

**J. BARRY LIN****Khalifa University of Science and Technology, United Arab Emirates****THE CURIOUS ANNOUNCEMENT EFFECT OF COMBINED SEOS****Abstract:**

This paper examines the differences in announcement effects among Combined, Primary, and Secondary SEOs. Earlier studies suggest that primary SEOs signal financial strains, while secondary SEOs signals over-pricing and increases misalignment of interests between insiders and shareholders. Theoretically, combined SEOs combine the negative incentive effects from both the primary and secondary SEOs. However, empirical result is curious. We find that Primary SEO suffers the most negative 3-day cumulative abnormal returns (CAR) upon announcement, followed by Combined SEOs, while Secondary SEOs experience the smallest, but statistically significant negative 3-day CAR. To seek some explanation for this curious empirical result, we investigate the patterns of ownership among the three types of SEOs. Insider ownership is highest for combined SEO, while institutional ownership is highest for the secondary issues, with block ownership also highest for the combined SEOs. We argue that such differences in ownership structure at least provide some explanation to the reason why combined SEOs are not perceived to exhibit the negative incentive effects associated with both primary and secondary SEOs.

**Keywords:**

Primay SEO, Secondary SEO, Combined SEO, Ownership Structure, Announcement Effect

**JEL Classification:** G30, G39