Table 1. Portfolio Characteristics for event and non-event series

	Sample Size	Yearly Mean	Yearly st.deviation	Max. Return	Min. Return	Kurtosis	Skew	ARCH(6)	RESET(12;6)
Value-weighted market index	2611	13.2784	20.5812	10.4810	-21.2188	34.6329	-1.9681	286.737	68.791
Event portfolios:									
PSE(-10,+01)	1018	61.5848	61.3107	37.4693	-19.0620	4.9965	0.3385	38.813	25.343
PSE(-20,+05)	1483	52.6168	59.6772	37.4693	-36.7730	11.0238	-0.2823	62.460	32.974
PSE(-40,+40)	2289	8.5938	56.2096	26.0378	-69.5375	10.3822	-0.4455	171.043	74.091
PAE(-10,+01)	1506	32.9816	37.4190	18.2322	-14.3100	4.3302	0.2320	58.679	31.492
PAE(-20,+05)	1924	20.1455	37.5664	18.2322	-19.4160	6.6359	-0.3664	181.377	84.392
PAE(-40,+40)	2406	14.6016	31.4098	14.6603	-16.0062	15.3247	-0.3628	275.035	118.120
PBE(-10,+01)	1769	52.4124	46.0854	37.4693	-15.4150	6.7529	0.5695	69.063	29.875
PBE(-20,+05)	2153	41.2075	44.6394	37.4693	-19.4160	11.5863	-0.0267	209.777	85.252
PBE(-40,+40)	2491	12.7470	41.0366	17.1478	-69.5375	18.3244	-0.9328	252.394	104.325
Non-event Portf.									
PNERS1	2611	19.7281	30.8518	21.9211	-19.8416	19.9246	-0.4441	239.190	68.219
PNERS2	2611	4.7328	35.8128	43.4944	-16.5540	30.6905	-0.7461	123.704	54.121
PNERA1	2611	10.9136	25.5279	15.3072	-20.3526	13.3871	-0.7792	320.751	85.342
PNERA2	2611	-1.3003	27.1862	11.5826	-19.2288	18.0938	-1.1904	305.247	74.697
PNERB1	2611	6.0372	26.6409	9.3207	-14.9983	6.96239	-0.6732	300.484	63.918
PNERB2	2611	14.8498	31.1914	16.5265	-15.1988	6.34623	-0.0713	165.803	52.461

PSE(-10,+01) = Portfolio for selling firms in event period from -10 to +1 days relative to announcement.
PSE(-20,+05) = Portfolio for selling firms in event period from -20 to +5 days relative to announcement.
PSE(-40,+40) = Portfolio for selling firms in event period from -20 to +5 days relative to announcement.
PAE = PSE for acquiring firm portfolio and PBE = PSE for both selling and acquiring firm portfolio.
PSNER1 = Portfolio for selling firms in non-event periods; randomly selected sample no. 1.
PANER1 = Portfolio for acquiring firms in non-event periods; randomly selected sample no. 1.
PBNER1 = Portfolio for both acquiring and selling firms in non-event periods; randomly selected.
Daily mean is the average daily return over the period. Yearly mean is the average daily return multiplied by 252 trading days. Daily standard deviation is the square root of the daily return variance. Yearly standard deviation is the daily standard deviation multiplied by the square root of 252 days. Maximum return is the maximum return in the sample period. Minimum return is the minimum return in the sample period. ARCH (6) is a test for conditional heteroscedasticity in returns. Low {.} indicates significant values. We employ the OLS-regression $y^2 = a_0 + a_1 . y^2_{t-1} + \ldots + a_6 . y^2_{t-6}$. $T \cdot R^2$ is χ^2 distributed with 6 degrees of freedom. T is the number of observations, *y* is returns and R^2 is the explained over total variation. a_0, a_1 … a_6 are parameters. All ARCH tests are significant at the 1% level. RESET (12,6) : A sensitivity test for mainly linearity in the mean equation. 12 is number of lags and 6 is the number of moments that is chosen in our implementation of the test statistic. $T \cdot R^2$ is χ^2 distributed with 12 degrees of freedom. All RESET tests are significant at the 1% level.

