

CFRED's 43rd Corporate and Finance Law Seminar:

**THE PRICE IMPACT OF DIRECTOR TRADING AND ANNOUNCEMENTS:
EVIDENCE FROM THE AUSTRALIAN SECURITIES EXCHANGE**

by

Dr. Grace Lepone

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Chaired by: **Prof. David C. Donald**, *Faculty of Law, CUHK*

2 October 2018, Tuesday, 12:30 – 2:00p.m.

The CUHK Graduate Law Centre, 2/F Bank of America Tower, 12 Harcourt Road, Central

In this seminar, Dr. Lepone will discuss the price behaviour surrounding both director trades, and associated market announcements, for the Australian market. Using a sample of director trades executed between 2005 and 2010, results indicate that directors exhibit significant market timing, executing both their purchases and sales to make significant abnormal profits, while only purchases are associated with significant post-execution price movements. Announcements of director purchases have immediate and significant price impact, especially when the announcements relate to trades with possible information not already incorporated in the price; announcements of sales have minimal impact on stock prices. Further analysis reveals that the size of the director's trade does not contain information, and that the majority of the price reactions associated with announcements are driven by more actively traded stocks. The magnitude of price movements between the director's trade and subsequent announcement is the most important factor in determining the magnitude of the announcement effect. Our findings also suggest that the ASX requirements for reporting director trading are well justified, given that's the main and first source of the information for the market. The results also indicate that the 5-day time frame is efficient in current Australian market conditions, although stricter market invigilating actions are needed to eliminate existing late reporting.

**All are welcome!
Admission is free of charge!**

To join us, please register your interest [here](#) by 1 October 2018.

ABOUT THE SPEAKER:



Grace Lepone obtained her PhD in Finance from Macquarie Graduate School of Management. She also has a Masters degree in Professional Accounting from the University of Sydney, and a Bachelor's degree from Beijing International Studies University. She is now a Lecturer in the Applied Finance Department at Macquarie University, where she teaches finance subjects to both undergraduate and postgraduate students. As a CMCRC scholarship recipient, Grace's PhD candidature was sponsored by the Corporate Governance Centre at the Australian Securities Exchange (ASX) and BT Financial Group, where her research work was in the capacity of research consultant (on directors' trading and reporting at ASX) and market analyst and adviser (on investor psychology and behaviour at BT). Grace's research interests include behavioural investment, behavioural corporate finance, corporate governance, market microstructure and fashion finance. She has presented in many international prestigious academic conferences as well as industry seminars and published in leading finance journals including *Accounting and Finance* and *Pacific Basin Finance Journal*.