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Individual Assignment 2

The PERMNO, PERMCO, and GVKEY for those firms from WRDS

	Company Name	Ticker	PERMNO	PERMCO	GVKEY
1	Netflix, Inc.	NFLX	89393	43145	147579
2	General Mills, Inc.	GIS	17144	20798	005071
3	Domino's Pizza, Inc.	DPZ	90248	45379	160211
4	First Solar, Inc.	FSLR	91611	51447	175404
5	Woodward, Inc.	WWD	84403	27497	011580

Forecast for market reaction to each announcement

	Ticker	Announcement Type	Expectation	Justification
1	NFLX	Seeking to Sell/Divest	+	Regard possible sale as a positive signal that someone wants to buy the stock of Netflix since they think the company is good.
2	GIS	Seeking to Sell/Divest	-	It sought disposals maybe because it do not have much energy to generate profit. So the stock price may go down.
3	DPZ	Seeking to Sell/Divest	+	It sought buyers to grab a slice of business because it wanted to get more exposed to the pizza market.
4	FSLR	Seeking to Sell/Divest	-	Update on sale of First Solar's premises, maybe it cannot handle the whole business well, then the price went down.
5	WWD	M&A Transaction Cancellations	-	Almost all the M&A can drag up the stock price, so the cancellation of it may cause the price to go down.

The return between the two sides of the window (-2,2)

	Ticker	Announcement Date	Stock Price at t=-2	Stock Price at t=2	Return (-2,2)
1	NFLX	20121031	61.50999832	76.90000153	0.250203278
2	GIS	20180222	55.95000076	51.41999817	-0.080965193
3	DPZ	20200306	341.8900146	343.9500122	0.006025323
4	FSLR	20120829	25.54000092	19.98999977	-0.217306224
5	WWD	20200405	53.09999847	60.79000092	0.144821143

Use Fama-French 3 factor model to get CARs (Estimation window:100d, Minimum number of valid returns: 70, Gap: 50d)

	Ticker	Announcement Date	CAR(-1,1)	CAR(-2,2)	CAR(0,2)
1	NFLX	20121031	0.250337694	0.293089182	0.141670484
2	GIS	20180222	-0.058272891	-0.099610043	-0.068953702
3	DPZ	20200306	0.059652485	0.038170861	0.064498447
4	FSLR	20120829	-0.2048191	-0.147499643	-0.198741067
5	WWD	20200405	0.081716639	0.081803263	0.137025967

From the CAR generated and compared to the return in the above chart, we can see that the CAR has the same

sign as the corresponding raw returns in question 2.

Expectation confirmation

	Ticker	Expectation Confirmation	Updated Justification
1	NFLX	Yes	Carl Icahn takes 10% stake of Netflix shares, because he got some ideas about how Netflix can lift its stock value. Then, the stock price surged.
2	GIS	Yes	Before the M&A transaction between General Mills and Blue Buffalo, the stock price of Blue Buffalo was about \$34/share, but after the transaction, it went up to \$40/share as in the report in SEC, the stock price of GIS went down maybe because it was too expensive for GIS to merge Blue Buffalo at \$40/share, so the market thought the transaction was overvalued.
3	DPZ	Yes	By the news of Domino's Pizza, its same-store sales lifted 20.9 percent at U.S. franchises and 22 percent at company-owned stores. Market thought that their business was going well, so the price went up.
4	FSLR	Yes	It sold its \$1.2 billion premises because their business maybe don't need many premises, this may make investors think their business had some problem, so the price went down.
5	WWD	No	The pandemic has resulted in a need for Woodward and Hexcel company to focus on its respective businesses and has impacted the companies' ability to realize the benefits of the merger during these unprecedented times. The market thought that this decision conformed to their expectation at that time, so this was a mature decision, then the stock price went up.