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Do Hedge Funds Manipulate Stock Prices?

By [Insider Monkey](#)

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Do hedge funds manipulate stock prices? Itzhak Ben-David, Francesco Franzoni, Augustin Landier, and Rabih Moussawi think so. Here is an excerpt from their paper:

Based on the holdings data of [hedge funds](#) in conjunction with daily and intraday stock price data, we find that prices of stocks with high hedge fund ownership exhibit abnormal positive returns in the last minutes of trading on the last day of the quarter and that they rebound the following morning. To illustrate the effect, stocks in the top quartile holdings by hedge funds exhibit an average [abnormal return](#) of 30 basis points in the last day of the month; these returns slip back by 25 basis points on average in the following day. Further, these patterns are strongest when hedge fund owners have incentives to manipulate: less diversified funds (for which manipulating is less costly), funds experiencing a poor month in terms of [absolute returns](#), and funds that are among the highest year-to-date performers and wish to benefit by attracting investors' attention.

Tags: [Augustin Landier](#) [Francesco Franzoni](#) [Hedge Fund Stock Manipulation](#) [Itzhak](#)

[Ben-David](#) [Rabih Moussawi](#)

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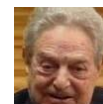
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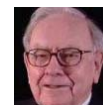
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