



# Market Reaction and Insider Trading Around the Announcements of Equity Issues: Evidence from Nigeria

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**Abstract:** The need to understand the stock market response to announcements of new issues of corporate securities and the importance of curtailing the fraudulent operation of corporate insiders is paramount. In spite of that, little research attention was given to such reactions in Nigeria. Consequent upon that, this study sought to empirically examine insider trading around seasoned equity offering announcements by companies in Nigeria. Employing the event study methodology abnormal returns were computed as the residuals of the market model. Utilising a total of 62 announcements by 47 companies listed on the Nigerian stock exchange from 1<sup>st</sup> January, 2006 to 31<sup>st</sup> December, 2013. Consistent with prior studies the study documented negative significant cumulative abnormal returns prior to the announcement date and a positive significant cumulative abnormal return on the announcement date. The significant cumulative abnormal returns recorded in the period prior to the announcement date could be driven by insider dealings and the presence of an abnormal return suggests the semi-strong form inefficiency of the Nigerian market.

**Keywords:** Insider Trading, Market Reaction, Equity Issue, Abnormal Return, Nigerian Stock Market

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## 1. Introduction

A major concern in the operation and performance of stock markets all over the world is the extent to which such markets impound new information instantly and unbiased into stock prices. Therefore, a market is considered efficient if adjustment to new information is quickly and automatically reflected. This process is referred to as market efficiency in the finance field.

[2] identified three forms of market efficiency. According to him a stock market is said to be weak-form efficient if current price fully incorporates information contained in the past history of prices only. That is, nobody can detect wrongly priced securities and beat the market by analysing past prices; semi-strong efficient if current price fully incorporates all publicly available information; and strong-form efficient if current price fully incorporates all existing information including the one held by insiders.

Market reaction to new issues of corporate securities has been the focal point of a number of empirical investigations the world over and the results of these studies suggest that new equity issues announcement has an effect on the market

in one of three ways:

First, the market can react negatively in agreement with many information signaling models that rely heavily on the concepts of information asymmetry developed by [2]; [40]. Most notable is the model by [45] in which the announcements of a new equity issue signals to the market that assets in place are overvalued, hence might result in a poor future cash flow prospect.

Secondly, the market could show no effect – in agreement with the hypotheses of an efficient market that information with regard to market is fully and instantaneously reflected in stock prices ([42]; [21]). Finally, the market can react positively which is consistent with favourable information signaled by investment, and with a reduction in expected costs of financial distress and agency costs. Hence, a positive signal that the proceeds of the offer would be invested in projects that will yield positive net present value [5]; [17].

The paper investigated the possibility of insider trading around 61 equity issue announcements made by 47 companies listed on the Nigeria Stock Exchange from 2006 to 2013. Using the event study methodology the research is aimed at investigating the announcement effects on the Nigerian stock market 20 trading days before the issue

announcement and on the day of the announcement.

Specifically, the paper examined whether Nigerian stock market behavior is consistent with evidences documented from similar studies on markets reaction to equity issue announcements the world over. Summary of theories on market reactions to announcements of equity issues and preceding empirical investigations on insider trading are presented in section two of the paper; Methodology and sample in section three; analysis of the results in section four; and section five presented the conclusions.

## 2. Theories on Market Reaction to Announcement of Equity Issues

Several theories were propounded to explain market reactions to the announcement of equity issues. Most Relevant theories in the area includes: The most popular among the literature is the work by [45] have studied corporate financing and investment decisions under the assumption that management is better informed about a firm's value than outside investors. They have shown that in the best interest of existing shareholders, better-informed managers can rationally turn down positive NPV projects. If the market significantly undervalues the company's assets, the dilution suffered by existing stockholders can be greater than any gains they might get from undertaking positive NPV projects. Hence, management will turn down equity issues and eventually the project that require equity financing. On the other hand, a decision to issue a new equity and invest in the project could signal an overvaluation of the company's assets. The under or over valuation of assets creates an adverse selection problem. The correct decision (to invest in projects with positive NPV) may be worse for stockholders; on the other hand, investors may find the firm needs financial resources, meaning that its expected future cash flow is not so good, which implies that its shares are overvalued. Thus, stock issue announcements may result in negative impacts on the stock price, thus explaining the negative abnormal returns.