Table 2. An ARMA(0,1)-GARCH(1,1)-M process model for portfolio returns

This table contains the estimated coefficients from the model

$$R_{j,t} = \phi_{j,0} + \sum_{i=1}^{p} \phi_{j,i} \cdot R_{j,t-i} + \delta_j \cdot h_{j,t}^{\frac{1}{2}} + \varepsilon_{j,t} - \sum_{i=1}^{q} \theta_{j,i} \cdot \varepsilon_{j,t-i}$$ where $E(\varepsilon_{i,t}|\Omega_{t-1}) \sim D(0,h_{j,t},\upsilon_j)$ and $\lambda_{j,i,t} = \gamma_{j,i}$ if and only if $\varepsilon_{j,t-i} < 0$, $h_{j,t} = m_{j,0} + \sum_{i=1}^{m} (a_{j,i} + \lambda_{j,i,t}) \cdot \varepsilon_{j,t-i}^2 + \sum_{i=1}^{n} b_{j,i} \cdot h_{j,t-i}$, where $R_{j,t}$ are the daily returns on asset portfolio series and the market index. The model assumes a student t-density ($D(0,h_{j,t},\upsilon_j)$) log-likelihood function for parameter estimation, where the number of freedom's parameter υ is estimated. All parameters are estimated and the numbers in brackets below the estimated coefficients are t-statistics.

Port-folio(j):	Log like-lihood	υ	ϕ_0	β	θ_1	m_0	a_1	b_1	γ_1
Market Index	-3833.31	6.35849 {8.5805}	0.15634 {1.4487}	-0.07595 -{0.720}	-0.25094 -{12.509}	0.14560 {3.930}	0.07115 {3.067}	0.74287 {15.367}	0.15103 {3.682}
PES{-10,+01}	-2665.33	3.15269 {9.5002}	0.15551 {0.3736}	0.01727 {0.1559}	-0.03532 -{1.0602}	6.45523 {4.9215}	0.35107 {2.7342}	0.32589 {3.5956}	0.12657 {0.7966}
PES{-20,+05}	-3726.27	2.78265 {11.5924}	0.12195 {0.5035}	0.01702 {0.2515}	-0.02938 -{1.1574}	2.43567 {2.4356}	0.34912 {3.1730}	0.65088 {7.3979}	-0.09344 -{0.9175}
PES{-40,+40}	-5558.29	3.25724 {12.8283}	0.16303 {0.9122}	-0.04185 -{0.6882}	-0.07392 -{3.4821}	1.06182 {3.8738}	0.21178 {4.2491}	0.73027 {16.754}	0.02676 {0.4900}
PEA{-10,+01}	-3258.60	3.59845 {9.8003}	-0.20356 -{0.7174}	0.12735 {1.0254}	-0.07252 -{2.7555}	0.92958 {2.4683}	0.10203 {2.1448}	0.71193 {7.8634}	0.10664 {1.6598}
PEA{-20,+05}	-4120.08	4.25198 {9.9854}	0.28121 {1.2217}	-0.08139 -{0.7508}	-0.07509 -{3.2379}	0.37062 {3.4184}	0.06846 {2.8118}	0.83961 {25.023}	0.05247 {1.5497}
PEA{-40,+40}	-4607.73	4.78380 {10.8758}	0.08046 {0.5152}	-0.00115 -{0.0121}	-0.15775 -{7.1755}	0.29718 {1.8792}	0.07966 {2.4250}	0.78474 {8.8623}	0.10377 {1.9425}
PEB{-10,+01}	-4137.59	3.57772 {10.6247}	-0.02652 -{0.1006}	0.06342 {0.6489}	-0.06950 -{2.7594}	2.44604 {3.1541}	0.23229 {2.9793}	0.47486 {4.0710}	0.15001 {1.6037}
PEB{-20,+05}	-4803.24	3.50152 {12.2185}	0.11059 {0.6299}	0.02540 {0.3450}	-0.06770 -{3.2112}	0.63284 {3.9035}	0.15447 {3.9293}	0.76963 {19.502}	0.02615 {0.5894}
PEB{-40,+40}	-5335.53	5.51141 {8.9224}	0.28191 {1.9302}	-0.09064 -{1.2240}	-0.13862 -{6.7538}	0.15549 {3.4628}	0.07186 {3.8853}	0.87631 {38.866}	0.04852 {1.9585}
PNERS1	-5023.10	4.85994 {10.480}	-0.03180 -{0.241}	0.08488 {1.069}	0.02764 {1.305}	0.22300 {3.984}	0.04305 {2.290}	0.84004 {30.084}	0.10160 {3.401}
PNERS2	-5368.52	4.45475 {11.991}	0.16758 {1.162}	-0.05500 -{0.733}	0.01770 {0.885}	0.19732 {3.199}	0.03725 {2.265}	0.88204 {33.360}	0.07237 {3.143}
PNERA1	-4470.93	6.03981 {9.118}	0.19235 {1.899}	-0.06800 -{0.857}	-0.18264 -{8.866}	0.09999 {3.642}	0.06282 {2.954}	0.84104 {28.563}	0.10168 {3.452}
PNERA2	-4657.61	5.78547 {10.380}	0.05879 {0.541}	-0.01247 -{0.160}	-0.11299 -{5.315}	0.17725 {3.942}	0.07053 {2.972}	0.79228 {21.769}	0.13977 {4.010}
PNERB1	-4697.04	5.03013 {10.192}	0.15849 {1.911}	-0.11923 -{1.784}	-0.00108 -{0.053}	0.06870 {2.981}	0.06564 {3.656}	0.89082 {40.409}	0.05242 {1.973}
PNERB2	-5178.98	5.10484 {11.008}	0.24179 {1.752}	-0.08229 -{1.049}	0.05650 {2.765}	0.05952 {2.274}	0.02913 {3.286}	0.93985 {62.805}	0.02922 {1.980}

* See Table 1 for a desciption of the asset series

Table 3. Conditional Variance for ARMA-GARCH Specification

Student-t density log-likelihood function.

