IPO Trading with Short-term & Intraday Temporal Functionalities

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Introduction

Trading is regarded as a temporal historical living system [1,2] with a number of time-based company initiatives operating as trading functions. One of these company initiatives is the Initial Public Offering (IPO) which, like the Seasoned Equity Offering (SEO) initiative, has a great timing trading functionality [3-5], resulting in excellent profit and wealth growth opportunities [6,7]. In this domain, economics and finance literature reasoning that the companies time their SEOs and IPOs to months of relatively high stock prices, mainly because the CEOs and officers think that the prices of the shares (company stocks) will probably be overbought at such times (an encapsulated TTF functionality).

The observed mispricing concealed such as trading timing could be as the result of a lack of available TTF information for the investors, institutions and speculators for the embedded time-based behavioral biases dominant in equity, Forex and option markets. The reason that long-term investors (institutions) could buy overbought shares in IPOs/TTF is same with Edelen, Ince, and Kadlec [8], who provide evidences that long-term investors and speculators prefer to purchase shares classified as overbought (momentum trading psychology) based on a number of classical equities-trading strategies (trend-follow trading; without any TTF functionality in this case).

Corporate financing approach emphasizes that disengagement of holding and domination has as a result the clash of interest between outside shareholders, CEOs, and governors [9]. In this domain, the literature reasoning that big corporate shareowners can alleviate outside shareowners, CEOs, and governors [9]. Trading [11] and trading timing [12] theories of economics and financing try to clarify such as attitude assuming that the shares trading decisions (open/close positions; lot trade size, etc.) are formed for the regard of old non-speculative shareowners, who adequately take profit from IPO shares as a consequence of right-timing IPO initiatives/issues (IPO/TTF, SEO/TTF). The current paper argues that the data are consistent with such as expectations as far as the timing for the company initiatives is regarded as a TTF functionality.

In the situation of equities and non-equities IPO timing (stocks, options, Forex, etc.), Cesari, et al. [13] argues on the effects of share-holding and stock liquidity on the SEO/TTF timing of repurchase and close (i.e. “buy” in case of a short position; and “sell” in case of a long position) transactions but no more details for TTF functionalities were given, and Demiralp, D’Mello, Schlingemann, and Subramaniam [5] state that old-issue shares returns and passive trading are both emphatically related to the coexisting old-issue changes in corporate holding for up to 3 weeks after the IPO/TTF time.

In this article, the author concludes that her results are consistent with the control acting of long-term passive-trading investors. Also, in this case the TTF functionalities were not discussed. Furthermore, Hao [14] states that companies with higher short-term non-commercial shareowners (speculators) experience more negative atypical returns at the report release (TTF timing) of IPOs and concludes that momentary corporate shareowners and speculators are not prompted to control the usage of the lifted trading capital and profit [4].

The current article is relevant to some other articles that investigate corporate share-holding under the prism of the IPO/TTF timing. In

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this domain, some articles targeted on the information asset and stock-taking intelligence of corporate investors but no TTF information was given. Gibson, Safedidine, and Soni [15] report that seasoned equity and option IPO initiatives, with the bigger boost in corporate shareholding, are detected between the (relative to IPO/TTF, IPO timing) quarters –1 and +1; these long-term investors reported that their positions outperform in the subsequent the IPO issue year and qualify this outperform to their competitive convenience asset position. Chemmanur, He, and Hu [16] find that long-term passive-trading investors (as opposed to non-commercial short-term investors and traders) are able to receive more share portions in IPOs hoping on better future returns (profit) and their post-IPO transactions somewhat greatly exceed a (even a well designed) passive "Buy-and-Hold" trading planning by the share-holding investors.

In contrast, Edelen, Ince, and Kadlec [8], who examined corporate trading and stock return abnormalities, found that corporate firms prefer to purchase shares categorized as overbought and that there is a negative association (i.e. relationship functionality) between corporate open-position and future trading (close-position) returns. Unlike these articles that spotlight on whether institutions are better-informed (i.e. insiders functionality), the current research article targets on the dominant relationship and the underlined trading functionalities between the corporate shareowners and the CEO/managers.

