

Finance Research Seminar

“Short Selling and Politically Motivated Negative Information Hoarding”

Dr. Xiaohu Deng - University of Tasmania, Australia

Monday, June 4th, 2018 – 2:00 pm – 4:00 pm

Abstract:

This study examines the causal effect of shorting selling on bad news hoarding using a setting with multiple exogenous changes in short selling constraints and unique political environment in China. We argue that shorting selling can reduce managers’ abilities and incentives to hide bad news, and propose that Chinese firms’ bad news hoarding during politically sensitive periods decreases after they become eligible for short selling. Results from difference-in-differences analyses support our proposition. We also find that both actual shorting activities and potential shorting threat are the likely channels through which short selling reduces bad news hoarding. In addition, we find that the effect of shorting selling is more pronounced for firms with stronger political connection and lower quality of financial reporting. Our results shed new light on the effect of short selling on improving information environment.

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- **Lille: Room E220, 7 rue Solférino**
- **Paris: Visio Room P304, Promenade building**

