Event-Study

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1 General Procedure

1. Event Window (Aim) - The initial task is to define the event of interest and identify the period over which the security prices of the firms involved in this event will be examined
2. Selection Criteria Sample - restrictions imposed on the firms involved in the sample.
3. Summarize Sample Characteristics - market capitalization, industry representation, distribution of events through time
4. Market Model - This normal performance model assumes a stable linear relation between the market return and the security return
5. Estimation Window - using the period prior to the event window (exclusion of event window in the estimation window) for computing the normal return
6. Abnormal returns - Difference between the actual return and the normal return
7. Design Testing Framework - Defining the null hypothesis and determining the techniques for aggregating the individual firm abnormal returns
8. Formulation Econometric Design - presentation of diagnostics (limited number of observations etc.)
9.

2 Results

1. Graphics on the abnormal returns for different groups of firms
2. Cross-Sectional Models - examining the association between the magnitude of the abnormal return and the characteristics specific to the event observation (Company condition)

3. show, that the announcement has a significant effect on the stock price (statistical test) - Relevance of 13D Filings for the analysis (quickly show with literature)

3 Models for Measuring Normal Performance

1.

4 Comments

- Probably no clustering of events (The date of each filing only affects one company)? tbd

5 Thougts

- Group the filings by financial condition of the investor - this has to be done on the investor sample to then add a instrument variable for the underlying groups.