Panel A. Conditional variance for Selling Firm Portfolios

	PES{-10,+01}	PES{-20,+05}	PES{-40,+40}	PNERS1	PNERS2
Mean	18.70195	19.19703	14.44024	3.73851	4.82450
St.deviation	17.51336	23.25715	19.69196	5.28487	4.34063
Maximum	211.51874	431.78156	294.55571	108.70855	59.06402
Minimum	9.63035	7.13991	4.21650	1.56747	1.96091

Panel B. Conditional variance for Acquiring Firm Portfolios

	PEA{-10,+01}	PEA{-20,+05}	PEA{-40,+40}	PNERA1	PNERA2
Mean	6.21994	5.66700	3.72974	2.55937	2.92827
St.deviation	3.70463	4.53759	4.25134	3.83901	4.64144
Maximum	43.66252	58.84618	63.42697	81.48028	110.68654
Minimum	3.55286	2.61130	1.39184	0.71902	0.91348

Panel C. Conditional variance for Selling and Acquiring Firm Portfolios

	PEB{-10,+01}	PEB{-20,+05}	PEB{-40,+40}	PNERB1	PNERB2
Mean	9.50555	8.46261	6.52168	2.91710	3.83812
St.deviation	9.67752	10.71240	9.46285	2.68531	2.29449
Maximum	171.62060	133.99998	115.02129	38.09907	21.52474
Minimum	-5.84126	2.93724	1.50400	0.80627	1.27446

* See Table 1 for desciption of the series.

Table 4. Specification tests for An ARMA (p,q)-GARCH(m,n)-M process model

This table contains the specification tests for the portfolios and the market index.

Portfolio (j):	Q (6)	Q^2(6)	Kurtosis / Skew	K-S Z-test	ARCH (12)	RESET (12;6)	BDS m=2;ε=1.	BDS m=3;ε=1.	Bias
Market Index	10.5030 {0.105}	11.1220 {0.085}	7.7681 -0.77292	2.0411 {0.001}	14.7699 {0.254}	6.4350 {0.376}	-0.1127 {0.396}	-0.8809 {0.271}	8.9373 {0.030}
PES{-10,+01}	1.4750 {0.961}	16.6000 {0.011}	5.3392 0.39462	2.32489 {0.000}	24.0767 {0.020}	9.0870 {0.169}	-0.54479 {0.344}	-0.30297 {0.381}	1.01484 {0.798}
PES{-20,+05}	2.1460 {0.906}	2.3990 {0.880}	7.5580 0.77751	3.2737 {0.000}	12.6512 {0.395}	5.2359 {0.514}	1.1746 {0.200}	0.9327 {0.258}	2.1594 {0.540}
PES{-40,+40}	6.358 {0.499}	2.852 {0.827}	6.78896 -0.29074	3.25625 {0.000}	8.4179 {0.027}	4.1325 {0.659}	1.95748 {0.059}	2.01692 {0.052}	0.45789 {0.928}
PEA{-10,+01}	10.67 {0.099}	2.484 {0.870}	4.46047 0.24976	2.35 {0.000}	4.98127 {0.959}	2.4356 {0.876}	0.61521 {0.330}	0.31962 {0.379}	1.05138 {0.789}
PEA{-20,+05}	13.151 {0.041}	5.054 {0.537}	6.78025 -0.51205	2.30391 {0.000}	9.63868 {0.648}	5.5324 {0.478}	-1.05318 {0.229}	-1.05163 {0.229}	3.69917 {0.296}
PEA{-40,+40}	6.099 {0.412}	7.417 {0.284}	8.88042 -0.06102	2.38431 {0.000}	10.3041 {0.589}	6.2123 {0.400}	-1.13472 {0.210}	-0.51932 {0.349}	6.81339 {0.078}
PEB{-10,+01}	4.228 {0.646}	5.258 {0.511}	4.07124 0.37666	2.64013 {0.000}	5.55637 {0.937}	3.1345 {0.792}	1.47908 {0.134}	1.72287 {0.090}	1.8465 {0.605}
PEB{-20,+05}	6.856 {0.334}	9.545 {0.145}	4.63928 -0.00765	2.83914 {0.000}	9.85222 {0.629}	7.2543 {0.298}	-0.93036 {0.259}	0.02778 {0.399}	5.91768 {0.116}
PEB{-40,+40}	4.897 {0.557}	16.687 {0.011}	3.68873 -0.35706	1.95091 {0.001}	15.5967 {0.021}	10.2354 {0.115}	1.25869 {0.181}	1.18877 {0.197}	27.7879 {0.000}
PNERS1	8.987 {0.174}	16.187 {0.012}	4.66169 -0.40244	2.63369 {0.000}	19.4327 {0.079}	12.3245 {0.055}	-0.20681 {0.391}	-0.53553 {0.346}	25.6189 {0.000}
PNERS2	4.242 {0.644}	15.763 {0.015}	8.63806 -0.24548	2.55031 {0.000}	10.6054 {0.563}	7.1395 {0.308}	1.14193 {0.208}	0.88291 {0.270}	6.3593 {0.095}
PNERA1	14.015 {0.029}	15.196 {0.019}	7.19188 -0.88133	2.13189 {0.000}	10.2771 {0.592}	6.8756 {0.333}	0.29656 {0.382}	-0.0075 {0.399}	5.64074 {0.130}
PNERA2	8.775 {0.187}	13.364 {0.038}	3.95680 -0.57688	2.06189 {0.000}	19.6756 {0.073}	11.5534 {0.073}	-0.78678 {0.293}	-1.13493 {0.210}	13.8863 {0.003}
PNERB1	6.573 {0.362}	14.074 {0.029}	2.27322 -0.31989	2.55567 {0.000}	20.5588 {0.057}	11.9567 {0.063}	0.32506 {0.378}	-0.10349 {0.397}	26.5459 {0.000}
PNERB2	2.075 {0.913}	11.164 {0.083}	5.24054 -0.23405	2.18029 {0.000}	18.0673 {0.114}	10.8723 {0.092}	-0.40875 {0.367}	-0.4257 {0.364}	15.5956 {0.001}

