

Corporate Insider Disagreement and Stock Returns

Hae Won (Henny) Jung*

Bryan Lim[†]

Yuyang Zhang[‡]

May 2026

Abstract

We examine whether disagreement among corporate insiders predicts the cross-section of future stock returns. Using dispersion in insider trading activity to capture within-firm dispersion in insiders' revealed beliefs, we find that insider disagreement is positively associated with subsequent stock returns. A long-short strategy based on insider disagreement generates annualized Fama-French four-factor alphas ranging from 1.65% to 3.28%. The return premium remains robust after controlling for additional risk and mispricing factors and after excluding routine trades. Insider disagreement is unrelated to earnings announcement returns and analyst forecast surprises, providing little support for a delayed-information explanation. We further show that insider disagreement is associated with lower Tobin's q , weaker operating performance, higher future volatility, and lower trading volume. The overall evidence supports a risk-based interpretation, whereby insider disagreement reflects internal frictions and less efficient decision-making, generating a positive risk premium.

JEL Classifications: G12, G14, G34, D81

Keywords: Corporate insider disagreement; Insider trading; Stock returns

*Department of Finance, University of Melbourne. Email: hae.jung@unimelb.edu.au

[†]Department of Finance, University of Melbourne. Email: blim@unimelb.edu.au

[‡]School of Finance, University of Sydney. Email: yuyang.zhang@sydney.edu.au

1 Introduction

A large literature in finance examines how disagreement among market participants affects asset prices. Prior work links belief heterogeneity either to overpricing and lower subsequent stock returns under short-sale constraints (Boehme et al., 2006; Hong & Stein, 2003; Miller, 1977) or to higher risk premia through its effects on risk sharing and speculative trading (David, 2008; Varian, 1985). Disagreement among outside investors is commonly measured using analyst forecast dispersion or trading-volume-based measures of opinion divergence, and prior work shows that such disagreement is related to expected returns and post-announcement return dynamics (Diether et al., 2002; Garfinkel & Sokobin, 2006; Hong & Stein, 2007; Johnson, 2004). While existing empirical evidence focuses primarily on disagreement among outside investors, disagreement among corporate *insiders* remains relatively unexplored.

A separate but related literature examines the relation between corporate insider trading and stock returns. This research has documented that insiders' trading behavior contains information about future stock performance. Insider purchases are typically followed by positive abnormal returns, whereas insider sales are generally less informative because they are often motivated by diversification or liquidity needs rather than private information (Cohen et al., 2012; Jeng et al., 2003; Lakonishok & Lee, 2001). Prior work also shows that insider trades can reflect both superior information and managers' beliefs about misvaluation or contrarian investment opportunities (Jenter, 2005; Piotroski & Roulstone, 2005). More recently, Gao et al. (2022) show that aggregate insider silence at the firm level predicts negative future returns, consistent with insiders strategically refraining from trading when bad news is pending and litigation risk is elevated. This literature typically aggregates insider trading activity, implicitly treating insiders as a unified group whose net activity reflects a common view of firm prospects. But when insiders trade in opposite directions, such aggregation can obscure information that may be valuable to outside investors: the individuals most directly involved in firm decision-making do not appear to agree. Whether asset prices reflect this internal disagreement has received limited attention in prior empirical work.

Linking these two strands of research, we examine whether disagreement among corporate insiders, inferred from dispersion in their trading behavior, is priced in the cross-section of stock

returns. We posit two channels through which within-firm disagreement may matter for expected returns. The first is a delayed-information channel. Insiders may disagree because they interpret value-relevant information about firm fundamentals differently from each other before that information is fully incorporated into market prices. Under this mechanism, the return predictability of insider disagreement arises as prices adjust to information subsequently revealed through earnings news, analyst forecast revisions, or other public signals (Atilgan et al., 2023; La Porta et al., 1997). Ex ante, the sign of the return prediction is ambiguous. Disagreement may predict positive returns if the subsequently revealed information is favorable, but negative returns if disagreement reflects adverse information about firm fundamentals. The second is an organizational-friction channel. If insiders involved in firm decision-making disagree about the firm’s prospects or strategic direction, corporate decisions may become delayed or distorted, leading to inefficient investment and operating choices that reduce firm value. This mechanism builds on recent theoretical work in corporate finance showing that communication and decision-making within boards can be affected by directors’ private information and incentives, and that group decision-making under heterogeneous beliefs can impair corporate choices by generating dynamic inconsistency, inertia, or deadlock (Donaldson et al., 2020; Garlappi et al., 2017, 2022; Malenko, 2014). Because such frictions can lower current valuations and increase uncertainty about the firm’s ability to make efficient investment and operating decisions, investors may require higher expected returns to hold these firms. If the organizational-friction channel is correct, insider disagreement will be associated with lower firm value, weaker future operating performance, and higher future stock returns.

To test these channels, we construct a simple and intuitive measure of insider disagreement based on the direction of trades by individual corporate insiders – defined as executives, directors, and senior managers – over a rolling twelve-month window. For each insider-firm-month observation, we classify the insider’s trading record over the prior twelve months as a net buy, a net sell, or silence. We then measure insider disagreement as the standard deviation of these individual-level directional trading classifications within each firm-month. Intuitively, the measure is low when insiders behave uniformly (all buying, all selling, or all remaining silent) and high when insiders’ trading behavior points in different directions. This construction extends the “net-buy, net-sell, silence” classification in Gao et al. (2022) from the firm level to the individual-

insider level, allowing us to capture disagreement within the group of corporate insiders rather than only the aggregate direction of insider trading.

