

**DOES ADAPTIVE EPS FORECASTING
MAKE ANALYSTS' FORECASTS
REDUNDANT? ***

In this study, I examine the relative accuracy of financial analysts' and adaptive time-series earnings forecasts made at the beginning of a fiscal year. I consider IBES consensus forecasts and employ a novel forecasting approach: artificial neural networks. The central question is whether financial analysts efficiently utilize available information and produce forecasts that are more accurate than predictions of statistical models. In contrast to the existing literature, which analyzes non-adaptive forecasting techniques, I present evidence of the superiority of adaptive time-series models forecasts over financial analysts' forecasts made at the beginning of a fiscal year for a specific subset of firms. The study shows a way of differentiating companies according to statistical characteristics of their earnings, and as a result, to the relative accuracy of analysts' forecasts. I find that the relative accuracy of financial analysts' forecasts decreases with the variation of change in earnings and the forecast horizon. The evidence presented contributes to the understanding of the formation and value of analysts' predictions.

Keywords: Performance of Financial Analysts, Earnings Forecasts, Artificial Neural Networks.