.

In summary, this paper brings additional support to the research regarding the value of analysts' recommendations. The study recommends that '*strong buy*' recommendation is value to invest. Investors can gain abnormal returns on recommendation information.

5.2 Recommendation

The limitation of the study is the lack of recommendation data from I/B/E/S. First, I/B/E/S database is not providing exact event date that analysts issue recommendations. Second, the study cannot identify analysts from each brokerage firms. I/B/E/S provides only average recommendation rating. We cannot observe each recommendation issued by analysts in each brokerage firms.

Finally, the limitation of short sell in emerging markets, investors cannot use short sell strategy to gain higher abnormal returns.