

Re-released Information in *The Wall Street Journal's* 'Insider Trading Spotlight' Column

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This paper uncovers a market response to re-release of previously announced public information. This condition represents a violation of a semi-strong form of the efficient markets hypothesis. Common stocks of companies featured in The Wall Street Journal's 'Insider Trading Spotlight' column for the years of 1994 and 1995 had a significant price change on the publication date. For purchases by insiders, the day-zero abnormal return is positive and significant at the 0.01 level, and for sales it is negative and significant at the 0.05 level. For the full sample, including the combined purchases and sales by insiders, the day-zero abnormal return is also significant at the 0.01 level. The volume results also indicate that the average trading volume was higher at the column publication date than over the 30 days preceding the publication date. A positive and statistically significant relation between abnormal returns and relative trading volumes on the publication date is consistent with the notion that the 'Insider Trading Spotlight' column provides additional information content to investors.

Introduction

Numerous studies have examined the proposition that stock markets are semi-strong efficient due to their lack of a reaction to information previously released publicly. In domestic U.S. markets, the response to the initially released information is generally within a few stock market transactions. A violation of the semi-strong form of an efficient market hypothesis occurs if investors systematically revalue securities based on previously released public information; no violation occurs if security re-valuation

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does not occur after the market's initial adjustment to the public announcement of information.

The information release examined in this paper is insider trading performed by managers in their firm's common stock that is published in the weekly 'Insider Trading Spotlight' column of *The Wall Street Journal*. The column reports the ten largest purchases and the ten largest sales preceding the column publication date, in terms of dollar value of the combined open market and private transactions that involve direct and indirect holdings.¹ The column also provides information on the insiders' names, their titles in the firm, number of shares traded, dollar amounts of transaction, transaction dates, and the exchange where the stocks are traded.

Insider purchases and sales of the firms' securities must be reported to the Securities and Exchange Commission (SEC) and other regulators by no later than the tenth of the month after the month of the trade. Before being published in the 'Insider Trading Spotlight' column, the information is released to the public by the SEC and often is disseminated over wire services and made immediately available on on-line services.² The information published in the weekly 'Insider Trading Spotlight' column reflects the pre-published filings of individual insiders. Hence, this paper examines secondary, or *stale*, information that is collected and published weekly in the 'Insider Trading Spotlight' column of *The Wall Street Journal*.

Other recent studies document significant abnormal stock price behavior upon the release of secondary information. Lloyd-Davies and Canes (1978), Syed, Liu, and Smith (1989), Liu, Smith, and Syed (1990, 1992), and Barber and Loeffler (1993) find abnormal price performance from stock recommendations reported in *The Wall Street Journal* (WSJ). Trahan and Bolster (1995) find the same phenomenon from recommendations in *Barron's*, while Palmon, Sun, and Tang (1994) and Mathur and Waheed (1995) find the same results from recommendations published in *Business Week*. Sant and Zaman (1996) also examine recommendations published in *Business Week* and find positive abnormal returns for favorable reports where the response decreases as the number of analysts decreases. The current study, to our knowledge, is the first study to examine investors' reactions to the re-release of insider trading information.

Prior studies have found that outsiders can earn significant abnormal profits by imitating insiders at the initial public release of the insider trading information (e.g., see Finnerty, 1976 and Seyhun, 1986). If a semi-strong form of efficient market hypothesis holds true, insider-trading information previously released and already in published or on-line sources should be fully reflected in security prices. A counterargument could be made that not enough investors act on conclusions drawn from information available

¹The column excludes insider purchases and sales of stocks valued at less than \$2 a share, acquisitions through options, and companies being acquired.

²For example, 'Insider Trading Monitor' of Investnet/Net Inc., Ft. Lauderdale, FL 33331 provides this type of on-line service.

on-line or from other more timely sources. If this condition holds, some value may be attached to the 'Insider Trading Spotlight' column information re-release. Yet this market response violates the traditional semi-strong form of an efficient market hypothesis because the full value consequence of the initial information release is not included in the security price by the time it is reported in the 'Insider Trading Spotlight' column.

In this paper, evidence of a significant market response to the re-release of information occurs when it is published in the 'Insider Trading Spotlight' column. The stock price response at the re-release date also has the expected signs for both the insider purchases (positive) and sales (negative). For the full sample, including the combined purchases and sales by insiders, significant abnormal price changes and volume increases at the re-release date of this information exist. This finding is consistent with the view that the column provides information content to the market.

