



E Q U I T I E S

Stock Repurchases and Insider Transactions in the Wake of the 1987 Stock Market Crash

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The stock market crash on Monday, October 19, 1987, ignited an unprecedented rush by firms to announce open-market stock-repurchase programs. In the two weeks after the crash, almost 600 publicly traded firms announced the programs. In contrast, only 350 firms had announced open-market repurchase programs from January 1, 1987, to the crash date, while 250 firms announced stock-repurchase programs in November 1987.

This study examines the stock-price movements of firms that announced repurchases in the two-week period immediately after the crash. The empirical results show that the stock prices of these firms had declined abnormally during the crash period prior to their repurchase announcements. The repurchase announcements generated stock-price rebounds in the period following the announcement.

Overall, the results support the argument that the repurchase announcements had a positive impact on the stock market, consistent with the findings on the effects of stock-repurchase announcements in the Division of Market Regulation SEC Report.

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