In disagreeing with these articles, Alti and Sulaeman [17] point to how company IPO issuing initiative is influenced by corporate and non-commercial trading. In their paper, they support that high stock returns and profit trading trigger equity derivation only when if it is connected with a great pre-issue initiative corporate investor demand, as it is regarded consistent by new corporate holdings (swing momentary traders). The Alti and Sulaeman clarify their results as logical and dependable with SEO initiatives using the corporate investor demand as a gauge of the market's interest in the company’s equity SEO initiative. In this domain, the main target of the current article is disparate. Actually, I investigate whether old shareowners (as long-term investors), gain profit from the IPO/TTF timing. It is notable that, the results obtained are not dependable with the supposition and conclusion that IPOs/governors are gauged to sell overbought shares (i.e. relationship functionality), the current research article targets on the dominant relationship and the underlined trading functionalities between the corporate shareowners and the CEO/managers.

In this article, the innovative term Temporal (timing) Trading Functionality (TTF) term by examining the relation between IPO timing and institutional and non-commercial share purchases, as well as the impact of corporate and non-commercial holdings on IPO timing. Finally, last Section ("Conclusions and Discussion") summarizes the conclusions and discusses paper’s innovations and contributions.

Share-holding and Trading Data (Institutions And Non-Commercial Traders)

For the current paper, the Share-holding information, the changes in insider holdings and some sample profit/losses trading data (1990-2016) - used in this paper as the share-holding and profit variables came from many resources. The Barron's information databases and sources, a Wall Street Journal affiliate [18]; the Stock Charts.com initiative; the Securities and Exchange Commission/SEC notices, releases and announcements; the Commitments of Traders (CoT)/CFTC speculative net positions reports; the Yahoo! Finance insiders data feed; the SEC EDGAR database; individual filings SEC’s Forms 4 (CEO) and 14a (Directors and Officers); and the Thomson Financial corporate holdings SEC’s Form 13f database, which reports corporate share-holdings and profit/losses on a calendar-quarter base ending in March 31st, June 30th, September 30th, and December 31st.

The United States SEC requires that all institutions with a total position greater than $100 million of securities or equities positions greater than 10,000 shares or positions in individual shares greater than $200,000, must report their holdings, using the SEC’s Form 13f, quarterly.

In this paper, these numbers were used for back-testing purposes and estimation of the total corporate holdings and position changes. Also, current paper identifies long- and short-term corporate investors and speculators based on their average portfolio "share turnover" (defined as a measure of stock liquidity; calculated by dividing the total number of shares traded over a period by the average number of shares outstanding for that period. Obviously, the higher the "share turnover" number, the more liquid the share of the company) in the last four quarters [19].

Following, for each of the above 4 quarters, the traders involved in IPO were sorted into four categories according to their temporal (time-based) corporate holdings as the percentage of total shares outstanding at the end of each of these quarters. In the first category, I placed the institutions ranked in the bottom third after having the lowest "share turnover"; they are classified as Long-term corporate passive investors (L/T share-holding) (Table 1). In the second category, I placed the institutions ranked in the top third after having the highest "share turnover"; they are classified as Momentary corporate swing-trading investors (swing ST institution share-holding) (Table 1). Then, the rest third is divided into two equal categories (third and fourth category). In the third category, I placed the individual traders involved in swing IPO trading (ST non-commercial share-holding) (Table 1). Finally, in the forth category the detected intraday individual traders were placed (Intraday non-commercial share-holding) (Table 1).

The result is an unbalanced panel, covering the sample time period from January 1st 2000 to June 30th 2016, with up to 100,000 observations, plus a number of more than 3,000 IPOs. The sample back-testing period starts from 2000 because from this year the data (share-holding, transaction, etc.) are available in a digital format with a relatively low cost.

While quarterly data allow me to better and more accurate to associate share-holding changes with IPO/TTF, time shorter (weekly) results are presented for two reasons. First, because they help me to understand how unusual the changes in ownership at the time of IPO they are; and Secondly, the annual (fiscal year) data provide firmness as well as flexibility but with some serious throwbacks, which are estimated using (fiscal year) annual data.

The statistics for the sample time period are presented in the following Table 1 which display the summary numbers of IPO initiatives and Non-IPO initiatives from 1st January 2000 to 30th June 2016 (IPO offerings are obtained from SEC/SDC).