Data and Methodology

The insider trading data in this study come from the 'Insider Trading Spotlight' column published weekly in *The Wall Street Journal*. The sample includes transactions on the ten largest purchases and the ten largest sales by insiders in their firm's common stock preceding the publication week. In addition, the column provides information on the insider's name, his or her title in the firm, the number of shares traded, the dollar value of transactions, the stock exchange that handles the stock, and the transaction dates.³ This information was collected for each week between January 1994 and December 1995.

Initially, 2,080 individual trades were selected. Next, 1,405 transactions with either an unclear insider trade date or other detected inaccuracy were eliminated. In addition, 93 trades were excluded because of unavailable information on daily stock returns from the Center for Research in Security Prices (CRSP) master files. The final sample includes 582 open-market transactions with 268 purchases and 314 sales by individual insiders. Panel A of Table 1 includes the mean and median characteristics for these individual trades. On average, 72,000 shares were traded with a corresponding dollar value of \$1,506,000 for all combined purchases and sales by insiders. The number of shares traded and dollar value averages were, respectively, 57,000 shares and \$2,659,000 for all sales and 15,000 shares and \$155,000 for all purchases by insiders. Consistent with the results of other studies, sales by insiders exceed purchases.⁴ Insiders are net sellers over time as they liquidate some of their holdings accumulated from option exercise and share-based performance payments. These results also differ across the location of the trade. The average dollar trade value is higher for firms that trade on

³Investnet/Net Inc. selects these transactions with the supervision of a *WSJ* reporter who is responsible for preparing the column for the coming week.

⁴See, for example, Finnerty (1976) and Seyhun (1986).

Table 1—Insider Trading Characteristics and Abnormal Returns

Panel A: Mean and Median (in brackets) Characteristics for the Largest Individual Insider Trades Published Weekly in *The Wall Street Journal's* 'Insider Trading Spotlight' column between January 1994 and December 1995

	All Trades	Purchases	Sales
Total Trading (\$ thousands)	1,506 (N = 582) [439]	155 (N = 268) [50]	2,659 (N = 314) [976]
Total Trading NYSE/AMEX (\$ thousands)	513 (N = 240) [159]	106 (N = 100) [22]	140 (N = 140) [284]
Total Trading NASDAQ (\$ thousands)	2,203 (N = 342) [642]	184 (N = 168) [31]	4,152 (N = 174) [1,504]
Total Shares Traded (thousands)	72 (N = 582) [22]	15 (N = 268) [5]	57 (N = 314) [21]
Market Value of Equity (\$ millions)	1,471 (N = 582) [525]	1,247 (N = 268) [499]	1,663 (N = 314) [611]

Panel B: Daily Average Abnormal Returns for 268 Purchases and 314 Sales by Insiders Around *The Wall Street Journal's* 'Insider Trading Spotlight' Column Publication Date¹

Day	Purchases			Sales		
	AR(%)	Positive	Z-StatPos/Neg	AR(%)	Positive	Z-StatPos/Neg
-3	-0.54 (-0.66)	139	0.61	0.87 (1.22)	164	0.79
2	-0.13 (-0.43)	135	0.12	0.11 (0.33)	159	0.23
-1	0.53 (1.57)	130	-0.49	-0.73 (-1.32)	153	-0.45
0	0.63 (2.71)***	150	1.95**	-0.67 (-2.08)**	140	-1.92**
1	0.20 (1.89)*	148	1.71*	0.26 (1.32)	169	1.35
2	0.65 (1.03)	136	0.24	-0.24 (-0.44)	154	-0.34
3	0.35 (0.85)	131	-0.37	0.24 (0.27)	161	0.45

¹ Average abnormal return z-statistics in parentheses

* Significant at the 10 percent level

** Significant at the 5 percent level

*** Significant at the 1 percent level

the National Association of Securities Dealers Automated Quotations (NASDAQ) system than on the New York or the American Stock Exchanges (NYSE and AMEX).

Abnormal returns (ARs) are determined by applying a standard event study approach (Brown and Warner, 1985 and Mikkelsen and Partch, 1988). The event-period window is from 30 days prior to the insider-trading day through 30 days after the 'Insider Trading Spotlight' column publication day. The market model parameters are

estimated with 250 pre-event period daily returns ($t = -280, -279, -278, \dots, -31$) using the CRSP equally weighted index.

To find the abnormal returns for the full sample, including the combined sales and purchases by insiders, daily prediction errors related to sales are multiplied by -1 and by +1 when related to purchases. Averaging these prediction errors determines the overall sample portfolio daily abnormal return.