Q(6) and Q^2(6) is the Ljung and Box (1976) test of serial correlation up to 6 lags. K-S Z-test: Used to test the hypothesis that a sample comes from a normal distribution. The value of the Kolmogorov-Smirnov Z-test is based on the largest absolute difference between the observed and the theoretical cumulative distributions. ARCH and RESET: see Table 1. BDS (m=2,ε=1): A test statistic for general non-linearity in a time series. The test statistic BDS $=T^{1/2}.[C_m(\sigma\cdot\varepsilon)- C_1(\sigma\cdot\varepsilon)^m]$, where *C* is based on the correlation-integral, m is the dimension and ε is the number of standard deviations. Under the null hypothesis of identically and independently distributed (i.i.d.) series, the BDS-test statistic is asymptotic normally distributed with a zero mean and with a known but complicated variance.

Table 5A. A bivariate ARMA(0,1)-GARCH(1,1)-M model

This table contains the estimated coefficients from the model

$$\boldsymbol{R_t} = \phi_0 + \boldsymbol{f}(\boldsymbol{x_t}, \beta) + \delta \cdot vech(\boldsymbol{H_t}) + \varepsilon_t - \theta \cdot \varepsilon_{t-1}$$

$$\boldsymbol{H_t} = \boldsymbol{m_0}' \cdot \boldsymbol{m_0} + \boldsymbol{A}'_1 \cdot \varepsilon_{t-1} \cdot \varepsilon'_{t-1} \cdot \boldsymbol{A_1} + \boldsymbol{B}'_1 \cdot \boldsymbol{H_{t-1}} \cdot \boldsymbol{B_1}$$

where $\varepsilon_t \,|\Omega_{t-1} \sim N(0, \boldsymbol{H_t})$.