[40] assume that managers know more about a firm's future cash flow than shareholders do, but there is no such informational asymmetry about both the level of planned investment and the value of the firm's assets conditional on current cash flow. In their model, the unanticipated decision to issue equity signals bad news about a company's future cash flows to finance its planned investment, which brings about a negative price response. The adverse selection problem and the timing of new issues have been at the core of the [38] signaling hypothesis. They have presented an asymmetric-information, infinite-horizon model of the equity issue decision predicting that equity issues are on average preceded by an abnormal rise in the market and an abnormal positive return on the stock and that the stock price drops on the announcement of an issue.

[49] proposes that stock prices may drop at the announcement of an equity issue because there is a

downward sloping demand for a specific security. The model antagonizes the hypothesis of efficient markets where the demand for equity is horizontal and stocks are close substitutes. Scholes' hypothesis rests on the assumption of an incomplete capital market with restricted short sales. Under these conditions, perfect substitutes for a firm's security do not exist in the market. In the absence of perfect substitutes, firms face downward sloping demand curves for their securities. Scholes' hypothesis also predicts that an increase in quantity caused by a new issue of common stock results in a permanent decrease in the stock price. Currently, most of the existing empirical evidence supports the view that the market reacts negatively to the announcement of equity offerings. However, Hess and

[2] present agency cost implications for the new equity issues. In the United States, a relevant part of the executives' compensation is in the form of stock or stock options. Thus, in the decision-making process of issuing equities, agency costs might emerge from the divergence between managers and stockholders.

Frost (1982) cited in [43] has investigated price movements in the neighborhood of SEOs' issuing day. They compare three competing hypotheses: the SEC view that a new issue causes a permanent price decline; the underwriter view that there is only a temporary price decline during the distribution period; and the efficient market hypothesis that there are no price effects. They rejected the first two hypotheses in favor of the efficient market hypothesis.

[28] relies on agency arguments in predicting market reactions to equity offerings. Managers are the shareholders agents, and because both parties are self-interested, there are serious conflicts between them over the choice of the best corporate strategy. The market reaction to the announcement of an equity offering will depend on its assessment of the probability that the firm will invest in positive NPV projects or not.

[3] have shown that the announcement of equity offerings reduces stock prices significantly. They found a mean two-day announcement period excess return for primary issues of -3.0%. This negative stock price reaction representing the loss in firm value on the single announcement day is on average 31% of the funds raised in the primary offering. The findings are consistent with both the signaling hypothesis where equity issues are conveying negative information to the investors about the true value of the firm as well as the price pressure hypothesis that there is a downward sloping demand for securities.

An analysis performed by [41] concluded that equity offerings are associated with a positive mean excess return between the announcement and a negative mean return at the issuance. The reason declared for the issue would also affect price response. The study reports a higher price drop in response to common stock issues to refinance debts than to finance capital investments. This evidence is consistent with [45] and the argument that announcements of common stock and convertible security offerings convey that the share price is too high. All types of unexpected new financings present

negative price response, which is consistent with [40] model leading market participants to lower their assessment of a firm's earnings prospects.

[37] have shown that companies issuing stock during 1970 through 1990, whether initial issues or not, significantly underperforms relative to non-issuing firms for five years after the offering date. They have also shown that issuing firms have slightly higher betas than non-issuers, implying that issuers should have higher, not lower, returns. In their own words, the reason why firms issuing equity produce such low returns for investors over the next five years constitutes a puzzle.

[37] have shown that, in addition to the negative announcement period returns, issuing firm's experience abnormally low stock returns over the five years following the issue. One explanation for these findings is that managers time equity issues to take advantage of windows of opportunity to issue overvalued equity. This explanation requires not only that investors are overly optimistic about the issuing firms' prospects at the time of the issue announcement, but also that investors under-react to information conveyed by the issue. Although [21] has argued that these results reflect normal random variations that occur in inefficient markets, the long-run post-announcement abnormal stock-price performance presents a challenge to the traditional paradigm of market efficiency.

[2] have examined post-announcement stock-price performance for a sample of firms that sell equity through private placements. They have found that despite having a positive stock-price reaction at the announcement, firms that issue equity privately significantly under-perform relative to several benchmarks over the three-year period following the offering. Furthermore, the negative post-announcement performance documented for private placements is similar to the long-run under-performance reported for initial public issues (IPOs) or seasoned equity issues (SEOs). Taken together, the evidence suggests that investors are too optimistic about the prospects of firms that issue equity, regardless of the form of issuance. Leal and Amaral (2000) cited in [13] studied the Brazilian market reaction before the announcement of an equity issue sample and verified positive abnormal returns 60 days and 5 days before the announcement, showing the possible manipulation by investors with insider information. The authors also verified negative market reactions on the announcement day, in agreement with the extant evidence.

