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Informed Retail Investors: Evidence from Retail Short Sales

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Abstract

Our study suggests that despite the enforcement of insider trading laws, there are still some investors trading on their private information. Using account-level information, we show that some retail investors seem to be informed about particular stocks. When they sell short these stocks, they earn an alpha of 15%; when they purchase these stocks, they earn an alpha of 27%. Other short sales and purchases by the same investor do not earn significant alpha. These

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