

Web Appendix I – Weighted Turnover Results Using Daily Data

This table reports *weighted* average changes in regression coefficients, in regressions of turnover of stocks that switch among the S&P/Barra indices on turnover of the S&P/Barra indices. Daily turnover (τ_{it}) of stocks that switch between the S&P/Barra Growth and Value indices are regressed on the turnover of the two indices (τ_{Gt} and τ_{Vt}),

$$r_{it} = \gamma_{0i} + \gamma_{Gi}\tau_{Gt} + \gamma_{Vi}\tau_{Vt} + e_{it}.$$

The regression is estimated separately over a “pre-event window” and a “post-event window” for each stock where the “event-month” is the month in which the stock switches indices, either June or December for some year. The pre- and post-event windows are the five-month intervals before and after each event month. I define daily turnover as volume on day t divided by shares outstanding on day $t-1$ adjusted for splits, and index turnover as the equally-weighted average. I exclude stocks switching indices when calculating index turnover to avoid measuring effects associated with changes in index composition. For each stock, I calculate the change in each regression parameter as the post-event estimate minus the pre-event estimate. Columns labeled “ Δ ” report the *weighted* average change in parameter estimates across stocks that switch to either the Growth or Value index. In Panel A which reports results for stocks switching to the Growth index, the weight for every stock that switches in event month k is the fraction of stocks that switch to the *Value* index in event month k . In Panel B which reports results for stocks switching to the Value index, the weight for every stock in event month k is the fraction of stocks that switch to the *Growth* index in event month k . Columns labeled “pre-event” report average parameter estimates over pre-event windows. Robust t -statistics which take into account overlapping estimation windows, are in parentheses. Index-balancers are stocks that switch to the Growth index with a negative return over the pre-event window, or stocks that switch to the Value index with a positive return over the pre-event window. The number of stocks switching for each sample is indicated by “N”. Stocks remain in the same S&P/Barra index throughout the entire pre-event window, and in the same S&P/Barra index throughout the entire post-event window. I exclude stocks with prices less than five dollars in either window. Results for the control sample exclude the crash of October 1987. Significance of the one-tailed test described in the paper, Test 3, at the 1%, 5%, and 10% levels is indicated respectively by ***, **, and *.

Panel A. Stocks that Switch from the Value Index to the Growth Index												
	1992-2004 (Test)				1998-2002 (High Turnover)				1981-1991 (Control)			
	All Switchers		Index Balancers		All Switchers		Index Balancers		All Switchers		Index Balancers	
	N=390		N=36		N=152		N=24		N=385		N=54	
	Δ	Level	Δ	Level	Δ	Level	Δ	Level	Δ	Level	Δ	Level
γ_G	0.275	0.344	0.092	0.061	0.783	0.151	0.099	0.206	-0.024	0.514	-0.065	0.280
T3.A OLS t-statistic	(2.99) ***		(0.76)		(4.03) ***		(0.73)		-(0.34)		-(0.40)	
γ_V	-0.160	0.775	0.026	0.258	-0.544	1.027	0.068	0.292	-0.007	0.473	0.45	0.203
T3.B OLS t-statistic	-(1.13)		(0.15)		-(1.70) **		(0.36)		-(0.08)		(2.04)	
Panel A. Stocks that Switch from the Growth Index to the Value Index												
	1992-2004 (Test)				1998-2002 (High Turnover)				1981-1991 (Control)			
	All Switchers		Index Balancers		All Switchers		Index Balancers		All Switchers		Index Balancers	
	N=507		N=167		N=198		N=37		N=445		N=163	
	Δ	Level	Δ	Level	Δ	Level	Δ	Level	Δ	Level	Δ	Level
γ_G	-0.166	0.591	-0.427	0.446	-0.060	0.725	-0.415	0.405	-0.021	0.437	0.079	0.268
T3.B OLS t-statistic	-(1.75) **		-(2.57) ***		-(0.30)		-(1.93) **		-(0.24)		(0.64)	
γ_V	-0.045	0.747	0.508	0.282	-0.438	1.026	0.431	0.402	0.112	0.392	-0.078	0.376
T3.A OLS t-statistic	-(0.31)		(1.77) **		-(1.29)		(1.12)		(1.03)		-(0.54)	