

INSIDER TRADING

KERRY BACK AND KEVIN CROTTY



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- A large academic and practitioner literature shows that some trades by company insiders contain information about future returns.
- Quandl's Core US Insiders Data (SHARADAR/SF2) can be used to explore these strategies

COHEN, MALLOY, POMORSKI (JF 2012)

- Separate routine from opportunistic insider trades
- Routine traders are those trading in same month each year for 3 years
- Opportunistic insider trades have more information content (esp. nonexecutive insiders from geographically concentrated, poorly governed firms)
- A value-weighted portfolio focusing on opportunistic trades returns 82 bps per month
- Cohen, Malloy, Pomorski (JF 2012)

AKBAS, JIANG, AND KOCH (JF 2020)

- Short-horizon (SH) insiders make both more unexpected and more informed trades than those of long-horizon (LH) insiders.
- Investment horizon: absolute value of average annual net order flow in insider's own-company stock over past 10 years
 - close to 0: insider sometimes buys and sometimes sells
 - close to 1: insider is usually buying or selling (not both)

AKBAS, JIANG, AND KOCH (JF 2020)

- Long-short strategy of recent strong purchases and sales of SH insiders: **2.08%** abnormal monthly return
- Long-short strategy of recent strong purchases and sales of LH insiders: **0.77%** per month
- Akbas, Jiang, and Koch (JF 2020)

CMP VS AJK

- CMP focuses on unexpectedness in trade *timing*
- AJK focuses on unexpectedness in trade *direction*
- AJK also takes trading strength into account
- Trading strength = net insider purchases scaled by trading volume
 - then take scaled rank in the cross-section of insiders