

Accepted Manuscript

Short interest as a signal to issue equity

Don M. Autore, Irena Hutton, Dominique Gehy, Danling Jiang



PII: S0929-1199(17)30156-6

DOI: <https://doi.org/10.1016/j.jcorpfin.2017.12.014>

Reference: CORFIN 1322

To appear in: *Journal of Corporate Finance*

Received date: 10 March 2017

Revised date: 8 December 2017

Accepted date: 9 December 2017

Please cite this article as: Don M. Autore, Irena Hutton, Dominique Gehy, Danling Jiang , Short interest as a signal to issue equity. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. Corfin(2017), <https://doi.org/10.1016/j.jcorpfin.2017.12.014>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Short Interest as a Signal to Issue Equity*

December 2017

Don M. Autore
Florida State University
dautore@fsu.edu
850-644-7857

Irena Hutton
Florida State University
ihutton@fsu.edu
850-645-1520

Dominique Gehy
Hofstra University
Dominique.Gehy@hofstra.edu
516-463-5083

Danling Jiang
State University of New York at Stony Brook and
Southwest Jiaotong University
danling.jiang@stonybrook.edu
850-645-1519

[Abstract] We find that the level of short interest in a firm's stock significantly predicts future seasoned equity offers (SEOs). The probability of an SEO announcement increases by 34% (decreases by 49%) for firms in the top (bottom) quintile of short interest. We identify a causal impact of short interest on SEO issuance using a novel instrument for short interest based on future litigation filings in close geographical proximity to hedge fund centers. Our findings suggest that corporate decisions can be triggered by the aggregate trading activity of sophisticated outside investors.

[Keywords]: Short interest; seasoned equity offers; litigation; trigger effect; feedback effect

* Corresponding author: Don M. Autore, Email: dautore@fsu.edu; Phone (850) 644-7857; Fax: (850) 644-4225. We are grateful for helpful comments from Rajesh Aggarwal, Zahi Ben-David, Zhi Da, Joey Engelberg, Byoung-Hyoun Hwang, David Hirshleifer, Jonathan Karpoff, Markku Kaustia, Avanidhar Subrahmanyam, Liyan Yang, conference participants at the Financial Management Association annual meeting, and seminar participants at Florida State University, University of Tennessee, Rutgers University-Camden, and Hofstra University. All errors remain our own. A previous version of this article circulated under the title "Arbitrage with Arbitrageurs: Short Interest as a Signal to Issue Equity."

Download English Version:

<https://daneshyari.com/en/article/7357370>

Download Persian Version:

<https://daneshyari.com/article/7357370>

[Daneshyari.com](https://daneshyari.com)