Recent studies (e.g., see Woodruff and Senchack, 1988; Karpoff, 1987; and Richardson, Sefcik, and Thompson, 1986) have suggested a significant increase in trading volume resulting from the release of information. Hence, volume trading, changes in volume trading, and their association with abnormal returns are also examined. The number of shares traded per day for individual firms is used as the proxy for daily volume. This information is drawn from the CRSP master files.

The method used by Liu, Smith, and Syed (1990) to examine the association between volume and publication of the *WSJ*'s 'Heard on the Street' column is also employed. The daily relative trading volume, represented by the volume of shares traded on day t divided by the number of outstanding shares, is examined for days 0 to +3 using an ordinary least squares (OLS) model, defined as $T_j = a + b IV_j + e_j$, where the T_j , the daily relative trading volume on day -30 to +3, are regressed against the volume-indicator variable IV_j , which equals 1 if the daily relative trading volume of observation j , T_j , is for days 0 to +3 and 0 otherwise. Coefficients a and b are OLS parameters, and e_j is an error term for observation j . Then, a represents the mean relative volume for the period -30 through -1, and b represents the difference between relative volume on day t ($t = 0, +1, +2, \text{ or } +3$) and the mean relative volume over days -30 to -1.

Results

Abnormal Return Results

Panel B of Table 1 provides the results from the re-release of public information on purchases and sales by insiders. The day-zero abnormal return (AR_0) of 0.63 percent for purchases is significant at the 0.01 level and represents the average abnormal return on the 'Insider Trading Spotlight' column publication day to an investor acting on this information. For sales by insiders, the day-zero AR of -0.67 percent is significant at the 0.05 level. Under such abnormal return conditions, the investor would buy the security if the prior insider trade were a purchase and sell it if the prior insider trade were a sale. A violation of a traditional semi-strong form of efficient market hypotheses is evident.

Table 2 shows how the insider trading information is released and received by the market. Initially, the insider trading occurs, and then the insiders' reports of their trades are received by the SEC and made publicly available. This information is released on-

Table 2—Average Abnormal Returns

Results around *The Wall Street Journal's* 'Insider Trading Spotlight' column publication date and around both the Securities and Exchange Commission filing and insider-trading dates. Abnormal returns for sales by insiders are multiplied by -1 and for purchases by +1 for computation of the full sample abnormal returns.

Panel A: *The Wall Street Journal's* 'Insider Trading Spotlight' Publication Date is Event-Day Zero

Day	DailyARWS (%) ¹	Z-StatARWS	CARWS ²	Positive	Negative	Z-StatPos/Neg
-3	0.22	0.906	0.22	304	278	1.078
-2	0.00	0.045	0.22	295	287	0.331
-1	-0.15	-1.472	0.07	284	298	-0.580
0	0.69	3.025***	0.76	324	258	2.736***
1	0.23	2.242**	0.99	314	268	1.907**
2	0.17	0.629	1.16	297	285	0.497
3	0.29	1.057	1.45	285	297	-0.497

Panel B: The Securities and Exchange Commission Filing Date is Event-Day Zero

Day	Daily ARFD(%) ¹	Z-StatARFD	CARFD ²	Positive	Negative	Z-StatPos/Neg
-3	0.40	0.800	0.40	277	305	-1.161
-2	0.70	1.320	1.10	283	299	-0.663
-1	0.24	0.622	1.34	285	297	-0.497
0	0.43	1.981**	1.77	313	269	1.824**
1	-0.34	-0.151	1.43	299	283	0.663
2	0.06	0.373	1.49	298	284	0.580
3	-0.37	-0.757	1.12	288	294	-0.248

Panel C: The Insider-Trading Date is Event-Day Zero

Day	Daily ARIT(%) ¹	Z-StatARIT	CARIT ²	Positive	Negative	Z-StatPos/Neg
-3	-0.05	-0.143	-0.05	271	311	-1.658
-2	-0.20	-1.039	-0.25	281	301	-0.829
-1	-0.35	-2.096**	-0.60	267	315	-1.989**
0	-0.81	-2.752***	-1.41	266	316	-2.072**
1	-0.17	-0.305	-1.58	281	301	-0.829
2	0.07	0.383	-1.52	279	303	-0.994
3	0.18	0.640	-1.34	307	275	1.326

line. Finally, the on-line information is compiled, and the largest transactions are published in *The Wall Street Journal's* 'Insider Trading Spotlight' column.⁵