Temporal (timing) Trading Functionality (TTF)

In this section, the innovative term Temporal (timing) Trading Functionality (TTF) is introduced, analyzed and documented.
**Equity IPO initiative timing and corporate share-holding around equity IPO initiatives**

Hovakimian and Hu [4] first well examine the arrangement of changes in corporate share-holding around equity IPO initiatives and then (just) present the time-series functionalities of mean Market-to-Book ratios and stock returns for 3 weeks prior and 3 weeks after the year of equity issue (IPO) without a temporal TTF functionality. The presented arrangements are consistent with prior evidence in the literature on equity IPO initiative timing that stock returns and market-to-book ratios tend to increase prior to equity issuance and tend to decline following the issuance.

Also, the results of the tests of statistical significance of the changes in stock returns and market-to-book ratios between weeks −3 and −1, −1 and 0, and −1 and +3 are presented. All the changes are statistically significant at 1% level. These results establish that the functionality, commonly referred to as Market Timing in the literature, is also present in their sample. Their finding rises for future researchers some questions about the interpretation of IPO timing (i.e. TTF functionalities) reflected in patterns as attempts to sell overvalued equity. Obviously, they do not know whether the increase comes from existing corporate shareowners or from new investors [4].

If IPOs are timed to sell overvalued shares, then wealth is transferred from shareowners buying IPO shares to existing share-holders who do not buy IPO shares. Shareowners, trading (buy or sell) shares in the open market around the time of IPO, neither lose nor benefit from IPO timing. Hence, only continuing shareholders can benefit from IPO market timing whereas initiating share-holders can only lose from IPO timing.

**Corporate share-holding around the equity IPO initiatives**

Chen, Harford, and Li [20] and Hao [14] argue that long-term institutions tend to be passive traders not interested therefore for the IPO/TTF functionalities. On the other hand, momentary, swing, and intraday trading institutions (and speculators as well) are better informed and tend to trade short-term (or even intraday) the IPO initiatives to materialize their own informational convenience asset position. In this subsection, the changes in share-holding of corporate investors with short and long investment horizons are investigated. The analysis is repeated separately for long-term corporate investors and for short-term swing trading corporate investors. The significance information, gained by Figure 1, is the comparison tests between the share-holding changes during the indicated period to share-holding changes in period 0 (i.e. IPO timing).

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**Table 1: Sample statistics.**

<table>
<thead>
<tr>
<th></th>
<th>Equity IPO initiatives</th>
<th>Non-IPO initiatives</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Obs.</td>
<td>Mean</td>
<td>Median</td>
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<tr>
<td>Size</td>
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<td>4.74</td>
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<tr>
<td>Return</td>
<td>3105</td>
<td>0.66</td>
<td>0.25</td>
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<tr>
<td>Market-to-book</td>
<td>3105</td>
<td>2.30</td>
<td>1.82</td>
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<tr>
<td>Total share-holding (%)</td>
<td>3105</td>
<td>51.62</td>
<td>49.88</td>
</tr>
<tr>
<td>(1) LT share-holding (%)</td>
<td>3105</td>
<td>9.00</td>
<td>6.92</td>
</tr>
<tr>
<td>(2) Swing ST institution share-holding (%)</td>
<td>3105</td>
<td>12.27</td>
<td>10.46</td>
</tr>
<tr>
<td>(3) ST non-commercial share-holding (%)</td>
<td>3105</td>
<td>14.70</td>
<td>11.41</td>
</tr>
<tr>
<td>(4) Intraday non-commercial share-holding (%)</td>
<td>3105</td>
<td>17.90</td>
<td>15.70</td>
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<tr>
<td>Panel B. Changes in share-holding (%)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Continuing share-holding</td>
<td>3984</td>
<td>5.42</td>
<td>3.07</td>
</tr>
<tr>
<td>LT Continuing share-holding</td>
<td>3504</td>
<td>1.56</td>
<td>0.95</td>
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<tr>
<td>ST Continuing share-holding</td>
<td>3504</td>
<td>1.09</td>
<td>1.03</td>
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<td>Liquidations</td>
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<td>−6.19</td>
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<td>LT liquidations</td>
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<tr>
<td>ST initiations</td>
<td>4196</td>
<td>12.42</td>
<td>10.83</td>
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</table>