Port-folio (j)	Log-likelihood	ϕ_0	ϕ_M	δ_{11}	δ_{MM}	θ_1	θ_M
PES{-10,+01}	-4250.7	0.16178	0.02765	-0.10016	-0.09744	-0.01611	-0.27032
		{1.493}	{0.702}	-{0.636}	-{0.569}	-{0.454}	-{7.187}
PES{-20,+05}	-6018.2	0.20385	0.06213	-0.08404	-0.12865	-0.03518	-0.21495
		{0.088}	{1.206}	-{0.917}	-{0.895}	-{0.712}	-{6.264}
PES{-40,+40}	-9023.1	0.07929	0.06801	0.14167	-0.12777	-0.08795	-0.23081
		{1.270}	{2.748}	{1.949}	-{1.436}	-{3.754}	-{10.408}
PEA{-10,+01}	-5437.0	0.11279	0.04679	0.29356	0.17083	-0.06307	-0.21924
		{1.890}	{1.511}	{1.543}	{1.098}	-{2.253}	-{8.162}
PEA{-20,+05}	-6855.9	0.08253	0.07279	-0.05987	-0.03542	-0.08770	-0.20124
		{1.623}	{2.711}	-{0.592}	-{0.355}	-{3.780}	-{8.366}
PEA{-40,+40}	-7837.0	0.14128	0.09153	-0.01716	-0.09825	-0.14082	-0.16911
		{3.806}	{3.931}	-{0.218}	-{1.338}	-{7.096}	-{8.420}
PEB{-10,+01}	-6760.4	0.14064	0.07249	0.21477	0.05020	-0.06032	-0.22959
		{2.294}	{2.428}	{1.774}	{0.345}	-{2.350}	-{9.682}
PEB{-20,+05}	-7984.8	0.15355	0.08836	0.05682	-0.09235	-0.07143	-0.21784
		{3.031}	{3.251}	{0.749}	-{0.765}	-{3.200}	-{10.094}
PEB{-40,+40}	-8612.1	0.13273	0.08641	-0.06884	-0.08657	-0.15357	-0.18341
		{2.839}	{3.671}	-{0.998}	-{1.291}	-{7.818}	-{9.135}
PNERS1	-8703.5	0.08133	0.08228	0.00476	-0.02364	0.02412	-0.15069
		{2.5597}	{3.3730}	{0.0527}	-{0.2384}	{1.2166}	-{7.4599}
PNERS2	-9247.4	0.06001	0.09389	0.04982	-0.02558	0.00159	-0.15764
		{1.6394}	{3.9290}	{0.7207}	-{0.2561}	{0.0749}	-{7.4040}
PNERA1	-7193.8	0.12788	0.13422	-0.13819	-0.24987	-0.10414	-0.13395
		{4.4322}	{5.6642}	-{1.5715}	-{2.9939}	-{6.5911}	-{8.2239}
PNERA2	-7997.9	0.06227	0.11369	-0.04192	-0.03439	-0.06920	-0.11689
		{1.3048}	{3.0086}	-{0.6694}	-{0.4501}	-{3.3764}	-{4.3093}
PNERB1	-8289.9	0.09333	0.09512	-0.12848	-0.09727	-0.00661	-0.15740
		{3.5085}	{4.0283}	-{1.9348}	-{1.0480}	-{0.3658}	-{7.6919}
PNERB2	-8893.5	0.12070	0.11083	-0.00965	0.00350	-0.04042	-0.16814
		{3.7197}	{3.9930}	-{0.1230}	{0.0417}	-{2.1387}	-{6.9874}

* See Table 1 for a description of the asset series and all parameters and variables are defined in Section 2.3.3.

Table 5B. A bivariate ARMA(0,1)-GARCH(1,1)-M model (continued)

