Rita Wang, PhD
“Are STEM Analysts Better? Evidence from Analyst Forecast Accuracy”

Abstract:

This study investigates how analysts’ educational background in the fields of Science, Technology, Engineering, and Mathematics (STEM) contributes to analyst forecast accuracy. Using a proprietary dataset that contains the personal traits of 2,813 analysts from the Chinese market, we find that, when accumulating more forecasting experiences, STEM analysts issue more accurate earnings forecasts than do their non-STEM counterparts. We also find that STEM analysts outperform non-STEM analysts when forecasting earnings of companies within the STEM industries. We employ both two-stage least squares regression analysis and a series of analyst subgroup analyses to address concerns about potential endogeneity issues and achieve consistent results. Additional analyses suggest that STEM analysts are more likely to be rated as star analysts and recruited by Top 10 brokerage firms. Our study provides the first empirical evidence on the performance of STEM analysts, and, thus, our findings should be of interest to both academics and practitioners.