S&P Capital IQ Research Finds Hidden Profits in Insider Filings

New Report Focuses on Investors Who Pursue Trading Strategies That Mimic Corporate Officers' Buying and Selling Actions

NEW YORK, Oct. 28, 2013 /PRNewswire/ -- S&P Capital IQ, a leading provider of multi-asset class data, research and analytics, has released a new study that looks at the impact of public disclosure of insider trading on equity prices and how outside investors can earn higher returns by trading on "informative" insider trading signals. For a copy of the report click here.

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"Informative Insider Trading: The Hidden Profits in Corporate Insider Filings," published by S&P Capital IQ's Quantamental research unit and authored by Li Ma, Temi Oyeniyi and Simon Chen, looks at publicly available trading data from 3000 companies over the last five years whose insiders were net purchasers or sellers of company stock. Consistent with existing literature, the report shows that the trades of corporate insiders may be predictive of future stock returns. In fact, companies whose corporate insiders were net stock purchasers (sellers) generated positive (negative) excess returns of 0.68% (-0.19%) within one week following the announcements of insider transactions.

"Corporate insiders are a unique class of traders as they possess the most intimate information about a firm," says Dave Pope, MD S&P Capital IQ and editor of the report. "Utilizing S&P Capital IQ's ownership database which, among other data items, captures insiders' traded shares, holding position and filing dates, our team has been able to explore alpha signals built from publicly available information regarding insider transactions, with some interesting findings."

Among the report's findings are:

- Opportunistic buy, intensive buy and directional change from sell to buy acted as strong indicators of future stock performance, generating one-week abnormal returns of 0.48%, 2.47% and 0.55%, respectively.
- Mimicking the net purchase actions of CEOs yielded an excess return of 1.27% over the one week after the trading
- A trading strategy based on the three characteristics: opportunistic, intensive and directional change, yielded 0.36% weekly excess returns after transaction costs, statistically significant at the 1% level.

Data used in *"Informative Insider Trading: The Hidden Profits in Corporate Insider Filings,"* comes from S&P Capital IQ's Ownership database for insider trading activities, including the number of shares bought or sold by each insider, the holding position of the insider after each transaction, and corresponding filing date. To identify CEO's trades, the authors joined the S&P Capital IQ's People Intelligence database with the Ownership database, allowing them to focus on open market transactions for Russell 3000 companies. Their investigations focused on the time period of September 1, 2008 through May 31, 2013.

S&P Capital IQ's quantamental research focuses on actionable investment strategies for global equity investors. The audience for its research includes US and global buy-side, hedge fund, family office, and high net worth investors.

About S&P Capital IQ
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