

These questions are designed to help you focus a discussion/presentation. Point to specific views or evidence in the papers.

6 Shleifer Downward sloping demand

1. What's the one-sentence big point? (We'll look for evidence in the paper if this is true)
2. Why is S&P inclusion different from, say looking at the price impact of a big block trade?
3. What's important about Sept 1976?
4. How much is the abnormal return on S&P inclusion since Sept 1976?
5. What fraction of companies have a positive abnormal return on announcement day?
6. Does the price bump on S&P inclusion seem to be permanent or transitory?
7. Does the effect seem to get stronger and more long lasting over time? How much? How does Shleifer interpret this result
8. Is the return higher if there is more volume on the announcement day?
9. Is there a possible "information story"? How does Shleifer test it? Can you think of other tests?
10. Obviously, I like a "liquidity story" that stocks in S&P trade more often due to arbitrage against index and futures, etc.. What does Shleifer do about this? What else could we do?
11. How does the actual evidence nuance the one sentence summary?

7 Harris and Gurel

1. Note nice literature review on p. 815-816
2. What happens to trading volume on the first 5 days after S&P inclusion? Has the effect gotten weaker or stronger over time? Can we tell if my story that volume goes up *permanently* on S&P inclusion is true?
3. What is HG evidence on the 1-5 day price effect? How is this different from Shleifer's calculation?
4. Does the price increase all happen in the same day, or does? Do index funds do all their buying in the same day?

5. What happens as we go out 30 days from announcement? Does the price stay permanently higher, or does it seem like prices revert slowly back?
6. What happens to volume after addition? Does volume stay permanently higher?
7. Summary?

8 Barberis Shleifer and Wurgler

1. What's the one-sentence summary of the findings? (We'll look for evidence if this is true)
2. Give a one-sentence description of possible "theories" of extra comovement.
3. Describe Table 1. First the univariate, then the bivariate regressions
 - (a) What are the regressions? How are the data constructed?
 - (b) How big is the change in beta? Is this economically significant?
 - (c) Is the change in beta different for different time periods?
 - (d) Is the change in beta different for different return horizons? What are the implications of betas that are different at different return horizons? Does this correspond to "theories"?
 - (e) In the bivariate regressions, are the right hand variables correlated? Do the coefficients conform to the pattern we expect of highly collinear right hand variables? What do the authors say about this?
 - (f) Note that the decline with horizon is less clear in bivariate regressions. BSW waffle about this; I note the monthly sample is shorter.
4. Stocks are added to the S&P when they get bigger and are in lucky industries, which will then dominate the S&P index. This could cause the effect. What do BSW do about this possibility?
5. Perhaps stocks that join the S&P500 are more frequently traded, so we measure high frequency betas better. What to BSW do about this possibility?

9 Mitchell Pulvino and Stafford

1. What was previously known about stock price reactions to the announcement that the company would make an acquisition, either by stock or by cash?
2. And what new story are they looking at?

3. Note p. 32 literature review on sp inclusion effects, with focus on the permanence or no. Apparently some price is permanent, and we should read those papers!
4. Describe typical merger “arbitrage” strategies surrounding cash, stock, and floating-value mergers. When do arbitrageurs short and buy in each case? (Note the stories are good.)
5. p.39 worldcom story. Note 17 days of trading to change positions.
6. Describe Table II and Figure 1. In particular
 - (a) How do announcement day returns vary for the different kinds of transactions, and does this fit with MP’s story?
 - (b) What happens during the pricing period for floating rate transactions? Why do MP regard this as particularly significant? (Maybe the most important number in the paper)
7. Broadly speaking, does short interest increase when MP say it should (Figure 2). What are the exceptions?
8. (I’m skipping table VI which tries to relate the amount of price change to the amount of short selling, i.e. how much is information and how much is short pressure. It’s a good question, but I don’t think the answer is compelling enough to spend class time on it.)

10 Mitchell Pedersen and Pulvino

1. Using Figure 1 and 2, describe the events of 2005. How much did convertible arb hedge funds sell during this period? What happened around the two minima of the value ratio graph? Who bought the convertibles, and why didn’t this make up the difference?
2. Using Figure 3, what is the story for the LTCM episode?
3. Using Figure 4, what is the story for the events around the 1987 crash?

11 Ofek and Richardson

We will only look at the evidence of price drops at the end of the lockup period. The rest is blah blah, numerically small, not very convincing, and repeats much of the internet stuff we’ve already done.