Port-folio (j):	m_0	$m_{0,M}$	m_M	a_{11}	a_{1M}	a_{M1}	a_{MM}	b_{11}	b_{M1}^*	b_{MM}	γ_1	γ_2
PES{-10,+01}	2.142	0.294	0.526	0.459	0.056	0.309	0.422	0.692	-0.194	0.668	0.067	0.279
	{5.517}	{2.677}	{7.271}	{5.263}	{3.647}	{1.585}	{6.977}	{5.663}	-{0.73}	{0.000}	{1.029}	{0.000}
PES{-20,+05}	0.718	0.355	0.149	0.358	0.008	0.364	0.311	0.937	-0.271	0.877	0.000	0.064
	{1.853}	{1.385}	{0.702}	{1.032}	{0.206}	{0.317}	{0.537}	{3.315}	-{0.33}	{61.68}	{0.00}	{0.11}
PES{-40,+40}	0.747	0.204	0.361	0.332	0.005	0.073	0.000	0.924	-0.093	0.809	0.015	0.093
	{12.10}	{3.61}	{11.22}	{12.44}	{0.66}	{0.99}	{10.31}	{87.55}	-{1.78}	{26.95}	{0.75}	{2.53}
PEA{-10,+01}	1.482	-0.036	0.353	-0.305	-0.035	0.415	-0.223	0.536	0.455	0.843	0.208	0.155
	{6.99}	-{0.60}	{6.95}	-{5.68}	-{1.79}	{4.51}	-{3.63}	{1.14}	{3.34}	{23.15}	{3.53}	{3.15}
PEA{-20,+05}	0.582	0.101	0.309	0.289	0.035	0.053	0.315	0.915	0.001	0.875	0.033	0.066
	{8.34}	{1.65}	{8.94}	{8.46}	{1.66}	{0.59}	{7.17}	{0.22}	{0.02}	{35.63}	{1.42}	{2.04}
PEA{-40,+40}	0.488	0.331	-0.196	0.324	0.038	0.195	0.437	0.940	-0.150	0.832	0.000	0.022
	{9.49}	{8.24}	-{11.4}	{11.11}	{2.03}	{3.93}	{12.68}	-{0.35}	-{5.25}	{39.44}	{0.01}	{1.88}
PEB{-10,+01}	1.423	-0.043	0.440	0.449	-0.011	-0.932	0.153	0.659	0.203	0.748	0.126	0.226
	{12.70}	-{0.72}	{6.58}	{10.00}	-{0.56}	-{11.7}	{3.63}	{3.36}	{1.42}	{13.70}	{3.24}	{4.67}
PEB{-20,+05}	0.766	0.221	0.260	0.462	0.017	-0.161	0.206	0.862	0.021	0.913	0.000	0.090
	{11.24}	{5.28}	{10.28}	{16.99}	{1.56}	-{2.18}	{6.41}	-{1.74}	{0.54}	{65.13}	{0.00}	{4.75}
PEB{-40,+40}	0.522	0.317	0.221	0.381	0.034	0.231	0.459	0.917	-0.127	0.823	0.000	0.068
	{10.72}	{8.33}	{12.0}	{16.74}	{2.87}	{4.00}	{13.66}	-{1.75}	-{3.44}	{38.60}	{0.01}	{2.79}
PNERS1	0.5580	0.2890	0.3853	-0.082	0.0564	0.4411	0.3710	0.9045	-0.064	0.7886	0.1255	0.0651
	{9.785}	{4.250}	{13.11}	-{2.00}	{2.885}	{7.860}	{8.026}	{54.118}	-{1.13}	{21.23}	{6.399}	{2.577}
PNERS2	0.5522	0.3756	0.3776	0.269	-0.028	0.2145	0.4555	0.9374	-0.183	0.7524	0.0460	0.0458
	{9.879}	{4.793}	{8.60}	{9.49}	-{1.78}	{3.698}	{9.732}	{67.762}	-{3.03}	{17.31}	{2.592}	{2.017}
PNERA1	0.5341	0.5144	0.1383	0.007	0.2209	0.5050	0.2527	0.9976	-0.249	0.7082	0.0099	0.0001
	{9.710}	{9.918}	{7.38}	{0.17}	{6.348}	{9.967}	{5.159}	{53.875}	-{5.05}	{15.03}	{2.686}	{0.021}
PNERA2	0.4111	0.3458	0.2816	0.263	0.0900	0.2085	0.3715	0.9166	-0.068	0.8387	0.0601	0.0001
	{12.65}	{9.125}	{6.57}	{9.22}	{3.238}	{4.478}	{9.377}	{53.966}	-{1.68}	{36.16}	{2.082}	{0.002}
PNERB1	0.3516	0.3619	0.3380	0.315	0.1465	0.0739	0.3354	0.9395	-0.084	0.7849	0.0308	0.0047
	{8.273}	{5.304}	{8.73}	{11.36}	{6.448}	{1.841}	{9.438}	{64.019}	-{1.88}	{22.23}	{2.893}	{0.248}
PNERB2	0.4154	0.3530	0.2530	0.207	0.0268	0.1545	0.4147	0.9638	-0.092	0.8333	0.0138	0.0001
	{7.666}	{5.029}	{6.97}	{7.38}	{0.965}	{1.544}	{5.430}	{117.86}	-{1.48}	{23.51}	{1.100}	{0.002}

! See Table 1 for a desciption of the asset series

*b_{1M} is not significant in any bivariate estimation and are therefore excluded from the table above due to space requirements

Table 6. Conditional Variance Series for Multivariate Time Series

Multi-Normal density GARCH specification.

Panel A. Conditional variance for Selling Firm Portfolios

	PES{-10,+01}	PES{-20,+05}	PES{-40,+40}	PNERS1	PNERS2
Mean Portfolio	15.94530	18.14798	12.89608	3.66679	5.28875
Mean Market	1.48276	1.37276	1.47878	1.60550	1.59491
St.dev. Portfolio	12.41234	19.76305	15.30360	5.59073	7.15208
St.dev. Market	2.00412	1.03545	2.24548	3.96847	3.41900
Maximum P.	142.72486	271.69155	172.98752	145.49595	134.18385
Maximum M.	38.39453	15.38199	39.81361	119.52256	108.28927
Minimum P.	5.23529	3.54822	0.57991	0.50203	0.69420
Minimum M.	0.37311	0.15723	0.28372	0.48178	0.32480

Panel B. Conditional variance for Acquiring Firm Portfolios

	PEA{-10,+01}	PEA{-20,+05}	PEA{-40,+40}	PNERA1	PNERA2
Mean Portfolio	5.61138	6.54770	3.97344	2.52930	3.01299
Mean Market	1.27385	1.36917	1.70819	1.60098	1.62191
St.dev. Portfolio	2.71816	7.50203	5.73072	3.62445	5.55674
St.dev. Market	0.98278	1.49781	4.50530	3.44173	3.47951
Maximum P.	45.62943	154.09945	143.29059	102.89281	162.48308
Maximum M.	12.49216	20.69934	119.72834	102.75415	116.08961
Minimum P.	3.16866	0.61568	0.34418	0.32414	0.34677
Minimum M.	0.10916	0.15425	0.17270	0.29587	0.24315

