



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

2016

Informed short selling, fails-to-deliver, and abnormal returns

Thomas Stratmann

John W. Welborn

<https://elischolar.library.yale.edu/ypfs-documents/8892>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.

2016

Informed short selling, fails-to-deliver, and abnormal returns

Thomas Stratmann

John W. Welborn

Abstract

We find that stocks with fails-to-deliver (FTDs) experience negative abnormal returns that are proportional to their FTD levels. These findings come from both an event study and a portfolio returns analysis using Fama-French factors. Using proprietary data on stock borrow costs, we also show that short sellers of low and high FTD stocks obtain positive estimated profits. Our findings support the hypothesis that FTDs reflect nonbinding short sale constraints which do not restrict informed short selling.

To view this article in its entirety please use the link provided below.

[View Full Article](#)

Recommended Citation

Stratmann, Thomas and John W. Welborn. "Informed short selling, fails-to-deliver, and abnormal returns." *Journal of Empirical Finance* 38, Part A (2016): 81-102.