### 3. Empirical Evidence of Insider Trading

A large volume of literature that used the US data on insider trading, has provided robust evidence that insiders are better informed and earn abnormal returns ([68]; [26]). Early researchers reported abnormal gains, ranging from 3 to 30 percent, for holding periods of up to three years.

[50], using data on insider trading reported to the Securities and Exchange Commission (SEC) from 1975 to 1981, reported more modest gains to insiders: Over 300 days

subsequent to the trade, the average risk-adjusted gains were 4.3 percent for stock purchasers and 2.2 percent for sellers. [47], [31], also found important evidence on abnormal insider returns.

According to [32] managers trade on private information because the expected gain from insider trading exceeds the expected cost of any prospective legal and/or market penalty. They therefore concluded that the prospects of any legal action do not completely eliminate the possibility of insider trading around corporate events' announcements like equity issues.

There is essentially a rich body of empirical literature on insider trading around the announcements of equity issues. However, the majority of such studies comes from developed markets, especially the US where rules prohibiting insider trading have been in existence since 1934 [26].

In the US, [26] employed a random sample of 200 large firms covering trades in approximately 100 months from 1962 to 1968 to test for evidence of insider transactions. He found that insiders earned approximately three percent profits in the eight months after the transaction after deducting two percent transaction costs. He, therefore, concluded that insiders possess special information.

Furthermore, [44] investigated the relationship between price changes and trading volume using a total sample of fifty securities made up of twenty securities traded on the NYSE, five on the American Stock Exchange (ASEX) and twenty five traded Over the Counter (OTC). Using the event study methodology over a four – year period from 1973 to 1976; the study found that successful trading on private information occurs in a short period of time in securities markets before the announcement of corporate events by firms. He concluded that investors with private information will continue to trade on the information until it is fully reflected in stock prices.

Furthermore, [5] utilised a sample of 219 issues of common stock and 85 issues of straight debt by industrial firms listed on the NYSE/ASE to test for the intra-day stock prices reaction to equity issues and straight debt announcements. Using the standard event study methodology, they found a small but statistically significant drop in average stock prices one hour prior to the announcement of equity issues. They interpreted this as evidence that insider trading preceding the first announcement of equity issues does affect stock prices.

Furthermore, [29] employed a sample of public firms traded on the NYSE to investigate the existence of abnormal insider sales prior to equity and convertible debt issues. Using the conventional event study methodology, the study found that there is a significant increase in insider sales prior to equity issues, even after controlling for the huge prior return of issuing firms. He concluded that the number of corporate buyers prior to an equity issue is smaller than the number of sellers.

[33] studied the relationship between trading by insiders of firms that issued equity and long-run performance of issuing firms. He utilised a sample of 2,164 Seasoned Equity

Offerings (SEOs) consisting of both primary and secondary offerings on the NYSE and AMEX between 1976 and 1990. The study revealed that primary issuers significantly underperformed their benchmarks, regardless of insiders' prior trading pattern.

[24] examines the relation between insider trading and corporate information transparency and find a negative relation between firms' information transparency and the economic significance of insider trading, including the amount of insider purchase, sale and the profitability of insider transactions.

[46] compare the trading performance of independent directors and other executives. The finding reveals that independent directors earn higher profit when they purchase their firm's stock. Moreover, they also find that this phenomenon is more prominent when corporate governance is weak. On the other hand, [15] argue that insiders trade their own stock for a variety of reasons. Therefore, individual insider trading information is not informative. By using a simple empirical strategy, they decode the information in insider trades, and they show that there is predictable, identifiable "routine" insider trading that is not informative for the future of firms, whereas set of information-rich "opportunistic" trades that contains all the predictive power in the insider trading universe.

[14] claims that the results of studies that have been conducted in developed markets might not be applicable for Asian or emerging markets because there are marked differences between these two markets in terms of regulations, market transparency and the ownership structure of the firm. For the Hong Kong stock exchange, they find that not only insiders are able to earn above market returns, but outsiders' trades followed by insider trades are also able to earn above market returns. Betzer and Theissen (2009) cited in [13] analyse trades by insiders on Germany market, and find that insider trades are associated with abnormal profits. The most recent, for Dutch listed firms, Degryse et al (2009) cited in [13] find that during the first 30 days after the trade, insiders' buys are followed by more abnormal profits than by insiders' sales. Moreover, the result is stronger for top executives and for small firms.