Panel C of Table 2 shows that the ARITs (daily average abnormal returns around the insider-trading date for the full sample) for days -1 and 0 are -0.35 percent (significant at the 0.05 level) and -0.81 percent (significant at the 0.01 level), respectively. In addition, the CARIT (cumulative average abnormal returns around the insider-trading date) reported in Panel A of Table 3 for the period -10 to -1 is negative (= -4.33 percent) and significant at the 0.01 percent. Consistent with the literature (e.g., Seyhun, 1986), these results suggest that:

⁵The average number of days between the insider trading and SEC filing dates was 18.68 days and between the SEC filing and 'Insider Trading Spotlight' column publication dates was 7.36 days.

Table 2 (cont.)—Average Abnormal Returns

Results around *The Wall Street Journal's* 'Insider Trading Spotlight' column publication date and around both the Securities and Exchange Commission filing and insider-trading dates. Abnormal returns for sales by insiders are multiplied by -1 and for purchases by +1 for computation of the full sample abnormal returns.

Panel D: Analyses of the relationship (1) between the abnormal returns on the publication date of the 'Insider Trading Spotlight' column and on the Insider-Trading date, and (2) between the abnormal returns on the publication date of the 'Insider Trading Spotlight' column and on the SEC filing date. Model 1 is the linear regression of the abnormal returns on the 'Insider Trading Spotlight' column publication day against the abnormal returns on the Insider-Trading date, and Model 2 is the linear regression of the abnormal returns on the 'Insider Trading Spotlight' column publication day against the abnormal returns on the SEC filing date

	Model 1	Model 2
Intercept	0.47	0.36
<i>t</i> -Statistics	(1.55)	(1.37)
Slope	-0.27	0.76
<i>t</i> -Statistics	(-1.77)	(1.58)

¹ARWS is the average abnormal return on day *t* around *The Wall Street Journal's* 'Insider Trading Spotlight' column publication date, ARFD is the average abnormal return on day *t* around the Securities and Exchange Commission filing date, and ARIT indicates the average abnormal return on day *t* around the Insider-Trading date

²CARWS represents the cumulative average abnormal returns around *The Wall Street Journal's* 'Insider Trading Spotlight' column publication date, CARFD indicates the cumulative average abnormal returns around the Securities and Exchange Commission filing date, and CARIT represents the cumulative average abnormal returns around the insider-trading date

* Significant at the 10 percent level

** Significant at the 5 percent level

*** Significant at the 1 percent level

- On average, insider purchases are preceded by negative abnormal returns and insider sales by positive abnormal returns; and
- The absolute abnormal returns for insider purchases exceed those for sales by insiders. The insiders are buying on stock price declines and selling on stock price increases. This is indicative of a strong-form efficient market hypotheses violation where managers are, on average, buying when their company's shares are undervalued and selling when they are overvalued.

Panel B of Table 2 shows the results around the SEC filing date. On day 0, the ARFD (daily average abnormal return around the SEC filing date for the full sample) is 0.43 percent and significant at the 0.05 level. The result is consistent with investors viewing the insider trading information to be of value in determining security prices. This is evidence of a strong-form efficient market hypothesis violation. Further, the CARFDs (cumulative average abnormal returns around the SEC filing date) in Panel A of Table 3 for the intervals -3 to -1, -6 to 0, and -1 to +1 are not statistically significant. This latter result suggests that widening the event window or excluding event day zero reduces the ability to detect significant investors' reactions to publication of insider trading information.

The abnormal return results around the 'Insider Trading Spotlight' column publication date are provided in Panels A of Tables 2 and 3 for the full sample. Panel A of

Table 2 shows that on days 0 and + 1, both ARWSs (daily average abnormal returns around the 'Insider Trading Spotlight' column publication date) are equal to 0.69 percent and 0.23 percent, respectively, and statistically significant at the 0.01 and 0.05 levels. The abnormal returns on day 0 for secondary published insider trading are smaller than those found in other studies that examine buy recommendations. This includes 0.80 percent reported by Barber and Loeffler (1993), 1.01 percent by Lloyd-Davies and Canes (1978), and 1.54 percent reported by Liu, Smith, and Syed (1990) for *The Wall Street Journal* recommendations and 2.09 percent on day 0 by Trahan and Bolster (1995) for *Barron's* recommendations. Our study results are higher than the 0.42 percent on day 0 reported by Ferreira, Porter, and Smith (1998) for positive articles featured in *The Wall Street Journal's* 'Corporate Focus' column.