Panel C. Conditional variance for Selling and Acquiring Firm Portfolios

	PEB{-10,+01}	PEB{-20,+05}	PEB{-40,+40}	PNERB1	PNERB2
Mean Portfolio	8.63431	8.31635	7.08226	2.81985	5.28168
Mean Market	1.33609	1.33883	1.77241	1.57153	1.56266
St.dev. Portfolio	7.89637	11.72502	12.03868	2.67364	6.99355
St.dev. Market	0.62796	0.86673	4.77122	3.36400	3.36986
Maximum P.	96.84432	154.09945	207.93048	58.30610	132.87462
Maximum M.	6.11594	10.98339	116.75448	103.11406	104.83034
Minimum P.	2.52265	0.68603	0.22566	0.13821	1.11655
Minimum M.	0.15523	0.10681	0.10742	0.27968	0.50186

* See Table 1 for a description of the asset series

Table 7. Specification tests for MGARCH (1,1)-M process model

This table contains the specification tests for the portfolios and the market index.

Port folio (j):	Q (6)	Q^2(6)	Kurtosis / Skew	K-S Z-test	ARCH (12)	RESET (12;6)	BDS m=2;ε=1.	BDS m=3;ε=1.	Bias
PES{-10,+01}	1.9600	19.2340	4.9976	2.3089	20.5199	11.3321	-0.2743	0.1235	2.0635
	{0.923}	{0.004}	0.3403	{0.000}	{0.058}	{0.079}	{0.384}	{0.396}	{0.559}
Market	5.5270	2.0730	7.1715	1.7041	4.2089	1.6854	1.4654	0.0943	0.5852
Index	{0.478}	{0.956}	-0.2393	{0.006}	{0.979}	{0.946}	{0.136}	{0.397}	{0.900}
PES{-20,+05}	2.0050	2.3440	10.8111	3.0907	9.1256	3.4325	1.86905	1.216585	5.2886
	{0.919}	{0.885}	-0.2634	{0.000}	{0.692}	{0.753}	{0.070}	{0.190}	{0.152}
Market	2.5680	0.7460	6.3717	2.0236	1.3117	1.4512	0.56266	-0.56375	1.3327
Index	{0.861}	{0.993}	-0.3641	{0.001}	{1.000}	{0.963}	{0.341}	{0.340}	{0.721}
PES{-40,+40}	7.3410	2.8720	10.58408	3.2399	8.4408	4.3786	4.19067	4.100778	2.3795
	{0.290}	{0.825}	-0.40131	{0.000}	{0.750}	{0.626}	{0.000}	{0.000}	{0.497}
Market	15.3100	1.2560	11.84835	2.1817	1.7175	1.1816	1.49073	0.826279	0.8134
Index	{0.018}	{0.974}	-0.73273	{0.000}	{1.000}	{0.978}	{0.131}	{0.284}	{0.846}
PEA{-10,+01}	11.672	1.631	3.731813	2.2856	4.7003	1.7654	0.7978	0.6518	0.9945
	{0.070}	{0.950}	0.176449	{0.000}	{0.967}	{0.940}	{0.290}	{0.323}	{0.803}
Market	9.135	7.277	4.580735	1.5743	11.9616	1.0817	1.2245	0.0226	3.8035
Index	{0.166}	{0.296}	-0.18505	{0.014}	{0.449}	{0.982}	{0.189}	{0.399}	{0.283}
PEA{-20,+05}	12.2	5.256	6.44867	2.2075	9.3264	4.6759	-1.1265	-1.1293	3.7643
	{0.058}	{0.511}	-0.47747	{0.000}	{0.675}	{0.586}	{0.212}	{0.211}	{0.288}
Market	16.118	1.249	6.976373	1.9303	2.4476	1.5534	1.7236	1.1055	2.5158
Index	{0.013}	{0.974}	-0.73394	{0.001}	{0.998}	{0.956}	{0.090}	{0.217}	{0.472}
PEA{-40,+40}	8.116	9.325	7.087791	2.2417	11.8563	6.1829	-0.9790	-0.6323	6.5191
	{0.230}	{0.156}	-0.05905	{0.000}	{0.457}	{0.403}	{0.247}	{0.327}	{0.089}
Market	15.242	7.169	11.41769	2.2727	7.6763	2.1823	0.7047	0.3293	5.9318
Index	{0.018}	{0.305}	-1.06812	{0.000}	{0.810}	{0.902}	{0.311}	{0.378}	{0.115}