The study by [23] also analysed a sample of US firms listed on the NYSE/AMEX with a view to establishing the extent of abnormal net selling prior to equity issues. They classified their sample into growth and mature firms during the period of the study. The findings of their study revealed that the abnormal net selling prior to equity issues is greater for growth firms than for mature firms. The study also documented that greater insider selling prior to the issue announcement is said to be greater price run-ups prior to the announcement and not associated with a more negative market reaction to the announcement. Consequently, they concluded that investors may be overly optimistic about the future of growth firms.

Lastly, [34] employed a total of 1,281 SEO announcements by 569 firms listed on the NYSE/AMEX and another 712 firms listed on NASDAQ to analyse trading by insiders prior

to SEOs in the US. The findings of the study revealed that there is no close relationship between insider trading and long run performance of firms issuing SEOs. He concluded that the poor relationship could be as a result of the free cash flow problems that arise after equity issues.

Studies on insider trading are not very common among emerging markets because of the non-existence of documented records on the timing and volume of insider trading and the lack of strong will to enforce insider trading rules [20].

A little of the literature from emerging markets include the works of [9] who investigated insider trading alongside corporate event announcements on the Bolsa Mexicana de Valores (the Mexican Stock Exchange). They used daily closing bid and ask transactions price series, daily trading volume and daily closing prices for the Mexican stock index for a sample of 49 firms publicly traded on the Bolsa Mexicana de Valores. These sample firms made a total of 75 corporate event announcements covering dividend, earnings, mergers/acquisitions, equity issues, and board change announcements from July 1994 to June 1997. They found that there were no abnormal returns prior to the announcement of these events in the event window. They concluded that their findings provided evidence that unrestricted insider trading causes prices to fully reflect the information before it is made public.

Mordant and Muller (2003) cited in [46] studied the profitability of directors' dealings on the Johannesburg stock exchange (JSE) with a view to analysing how informative these transactions are to outside investors. Using a sample of 2,549 transactions executed and declared by the directors between 2<sup>nd</sup> October 2000 and 31<sup>st</sup> March 2002, the study established that directors outperform the market in their share dealings, and the out-performance is more pronounced in the sale rather than in the buying transactions. They also found that the major proportion of abnormal returns was as a result of extra-market factors rather than directors' transactions.

In a related study, [16] utilised a sample of 80 equity issues announcement by firms listed on the Brazilian stock market between 1992 and 2003. They investigated market reaction prior to and after the announcement of equity issues. The study established the presence of significant negative abnormal returns before the announcement, indicating signs of insider information.

A study by [20] sought to evaluate the level of insider transactions in a volatile emerging market like Turkey. They employed a total of 4,564 reported insider transactions by active companies listed on the ISE from 2<sup>nd</sup> February 2005 to 30<sup>th</sup> June 2007. The study established that most of the insiders are aware of the event before the event date, and their transactions either purposely or unintentionally leak information to the market. Consequently, they concluded that all insiders take advantage of market information.

[51] investigated the reaction of the Shanghai and Shenzhen stock markets in China around the announcement of SEOs on a sample of 565 rights issues and 152 public offers from 1998 to 2008. The study documented a positive

and statistically significant average abnormal return of 0.2 percent for rights issues prior to the announcement. Similarly, average abnormal return for public offers prior to the announcement was also positive and statistically significant. Thus, they concluded that the positive pre-announcement return for rights issues shows that the news of rights issues has been leaked out prior to the board meeting. For SEOs, the positive pre-announcement return is consistent with earlier studies that upward movements in share prices occur before the announcement of equity issues.

Finally, [43] investigated the reaction of stock prices to the announcement of equity issues by deposit money banks in Nigeria. He concluded that evidence of abnormal return before the announcement is consistent with insider trading.

Following the literature, therefore, we hypothesise as follows:

**H<sub>01</sub>:** There is no significant cumulative abnormal return in the market twenty days before equity issue announcements by companies in Nigeria.