To study whether or not there is a relationship between the abnormal returns on the 'Insider Trading Spotlight' column date and those on the insider-trading date, the former returns were regressed against the latter ones. Model 1 results in Panel D of Table 2 show that although negative, which would be the predicted sign, the slope of the regression line is not statistically significantly different from zero at the 0.10 level. Thus, knowledge of abnormal returns on the insider-trading date will not improve the prediction of the abnormal returns on the 'Insider Trading Spotlight' column date. Likewise, an insignificant slope determined for Model 2 indicates that there is a lack of a linear relationship between the abnormal returns on the 'Insider Trading Spotlight' column date and those on the SEC filing date.

In addition, to examine the possible effect of overlapping news announcement on the results, the *WSJ Index* was searched for other announcements between days -3 to +3 than the one featured on day 0 in the 'Insider Trading Spotlight' column. A clean sample with 467 observations (201 insider purchases and 266 sales) was obtained. Panel B of Table 3 shows that the results for the clean sample are qualitatively the same as those for the full sample in Panel A of Table 3. The full sample results do not appear to be affected by potentially contaminating other news announcement.

To summarize abnormal return results, the information on the 'Insider Trading Spotlight' column had a direct impact on the prices of the firms associated with the insider-trading activity. In addition, in Panel A of Table 3, while the CARWS (cumulative average abnormal returns around the 'Insider Trading Spotlight' column publication date) for days +1 to +30 is negative ($= -0.16$ percent), it is neither material nor statistically significant (z -statistic $= -1.14$). Thus, there is no clear evidence of a post-period price reversal following the 'Insider Trading Spotlight' announcement effect.

Volume Results

The value of the information featured in the 'Insider Trading Spotlight' column is further examined with the volume tests contained in Table 4. Defined as the volume of

Table 4—Volume of Trading Around Event-Day Zero¹

Results around *The Wall Street Journal's* 'Insider Trading Spotlight' column publication date and around both the Securities and Exchange Commission filing and insider-trading dates. Analysis of volume trading activity on days 0 to +3 is performed by regressing daily relative volumes on days -30 to +3 against the volume-type indicator variable, IV_j , as follows: $[Relative\ Volume\ on\ Day\ t]_j = a + b\ IV_j + e_j$, where the relative volume is defined as volume of shares traded on day t divided by the number of outstanding shares, a is a constant representing the mean relative volume for the period -30 through -1, IV_j is a binary variable coded 1 if relative trading volume is for days 0 to +3, and 0 otherwise, and e_j an error term for observation j . The regression coefficient, b , represents the difference between the relative volume on day t and the mean relative volume for the period -30 through -1

Panel A: Wall Street Journal's 'Insider Trading Spotlight' Column Publication Date is Event-Day Zero				
	$t = 0$	$t = +1$	$t = +2$	$t = +3$
Intercept (a)	6.22%	6.22%	6.22%	6.22%
t-Statistics	(23.80)***	(24.57)***	(24.79)***	(24.76)***
b	2.87%	1.19%	0.52%	0.33%
t-statistics	(3.27)***	(1.98)**	(1.11)	(0.82)
Adj-R ²	0.0018	0.0005	0.0001	-0.0004

Panel B: Securities and Exchange Commission Filing Date is Event-Day Zero

	$t = 0$	$t = +1$	$t = +2$	$t = +3$
Intercept (a)	5.17%	5.17%	5.17%	5.17%
t-statistics	(20.11)***	(20.41)***	(20.49)***	(20.67)***
b	1.77%	-1.06%	0.09%	-0.61%
t-statistics	(2.82)***	(-0.47)	(0.04)	(-0.31)
Adj-R ²	0.0023	-0.0002	-0.0001	-0.0004

Panel C: Insider-Trading Date is Event-Day Zero

	$t = 0$	$t = +1$	$t = +2$	$t = +3$
Intercept (a)	7.01%	7.01%	7.01%	7.01%
t-statistics	(23.80)***	(24.57)***	(24.79)***	(24.76)***
b	2.78%	3.06%	2.19%	1.40%
t-statistics	(3.72)***	(1.23)	(0.66)	(0.42)
Adj-R ²	0.0037	0.0003	-0.0004	-0.0006

Panel D: Regression of *The Wall Street Journal's* 'Insider Trading Spotlight' Column Publication Date Abnormal Return on Size (Equity), Volume (Volume), and Type of Exchange (Exchange)

