

Title: Stock Splits Are Good Now: Analyzing Historical Stock Performance Following Stock Split Filing

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Hey guys, Quiver founder here. I've coincidentally been working on a dashboard tracking stock splits for a while now, and had been planning on releasing it next week. With the GameStop filing, I decided to speed things up a bit and have an [early version](<https://www.quiverquant.com/stocksplits/>) out now.

The reason I decided to start building this dashboard is because we've seen a recent trend where companies will announce a stock split and their valuation will instantly shoot up. Matt Levine remarked upon this in a recent [write-up](<https://www.bloomberg.com/opinion/articles/2022-03-29/stock-splits-are-good-now>), which I am borrowing from heavily in my own description of this phenomenon. Quoting from the article:

The conventional thing to say is that a stock split doesn't change anything important about a company or its stock. You have a share of stock that trades at \$1,000, you split it 10-for-1, now you have 10 shares that trade at \$100 each, nothing has changed, who cares.

However, this has not been the case recently. Tesla, Amazon, and GameStop all announced stock splits in the last month and shot up over 5%. How come?

Here is the explanation Levine gives: If you want to buy listed call options, you have to buy them in contracts of 100 shares. (There are [weird market-structure reasons]([https://www.nber.org/papers/w29883?utm\\_campaign=ntwh&utm\\_medium=email&utm\\_source=ntwg19](https://www.nber.org/papers/w29883?utm_campaign=ntwh&utm_medium=email&utm_source=ntwg19)) for this) .... So if you want to buy a Tesla call option struck at \$1,100 expiring on April 14, you'll pay about \$5,500 for one contract (\$55 per share for 100 shares). If Tesla did a 10-for-1 stock split, you could buy options for as little as \$550.

The stock split allows more investors to be able to afford to buy into TSLA or GME or AMZN, and causes the price to rise as a result. The research that I've done seems to indicate that this is only a recent phenomenon, as retail investors have come to have a larger influence on the market. 2022 has had the highest median weekly excess return following stock split filings since 2007.