**H<sub>02</sub>:** There is no significant cumulative abnormal return in the market on the date of equity issue announcements by companies in Nigeria

## 4. Research Methodology

The study utilized 61 equity issue announcements from 2006 to 2011 by companies listed on the Nigerian stock market. The data source is the Cash-craft asset management database. The study analyses the abnormal returns observed from 20 trading days before the announcement of the issue to the date of equity issue announcement. The study established the stationarity of the computed daily sample of company returns and the return on the market index using the Dickey-Fuller test for unit roots [19]. This is because financial time series data, especially those collected on a daily basis are generally believed to be non-stationary [10]; [1], and this non-stationarity implies the existence of a unit root in the data which often give rise to the occurrence of spurious regressions [16]. The results of the test are described in the next section. Our methodology is aimed at investigating: If there are abnormal returns in the market 20 days prior to the announcement and If there are abnormal returns on the announcement date as documented in previous empirical investigations around the globe. There are two types of models used for the empirical study of stock behavior in capital markets: price and return models. The event of the study is the announcement of an issue by a listed company, and the event date is the day the announcement appeared in any of the daily newspapers and the day preceding it (0 and 1) we included the preceding day because newspapers usually carry news of events that occurred the preceding day, thus market might have traded on the information on the actual day of the announcement. The null hypotheses of no significant cumulative abnormal return for the equity issues announcement were tested using the t-test for the significance of abnormal returns. In order to capture the abnormal returns in the event window, the study utilised the Market Model

pioneered by [4], [11] and [39].

When using the market Model, abnormal returns are the differences between the actual stock return and the predicted stock return (the return that would have been earned had the event not occurred) based on ordinary least squares (OLS) estimation that employs market return as the independent variable [39]. To obtain the actual return over the parameter estimation window and the event window, the following linear model was estimated:

$$R_{it} = \alpha_1 + \beta_1 R_{mt} + \varepsilon_{it} \quad (1)$$

Where  $R_{it}$  is the actual return on company i's security at time t;  $\alpha_1$  and  $\beta_1$  are parameters to be estimated;  $R_{mt}$  is the market return at time t; and  $\varepsilon_{it}$  is company i's random disturbance term at time t. Assuming a constant beta value, the estimated return for company i's security can be computed by substituting the estimated values of  $\alpha_1$  and  $\beta_1$  over the estimation window in equation (4) above as follows:

$$E_{it} = \tilde{\alpha}_i + \beta_i R_{mt} \quad (2)$$

Where  $\hat{E}_{it}$  is the expected return on company i's security at time t;  $\alpha_1$  and  $\beta_1$  are the estimated parameters based on the estimation window; and  $R_{mt}$  is the market return at time t. The abnormal return is defined as the difference between equation (4) and (5) as follows:

$$AR = R_{it} - E_{it} \quad (3)$$

Once the estimated equation has been obtained, the actual return on company i's security will be calculated as follows:

$$R_{it} = \alpha_i + \beta_i R_{m,t} + E_{it} \quad (4)$$

Since  $E_{it} = \alpha_i + \beta_i R_{m,t}$  equation (7) simplifies to:

$$R_{it} = E_{it} + E_{it} \quad (5)$$

This implies that an abnormal return for company i at time t is simply given as:

$$AR_{it} = E_{it} \quad (6)$$

Thus, the abnormal return of the security of a given sample company will simply be the residual of the OLS after regressing the company stock return on the market return. For the residuals to be considered as the abnormal return, however, the parameters estimated over the estimation window must be integrated into the equation as shown above.

## 5. Results and Discussions

The results revealed that all the sixty one series of company's stock returns were stationary at various levels of significance. This is, therefore, consistent with existing evidence that stock returns tend to be stationary [10] and contrary to the evidence documented by [43]. The null hypothesis, therefore, was rejected of the existence of unit root in their returns. Unfortunately, only the Jacque-Bera statistic for the residuals of fourteen firms could be accepted,

signifying that the null hypothesis of normality in the residuals of these firms were normally distributed, but the Jarque-Bera statistic for the entire forty seven sample firm's residuals was statistically significant at the one percent level. This implies that the residuals of the forty seven firms can affect the distribution of abnormal returns.

**Table 1.** Descriptive Statistics of Average Abnormal Return and Cumulative Abnormal Return.

	AR	CAR
Mean	1.593095238	-0.433388
Median	-0.191	-0.320800
Maximum	5.5431	3.411000
Minimum	-2.1143	-5.555700
Standard Deviation	1.10132672139	2.152362
Skewness	3.69713806843	-0.023150
Kurtosis	18.7127328463	2.505680
Jarque-Bera	527.739262903	0.431367
Probability	0	0.805990
Observations	42	42

Source: Eviews 4.0 Output, 2013

However, considering the fact that abnormal returns were arrived at by taking the average abnormal return for each day across the sample firms in the event window, it therefore, means that the non-normality of the Forty Seven sample firms cannot significantly affect the distribution of average abnormal return, in accordance with the central limit theorem [16]. The fact that the cumulative average abnormal returns were used over the event window period further eliminated any tendency of non-normality in the distribution of cumulative abnormal returns upon which the test of hypotheses were conducted.