*Changes significantly different from zero at 5% level
**Changes significantly different from zero at 1% level

Where:
- Size - The natural logarithm of sales.
- Return - The stock return measured over the fiscal year.
- Market-to-book is (total assets − book equity + market equity)/total assets.
- LT - The long-term corporate share-holding (corporate investors’ horizons are identified based on portfolio share turnover over the last four weeks).
- ST - The momentary corporate share-holding (corporate investors’ horizons are identified based on portfolio share turnover over the last four weeks).
- Initiations: This term is referred to cases where institutions own no shares at the beginning of the fiscal year but establish new positions by the end of the fiscal 6-week period.
- Liquidations: This term is referred to cases where institutions own shares at the beginning of the fiscal year but liquidate their holdings by the end of the fiscal 6-week period.
- Continuing share-holding: This term is referred to corporate investors, as shareowners both at the beginning and at the end of the fiscal 6-week period.
The results in Figure 1 show that momentary swing trading corporate shareowners, clearly and strongly increase in number and proportion (as does the total share purchases in the IPO year, and especially in the quarter of the IPO initiative. Actually, these share-holding changes are significantly different from zero. On the other hand, the level of share acquisitions by the long-term passive-trading institution shareholders remains inflated for at least three (3) week after the IPO initiative; whereas the level of withdrawals (liquidations) for the short-term speculators and the swing traders constantly and continuously increases just after the IPO initiative. The results also show that the level of new share-holding position initiations rises in the year and particularly at the quarter of the IPO initiative (insiders).

Figure 1 presents the mean Market-to-Book Ratios (MB) and Returns (return) of equity IPO initiatives from week -3 to weeks +3 relative to the IPO issue week.

Following, Table 2 presents the time-series profiles of mean Market-to-Book ratios and Returns of equity IPO initiatives from week−3 to +3 relative to the IPO issue week.

The results in Table 2 show that, similar to insiders and unlike the long-term corporate shareowners, existing momentary swing trading corporate shareowners sharply increase their share purchases in the year and especially in the quarter of the IPO initiative (TTF functionality). Then, in the period following the IPO initiative, the level of share purchases by continuing short-term swing trading shareowners drops below the pre-IPO initiative level.

The securities liquidation increases during the IPO initiative week, while additional liquidations have been notified just after the IPO "time". The back-testing statistical analysis also indicated that the level of ownership rises during this 3-week pre-IPO issue period, and then it drops again to pre-IPO initiative level. Overall, these results suggest that the existing long-term institution shareowners act as if they are not concerned about IPO/TTF timing. Furthermore, the fractional share-holding level of existing momentary corporate investors and speculators increases in the IPO quarter, which implies that IPO's fractional allocation to these shareowners exceeds their fractional pre-existing stakes in the firm. This means that existing long-term corporate shareowners do not benefit from IPO timing.

Finally, according to the back-testing sample statistical data, the post-IPO security trading activity is similar for both low and high ownerships (i.e. no interest in trading and TTF functionalities).

The temporal (timing) trading functionality

Company initiatives and particular the IPO ones, offer great trading opportunities (leverage, options, CFDs, long/short positions, etc.) for all kind of traders (investors, institutions, insiders, individual non-commercial market investors, and speculators). Trading these initiatives is a time sensitive procedure that requires to have and to obey a strict time-based strategy. So, in trading, the need for a 2nd level timing function of the IPO trading opportunities is obvious.

The innovative term “Temporal (timing) Trading Functionalities” (TTFs) is defined as an array of temporal functionalities applied to traditional company initiatives like IPO and IPO, and stock price action patterns like Gaps (“Windows” in technical analysis terminology) and Breakouts.

These TTFs temporal functionalities could be documented by time-targets in trading (stocks, options, futures, Forex) as follows: define swing, momentary and intraday trading strategies based on specific short-term (or even intraday) time-targets; and open/close long/short positions at a specific time-target.

These time-targets could be the IPO announcement time; the IPO actual time; the first/last 5-minutes in a daily trading session (09:30-09:35 am EST, 03:55-04:00 pm EST); the Fed/FOMC meetings announcement at 02:00 pm EST, the Fed/FOMC conferences at 02:30 pm EST; the Fed/FOMC minutes timing; the Non-Farm Payrolls reports (NFPs) on the first Friday each month at 08:30 am EST; the API and EIA reports on WTI inventories on 04:30 pm EST (on Tuesdays for API data) and 10:30 am EST (on Wednesdays for EIA data) respectively, etc.

