Investment Intelligence from Insider Trading (MIT Press)

H. Nejat Seyhun
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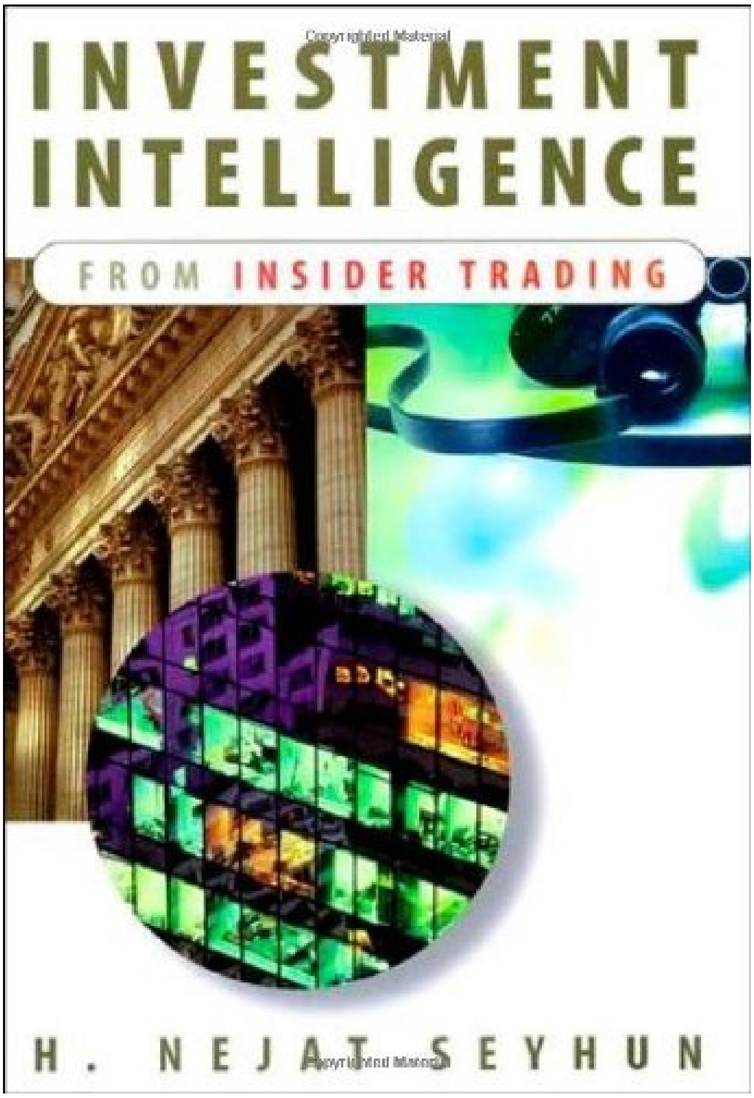

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H. Nejat Seyhun : Investment Intelligence from Insider Trading (MIT Press) before purchasing it in order to gage whether or not it would be worth my time, and all praised Investment Intelligence from Insider Trading (MIT Press):

22 of 22 people found the following review helpful. Making The Most Of Signals From InsidersBy S. SchneiderI discovered this book after reading an interview in Outstanding Investor Digest of the managing partners from Tweedy Browne, who apparently received it enthusiastically. Now I find myself as enthusiastic as they seem to be about the book.The expression "Insider Trading" tends to conjure images of Ivan Boesky, and others like him, using inside information for profit before the investing public has an opportunity to access that same information. This book is not about that. It is about the utilization of officially disclosed (via SEC filings) information regarding stock purchases and

sales by the higher echelon of a firm's corporate managers. As such, it is an impressively researched examination of insider trading and how the individual investor might best make use of it.Nejat Seyhun uses data spanning several decades (sometimes more) to demonstrate the utility of insider trading information as it might best be exploited by value investors, momentum investors or arbitrageurs. He offers some surprising conclusions concerning buy and selling within firms, conclusions which are nuanced by the size of the firm in question.The book is a scholarly treatment of a kind of information which is likely to be misinterpreted by the individual investor. Although the book really is a carefully researched statistical exercise, it is readily accessible to investors of any pursuasion or level of expertise. Few books, investment or otherwise, seem to cater to both scholarly and popular audiences so well.The book's only flaw is it does not pay particular attention to resources for insider trading information. As he mentions, the Wall Street Journal is also worthwhile.2 of 2 people found the following review helpful. It is a great book, anyone interested in the markets should read it.By PAUL GERTLERThis is a terrific book , the author answers questions about Insider trading that I never thought to ask. If you think it is too academic read the summaries of each chapter and you can get the most important points quickly reinforced by he tables and graphs in the particular chapter. A mutual fund was started more than 1 year ago based on insider trades , the point is why should you pay for stock analysis data when information about a security is available on the basis of what insiders are doing.These are my (minor) criticisms : the author evaluates data on the basis of 20 year history and emphasizes the usefulness of aggregate insider data but does not give enough suggestions as to where and how to get this information , the author wants to avoid statistics but avoiding statistics at a very basic level (standard deviation) makes it more difficult accept the reliability of his conclusions.Paul G.3 of 3 people found the following review helpful. Useful Information, but repetitive writingBy Michael GoodeThis is a very good and thorough book. Seyhun addresses many different ways in which you can gain information from insider trading. He is incredibly thorough. That brings me to the major problem with the book--Seyhun is quite repetitive. The different chapters deal with different aspects of insider trading (for example, the size of the trades, who is making the trades, how many insiders are trading). Each chapter has the same structure. Much of the prose seems to be re-used across chapters as well. This is best dealt with by skimming over some of the repetitive parts while paying close attention to the graphs and tables. A second thing about the book is that Seyhun uses tests of his hypotheses that non-statisticians can understand. This improves readability but makes the book longer (and more frustrating for statisticians).

The term insider trading refers to the stock transactions of the officers, directors, and large shareholders of a firm. Many investors believe that corporate insiders, informed about their firms' prospects, buy and sell their own firm's stock at favorable times, reaping significant profits. Given the extra costs and risks of an active trading strategy, the key question for stock market investors is whether the publicly available insider-trading information can help them to outperform a simple passive index fund.Basing his insights on an exhaustive data set that captures information on all reported insider trading in all publicly held firms over the past twenty-one years -- over one million transactions! -- H. Nejat Seyhun shows how investors can use insider information to their advantage. He documents the magnitude and duration of the stock price movements following insider trading, determinants of insiders' profits, and the risks associated with imitating insider trading. He looks at the likely performance of individual firms and of the overall stock market, and compares the value of what one can learn from insider trading with commonly used measures of value such as price-earnings ratio, book-to-market ratio, and dividend yield.