**Table 2.** Results for the test of Hypothesis 1.

Cumulative Abnormal Return (-20, -1)	-5.5557
Standard Deviation	2.1524
Degrees of freedom (N - 1)	19
T-statistic	-2.5811***

Source: Eviews 4.0 Output/Researcher's computation, 2013

The results presented negative and significant cumulative abnormal return of 8.97% (5.56% + 3.41%) 40 days around the announcement day (20 days before and 20 days after). The presence of a negative and significant cumulative abnormal return before the announcement indicates that there might have been leakages of information as regards the announcement of equity issues before the announcement which could as well be interpreted as insider information. Judging by the results one may conclude that those with insider information sell their equity position about twenty days before the announcement, as they expect the announcement will convey negative information about the firm's true value. The general conclusion is that there are significant negative abnormal returns about 20 days before the announcement, indicating the occurrence of inside information

Viewed from another perspective, the evidence of a negative and significant cumulative abnormal return before

the announcement shows that shareholders seem to be careful about companies that issue shares to raise funds with the argument that they are investing in projects with positive NPV. When companies announce that they are raising funds through the issue of new shares, it may become a signal to the market that shares of those companies are over-valued; therefore, shareholders are satisfied to divest part of their investment for a profit. This therefore signifies that when companies announce the issue, there is a negative signal to the market, which is in agreement with [45] and [40].

The finding is consistent with the findings of developed market studies by [5] who found small but statistically significant drop in average stock prices one hour prior to the announcement of equity offerings on the NYSE/AMEX; [22], whose findings revealed a negative relationship between the stock price performance prior to the issue announcement and the reaction of security prices. The results show that market reactions to IPO's in Nigeria does not significantly vary from that observed in Brazil by [16] at least when one year period is considered.

The study is in agreement with [38] signaling hypothesis. Since their model predicts that stock issues are on average preceded by an abnormal rise in the market and an abnormal positive return on the stock, which was equally observed in our study, it also accounts for market-relative price drops, i.e. negative abnormal returns following the issues. Similarly, the results are also in agreement with [49], [28], [3], [45], [40], [37] and [16].

In another way the result also contradicts [16] concerning what happens on the announcement day. The study also contradicts the findings by [43] who found positive and significant abnormal return prior to the announcement date.

Secondly, the study revealed the presence of a positive significant cumulative abnormal return on the announcement date. The presence of abnormal return on the announcement date suggests that the market participants might have assessed the information of new equity issues by companies as a positive signal about the future prospects of the announcing company.

**Table 3.** Results for the Test of Hypothesis 2.

Cumulative Abnormal Return (0, 1)	8.9666
Standard Deviation	2.1524
Degrees of freedom (N - 1)	1
T-Statistic	4.1659**

Source: Eviews 4.0 Output/Researcher's Computations, 2013

The positive cumulative abnormal return over the two-day announcement date is consistent with the mature market studies of [25] that found evidence of positive and statistically significant abnormal return on private placement in the U.S. stock market; [30], [54] and [53] variously documented positive abnormal return for the right issues announcement. The study, however, contradicts the findings of [3] who documented the presence of significant negative abnormal return on the announcement date of equity issues using NYSE/AMEX data. In the same vein, [27] also found

negative abnormal returns on the announcement date of equity issues on the French Stock Market.

On the other hand, the findings of the study are also consistent with emerging market studies such as [56] that established the presence of positive and significant cumulative abnormal return on the three-day interval for private and public placements on the Hong Kong Stock Exchange; [30] and [18] in Korea, [48] in Malaysia all revealed significant positive abnormal returns on the announcement date of the right issues. The findings of the study also contradict [6], [16], [12] and [8] that variously documents evidence of significant negative abnormal return using data from Istanbul, Brazilian, Chilean and Johannesburg stock exchanges respectively.

## 6. Conclusions

The study investigated insider trading around the announcements of equity issues by companies listed on the Nigerian stock exchange and therefore, examined the nature and extent of stock market responsiveness to announcement of equity issues by companies on the Nigerian Stock Exchange (NSE) consistent with evidence documented in various literatures.

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