

Event Studies

Using the data on equity issues from the paper by Spiess and Affleck-Graves (1995, JFE) from the website complete the following:

1. Perform an event study using the announcement dates in the spreadsheet. Use an event window of days $\{-1, +1\}$ surrounding the announcement date. Compute statistical significance based on the test statistics J1 and J2 from Chapter 4 in CLM. Interpret your results in the framework of Myers and Majluf.
2. Using the calendar time method in Mitchell and Stafford (1999) compute the long run performance of the equity issues over the three-year period following the issue date. Use both the one factor (CAPM) and the Fama-French three-factor model. Interpret your findings. How do your results compare to the announcement effects documented in question 1. What do you conclude about market efficiency? Describe how Mitchell and Stafford evaluate statistical significance, but do not perform their significance test.