Following, Table 3 presents a small number of initiatives (functions) and the related warning dynamics temporal (timing) TTF functionalities acting actually as time-targets in stock, option, futures, and Forex short-term, swing and intraday trading.

Comparative analysis shows that the TTF temporal functionalities better apply to the following four categories of traders:

1. Long-term Institution and Non-commercial traders

2. Long-term Institutional and Non-commercial traders

3. Long-term Institutional and Non-commercial traders

4. Long-term Institutional and Non-commercial traders

*Changes significantly different from zero at 1% level.

Where:
Market-to-Book: The price defined as: (total assets – book equity + market equity)/total assets.
Return: The stock return measured over the fiscal year.

Table 2: The time-series profiles of mean market-to-book ratios and returns.
Carbohydrates and starches are another crucial resource available to the human body. Due to their ability to release energy slowly, they are considered a valuable food source. Carbohydrates can be categorized into two main types: simple and complex carbohydrates.

Simple carbohydrates, also known as monosaccharides and disaccharides, are easily digestible and absorbed by the body. Examples include glucose, fructose, and sucrose. They are found in fruits, vegetables, and honey.

Complex carbohydrates, on the other hand, are more substantial and less digestible than simple carbohydrates. They include polysaccharides, which are long chains of sugar units. In the food industry, starches are a more prevalent and essential complex carbohydrate due to their use as a thickening agent in numerous food products.

Starches are insoluble in water, which means they do not form a gel in hot water. This characteristic is known as gelatinization and occurs when starch granules are exposed to high temperatures. Gelatinization is a crucial process in food science, as it affects a food's texture and consistency. When starches are gelatinized, they absorb water and swell, making them more suitable for use in various food products like bread, pasta, and desserts.

In summary, carbohydrates and starches are essential nutrients that provide energy to the human body. They serve as a vital energy source and are crucial in the production of food products. Understanding the different types and their various uses in the food industry is essential for both nutritionists and food scientists. The ability to manipulate and control starches' behavior during the food production process is a key factor in the development of new and improved food products.
both groups of corporate shareowners (i.e. for both: institutions with long and institutions with short investment horizons). Finally, the results show that firms with higher corporate share-holdings favor to employ less in timing of their IPOs. The above conclusion is further supported by my findings that IPO/TTF timing does not transfer wealth (profit) from the IPO swing-trading temporal investors and speculators to the old shareowners (passive-trading institutions). Explicitly, I find (from the 2000-2016 Barron’s data sources analyzed) that the companies decide the IPO initiative when the share prices are relatively high [24].

These results signify and suggest that IPO/TTF timing does not, normally, benefit long-term corporate and short-term non-commercial shareowners. As long as the corporate swing-trading shareholders purchase shares in IPO/TTF and hence, they cannot discipline the CEO and the managers, the results further imply that the timing of IPOs is unlikely to be impulse (catalyst functionality) by the intention of trading overbought equities, options, futures and Forex pairs [25,26].

Paper contributes to corporate finance literature by: (i) the introduction and documentation of the innovative term “Temporal (timing) Trading Functionality” (TTF) as a 2nd level timing function of the IPO function; and (ii) the application of TTF functionalities (long/short positions at a particular time during the daily trading session: 09:30 am – 04:00 pm EST, swing and intraday time-based trading strategies) to IPOs initiatives. The IPOs were discussed under the TTF prism for four categories of shareowners: The long-term institution and non-commercial traders (investors), the swing momentary institution traders (institutions), the short-term non-commercial traders (speculators) and the intraday non-commercial traders (speculators).

The data analysis applied found that swing momentary institution traders (institutions) and insiders (CEO, Governors, Officers, etc.) increase their share share-holding just before or at the announcement of the Seasoned Equity Offerings and they are benefit at the expense of short-term and intraday non-commercial speculators, while the long-term institution and non-commercial investors’ wealth position is not affected significantly by these IPO offerings (accepted standard deviation prices).

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Conflict of Interests
The author has not declared any conflict of interests.

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