“Corporate Sport Sponsorship and Stock Returns”

Dr. Assaf Eisdorfer
From
University of Connecticut

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Abstract

Most of the home stadiums/arenas of major-sport teams in the U.S. are sponsored by large publicly traded companies. Using NFL data we find that stock returns to the sponsoring firms are affected by the outcomes of important games played in their stadiums. For example, the mean difference between next-day abnormal returns after a win and after a loss of the home team is 50 basis points for Monday night games and 82 basis points for post-season elimination games. We also find a similar effect after basketball games, but not after baseball or hockey games. A series of tests indicate that this effect is driven in part by sentiment of investors associating the sponsoring company with the team performance. The sponsors’ stock return patterns provide profitable trading opportunities.