PEB{-10,+01}	3.752	6.232	2.618439	2.3836	8.0282	5.2169	1.7754	2.1156	3.1410
	{0.710}	{0.398}	0.144248	{0.000}	{0.783}	{0.516}	{0.082}	{0.043}	{0.370}
Market	11.265	5.431	2.982591	1.5392	12.7950	3.4512	1.1727	0.2322	2.5742
Index	{0.081}	{0.490}	-0.15756	{0.018}	{0.384}	{0.750}	{0.201}	{0.388}	{0.462}
PEB{-20,+05}	6.878	7.481	4.33677	2.7998	8.2039	5.5218	-1.0881	-0.0726	1.1817
	{0.332}	{0.279}	0.036636	{0.000}	{0.769}	{0.479}	{0.221}	{0.398}	{0.757}
Market	12.149	6.877	3.235842	1.5132	7.5304	2.4528	1.4024	0.7946	4.6260
Index	{0.059}	{0.332}	-0.34495	{0.021}	{0.821}	{0.874}	{0.149}	{0.291}	{0.201}
PEB{-40,+40}	6.388	13.592	2.981925	1.9258	17.0922	10.8691	1.1043	1.0970	7.4926
	{0.381}	{0.035}	-0.33714	{0.001}	{0.146}	{0.093}	{0.217}	{0.219}	{0.058}
Market	16.63	4.685	11.29445	2.2121	5.2376	2.0815	0.9439	0.6377	2.7707
Index	{0.011}	{0.585}	-1.03167	{0.000}	{0.000}	{0.912}	{0.256}	{0.326}	{0.428}
PNERS1	8.987	15.187	4.25152	2.6389	20.614907	12.3425	-0.6292	-0.55719	11.1453
	{0.174}	{0.019}	-0.30475	{0.000}	{0.056}	{0.055}	{0.327}	{0.342}	{0.011}
Market	15.896	12.459	6.56274	2.0415	12.916444	4.3428	0.27454	-0.34576	7.3957
Index	{0.014}	{0.086}	-0.67875	{0.000}	{0.375}	{0.630}	{0.384}	{0.376}	{0.060}
PNERS2	4.242	14.763	7.881765	2.6097	8.405008	4.2319	0.77751	0.374474	1.3818
	{0.644}	{0.022}	-0.04503	{0.000}	{0.753}	{0.645}	{0.295}	{0.372}	{0.710}
Market	2.067	17.135	5.94216	1.9944	18.184139	6.8321	0.15298	-0.33397	11.3614
Index	{0.913}	{0.017}	-0.62726	{0.001}	{0.110}	{0.337}	{0.394}	{0.377}	{0.010}
PNERA1	15.015	15.196	5.035987	2.3060	11.457897	7.8123	0.0825	-0.14219	9.1288
	{0.020}	{0.019}	-0.74307	{0.000}	{0.490}	{0.252}	{0.398}	{0.395}	{0.028}
Market	16.464	9.662	6.62387	2.0988	17.20038	7.5218	0.10906	-0.3976	9.7842
Index	{0.011}	{0.209}	-0.65099	{0.000}	{0.142}	{0.275}	{0.397}	{0.369}	{0.020}
PNERA2	8.775	18.364	3.684811	1.8763	16.197043	10.8451	-0.8163	-0.82145	11.7975
	{0.187}	{0.000}	-0.52111	{0.002}	{0.182}	{0.093}	{0.286}	{0.285}	{0.010}
Market	14.893	19.403	6.61759	2.0585	20.066719	8.9218	0.44082	-0.11149	11.7205
Index	{0.021}	{0.012}	-0.67863	{0.000}	{0.066}	{0.178}	{0.362}	{0.396}	{0.010}
PNERB1	6.573	17.074	2.199467	2.4500	20.5108	11.8923	0.39813	0.011667	11.0150
	{0.362}	{0.017}	-0.3051	{0.000}	{0.058}	{0.064}	{0.369}	{0.399}	{0.010}
Market	14.959	14.621	5.25272	1.8902	14.956496	6.4512	0.42287	-0.0902	8.6598
Index	{0.021}	{0.041}	-0.52124	{0.002}	{0.244}	{0.375}	{0.365}	{0.397}	{0.034}
PNERB2	2.075	16.164	4.672887	2.2313	9.155559	4.5129	-0.5923	-0.4118	6.2822
	{0.913}	{0.020}	-0.13246	{0.000}	{0.690}	{0.608}	{0.335}	{0.367}	{0.099}
Market	6.276	17.555	6.83036	2.0281	21.029395	9.8562	0.07892	-0.31816	11.3494
Index	{0.393}	{0.014}	-0.71207	{0.001}	{0.050}	{0.131}	{0.398}	{0.379}	{0.010}