

**Title:** LAZY PRICES

**Speaker:** LAUREN H. COHEN  
Harvard Business School

**Importance:** Why this matters:

10K and 10Q reports are dull reading. Those who write these reports, usually lawyers or accountants, default to a “Same as late year” format, hence the “laziness” referred to in the title. However, when there are notable additions/edits, the tendency is to bury bad news in some obscure section of the (average 175 page) report. This is a strong signal that companies are revealing substantive changes in their businesses. Thus “laziness” also applies to those whose job it is to analyze those reports, but frequently glaze over the mind-numbing boilerplate.

**Investigation:** "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Cohen analyzed all 10K's and 10Q's downloaded from the SEC's Edgar website from 1995 to 2014 and analyzed the changes under four criteria: positive, negative, uncertainty and litigious by the extent of the change.

**Innovation:** Are there new techniques of interest in the data or approach to the problem?

The author applies four different measures of similarity between the two documents (sets.) These test could easily be performed on lexicographical analytics by an analyst charged with finding significant information hidden in an obtuse document.

**Insights:** 1-2-3, what are the three most important things the speaker offered?

1. Firms overwhelmingly just repeat what they most recently reported. Significant information is often revealed inconspicuously, often in the risk factors section.
2. A portfolio that buys “non-changers” and shorts “changers” earns 30 to 70bp over the following year.
3. This has broad implications for financial behavior, along with our ability to extract valuable information from subtle behavior.

**Audience rating:** 4.61