Dependent Variable	Intercept	Equity ¹	Volume ²	Exchange ³
ARWS _{t,0}	0.065***	-0.008***	0.005***	0.001
	(3.77)	(-5.65)	(4.63)	(0.27)
Adj-R ²	0.1087			
Prob > F	0.0005			

¹Equity = The natural logarithm of the market value of equity at close of business on the column publication day

²Volume = The natural logarithm of the number of shares traded on the column publication date

³Exchange = 1 if company's stock is traded on the NYSE/AMEX, 0 otherwise

* Significant at the 10 percent level

** Significant at the 5 percent level

*** Significant at the 1 percent level

shares traded on day t divided by the number of outstanding shares, the relative trading volume on days 0 to +3 is compared to the relative trading volume on days -30 to -1. Panel A of Table 4 shows the results for this test around the 'Insider Trading Spotlight'

column publication date. The relative trading volume for the full sample on day 0 is 9.09 ($= 2.87 + 6.22$) percent, 2.87 percent higher than the average trading volume on days -30 to -1 and statistically significant at the 0.01 level. The relative trading volume of 1.19 percent is also significantly higher on day +1 than on days -30 to -1. The relative trading volumes on days +2 and +3 are not statistically significant different from the average on days -30 to -1. The statistical significance of the volume results for the 'Insider Trading Spotlight' column publication date also holds for the other two event-day zeros, defined as the SEC filing and insider-trading dates.

The higher trading volume for the stocks related to the insider trades featured on the 'Insider Trading Spotlight' column on days 0 and +1 suggests that the news column provided an incentive for market trading. These results are consistent with the prior 'Insider Trading Spotlight' announcement positive abnormal returns, which are also significant in days 0 and +1.

The relationship between changes in trading volume and price changes also has been used in the literature to examine the information content of a particular set of news announcement (e.g., Karpoff, 1987). An additional way to examine the trading volume is through the use the OLS model results provided in Panel D of Table 4. The model estimates are obtained by regressing the absolute abnormal returns on the 'Insider Trading Spotlight' column publication date on *Size*, measured by the natural log of the firm's equity market value for the publication date, *Volume*, measured by the natural logarithm of shares traded for the publication date, and *Exchange*, a dummy variable that equals 1 if company's stock is trade on the NYSE/AMEX or 0 otherwise.⁶

The natural log of the *Volume* coefficient estimate is positive and significant at the 0.01 level, indicating that the absolute price changes on the column publication day are positively related to the number of shares traded. This result is consistent with the view that the 'Insider Trading Spotlight' column releases important information to the market.

The variable *Exchange* in the model is used to see if exchange listing impacts the value of the information released by 'Insider Trading Spotlight'. If greater information asymmetry exists on non-NYSE/AMEX-traded company stocks, a negative significant relationship would be expected. Panel D of Table 4 shows that this variable coefficient is not statistically significant, indicating that this information is not important to the market. The coefficient for the variable *Equity* is negative and significant, suggesting that the smaller the firm's value, the greater the absolute abnormal return. This result is consistent with the view that the market reaction to the news column information is greater for small firms where information asymmetry is likely to be greater than for the larger firms that are generally more widely followed by analysts and investors.

⁶Ferreira, Porter, and Smith (1998) use a similar approach.

Conclusions

Using secondary, or stale, information that is published weekly in the 'Insider Trading Spotlight' column of *The Wall Street Journal*, abnormal share-price changes are found. The results indicate that significant stock price changes and increases in trading volume at a two-day window of the 'Insider Trading Spotlight' column publication date are consistent with the notion that the column did have a positive impact on the release of information to the market. This result is inconsistent with the traditional semi-strong form of an efficient market hypothesis. After considering brokerage costs and expected expenses in gaining additional information, the gain is likely not to be captured by average individual investors using the information to purchase shares when insiders have previously purchased or selling shares when insiders have previously sold shares.

In contrast, specialists, floor traders, and dealers may have significant lower marginal transaction costs than typical investors and could be the marginal entrants. By going long or short in the security they can obtain risk arbitrage gains at the initial public release of information. If this is the case, they could hold their securities' position for the maximum of two days' time to obtain additional profits. If a semi-strong form of efficient market hypothesis holds, the gains observed at the 'Insider Trading Spotlight' announcement should have occurred at the date of the SEC release of information. Alternatively, if a strong-form efficient market hypothesis holds, the gains would have occurred some time prior to the SEC information release. Then abnormal returns would not be observed at either the SEC release or 'Insider Trading Spotlight' dates.

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