

ABSTRACT FORM

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Paper title	The Efficiency of IPO stocks
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Abstract	<p>I test whether there is a difference in the level of efficiency between IPO stocks and a matched sample of seasoned stocks. My findings show that IPO stocks are less efficient than seasoned stocks during my testing period of 175 trading days. I attribute the lower level of efficiency for my testing period to the higher amount of information asymmetry inherent in IPO stocks. I contend that the presence (or quality) of financial intermediaries is related to the level of information asymmetry for IPO stocks. Consistent with this argument, I find that IPOs with prestigious underwriters, with venture capital backing, or with large managing syndicates have a higher level of efficiency than IPOs with less prestigious underwriters, no venture capital backing, or small managing syndicates. Finally, I show that stocks with higher levels of efficiency have higher long-run performance, consistent with efficient stock prices being an important input for firms to make sound financing and investment decisions.</p> <p>Keywords: IPOs, Seasoned stocks, Price efficiency, Underwriters, Venture capitalists, Managing syndicates, Long-run performance</p> <p>JEL classification: G14; G23; G24; G32</p>