

Referee Report — One-Page Summary

Post-Earnings-Announcement Drift Across Fifty Years: A Replication (Seidel, May 2026)

Editor: PEAD-Replication / Reviewer team: econometrics, theory, exposition → chair synthesis

Summary. The paper replicates Bernard and Thomas (1989) on the original 1974–1986 window and extends the design to 1974–2024 using a transparent Python pipeline. Firm-quarters are sorted into SUE deciles based on a seasonal random-walk forecast; cumulative size-adjusted abnormal returns over $[0, +60]$ trading days are estimated against an equal-weighted size-decile benchmark and modelled via Fama–MacBeth and two-way fixed-effects panel regressions. Headline finding: the D10–D1 spread is 5.88 pp on the original window and 6.84 pp on the extension; in parallel, the fraction of the 60-day drift earned around the next quarterly announcement falls from 22–25% to 6–8%, which the paper interprets as a collapse of the delayed-response mechanism.

Major comments.

- **(1) FM t -statistics overstated by uncontrolled NW bandwidth on overlapping windows** (econ). The dependent variable is a 60-day cumulative return, so consecutive quarterly cross-sections are serially correlated; the FM call sets `cov_type="kernel"` without specifying `bandwidth`. The 4:1 ratio of permno-clustered to year-clustered panel t -stats on the extension (39.21 vs. 9.58) implies the reported FM $t = 28.77$ is materially inflated. *Fix:* pin `bandwidth=3` (Newey–West, three quarterly lags); report side-by-side with auto-selected bandwidth.
- **(2) Mechanism-collapse claim rests on a baseline inconsistent with the source paper** (theory; corroborated by econ). Section 3.3 attributes 22–25% to Bernard and Thomas (1989) Table 5, but the source reports 40%, 29%, 25% (small/medium/large). The 15-pp gap for small firms means the paper’s own 1974–1986 replication already underperforms the original baseline, so the 6–8% extension number is a continuation of an existing decline, not a regime change. Additionally, Bernard and Thomas (1990, *JAE*) — the formal serial-correlation specification — is absent from the bibliography. *Fix:* verify Table 5 against the original; cite Bernard and Thomas (1990) and explain divergence (IBES vs. Compustat dates, 30–200 day filter, EW vs. VW benchmark).
- **(3) Contribution unevaluable against the wrong literature** (theory). The claim “adds to the post-publication evidence on anomaly persistence” is made against Chordia et al. (2009) and Green et al. (2017), neither of which addresses anomaly survival. McLean and Pontiff (2016, *JF*) is the canonical reference and is absent. *Fix:* add McLean–Pontiff to bibliography; reposition the contribution paragraph against their 58% average decay benchmark.

Selected identification threats (full list in `output/referee_final.md`, Section 3): self-inclusion bias in EW size-decile benchmark (largest in small caps where D10–D1 is highest); 30–200 day gap filter on next-quarter announcements asymmetrically attenuates the modern fraction; panel FE estimates a within-firm parameter that is not the cross-sectional PEAD object; no VW size-quintile benchmark variant (the original choice); two-way clustering (Cameron–Gelbach–Miller 2011) absent; no decade-by-decade decomposition to locate the mechanism-decay timing.

Selected minor comments (full list, 12 items, in Section 4): introduction is four paragraphs not five; “This paper makes two contributions” is banned filler; table footnotes embedded in captions rather than `\footnotesize` minipage; significance-star legend inconsistent in `tab_1.drift_longevity`; Mendenhall (2004) and Livnat–Mendenhall (2006) absent — the latter directly questions whether seasonal random-walk SUE is the right measure under modern analyst coverage; Hou, Xue, and Zhang (2020, *RFS*) replication of 452 anomalies not cited.

Recommendation: *Major revision.*

Weakest claim. The “mechanism collapses” assertion: the 22–25% baseline is 15 pp below the figure Bernard and Thomas (1989) Table 5 actually reports, while the 30–200 day filter asymmetrically attenuates the modern fraction. The two errors compound in the same direction, leaving open the possibility that the collapse is a measurement artifact rather than an economic finding.