Disagreement among insiders is not rare and has become a prominent feature of insider trading activity in U.S. public firms. Over our 1990–2023 sample, heterogeneity in insider trading behavior steadily increases. The fraction of firms whose insiders either trade uniformly in one direction or remain collectively silent falls sharply, from roughly 41% at the beginning of the sample to about 13% by the end. Over the same period, the fraction of firms with both buying and selling insiders, but without silent insiders, rises from about 26% to nearly 60%.

We examine whether this disagreement is priced in the cross-section of stock returns. First, we sort firms into terciles based on insider disagreement and compare the future returns of high- and low-disagreement firms. The results show a positive and economically meaningful return spread. A portfolio that buys high-disagreement firms and sells low-disagreement firms generates annualized Fama-French four-factor alphas ranging from 1.65% to 3.28%, depending on the weighting scheme and holding horizon, which range from one month to one year. The spread is statistically significant in both equal- and value-weighted portfolios and remains significant at longer horizons, suggesting that the effect is not confined to short-lived price pressure or microstructure noise.

Next, we run regressions to estimate whether insider disagreement predicts future stock returns after controlling for plausible alternative explanations. The Fama-MacBeth estimates show that the coefficient on insider disagreement remains positive and statistically significant after controlling for aggregate insider trading direction, insider silence, standard firm and stock characteristics, and governance characteristics. Furthermore, the result holds when we control for analyst forecast dispersion, a common measure of investor disagreement, and political disagreement among directors, another potential source of disagreement. These findings suggest that dispersion in insiders' trading behavior contains incremental pricing information beyond conventional aggregate-level insider-trading signals and other observable sources of disagreement.

To distinguish between the two proposed channels, we examine whether insider disagreement predicts future information revelation or instead reflects organizational frictions within the firm. Under the delayed-information channel, disagreement should forecast subsequent public news about firm fundamentals. If insiders disagree because some possess or interpret value-

relevant information before it is incorporated into prices, high-disagreement firms should exhibit predictable earnings-announcement reactions or analyst-based earnings surprises when that information becomes public (Atilgan et al., 2023; La Porta et al., 1997). The evidence provides little support for this explanation. Insider disagreement is not reliably associated with cumulative abnormal returns around earnings announcements, and its relation to analyst-based earnings surprises is weak and statistically insignificant in most specifications. These results suggest that the return premium does not appear to arise from delayed market incorporation of earnings-related information reflected in divergent insider trading.

According to the organizational-friction channel, whereby insider disagreement reflects internal frictions or uncertainty about the firm's future direction, high disagreement should be associated with lower valuations, weaker operating outcomes, and greater uncertainty. In line with this channel, we find that insider disagreement is negatively associated with firm value, measured by Tobin's q , and with operating performance, measured by return on assets and net margins. Higher insider disagreement is also significantly associated with higher subsequent stock return volatility and lower trading volume. The decline in trading activity supports the view that insider disagreement increases perceived opacity and raises concerns about inefficient decision-making, thereby discouraging outside investors from trading. Overall, the evidence supports the organizational friction channel, whereby investors require compensation for holding firms characterized by greater internal disagreement.

Our study contributes to several strands of literature. First, we contribute to the insider trading literature, which documents that insider trades contain information about future stock performance. Prior studies show that aggregate insider purchases predict positive future stock returns (Jeng et al., 2003; Lakonishok & Lee, 2001). Importantly, Gao et al. (2022) show that insider silence can be more informative than insider sales, particularly when insiders strategically refrain from trading ahead of bad news. Insider trading may reflect not only private information about future cash flows, but also managers' beliefs about misvaluation and contrarian investment opportunities (Jenter, 2005; Piotroski & Roulstone, 2005). In addition, trades by independent directors are informative, suggesting that value-relevant information is not confined to top executives alone (Cao et al., 2015; Ravina & Sapienza, 2010). A related set of studies moves beyond aggregate insider trading by showing that informativeness depends on trading patterns

and strategic behavior, including trade horizon, trade sequences, trade size, and camouflage (Akbas et al., 2020; Biggerstaff et al., 2020; Contreras & Marcet, 2021; Cziraki & Gider, 2021). For example, Akbas et al. (2020) distinguish between short- and long-horizon insider trades and show that short-horizon and unexpected trades contain greater information. We extend this literature by examining a different aspect: directional heterogeneity across insiders within the same firm-period. Specifically, we show that disagreement in insiders' trading directions predicts future stock returns beyond net insider demand. Importantly, this return predictability need not reflect insiders' private information alone. Directional heterogeneity may also capture differences in beliefs among insiders, offering a distinct mechanism through which insider trading relates to future returns.

Second, our paper relates to the broader literature on disagreement and asset prices. This literature shows that heterogeneous beliefs can affect prices and expected returns through both short-sale-constraint and risk-sharing channels (Boehme et al., 2006; Carlin et al., 2014; Daniel et al., 2023; David, 2008; Hong & Stein, 2003, 2007). We contribute to this literature by shifting attention from disagreement among outside investors to disagreement inside the firm, among corporate insiders. Because insiders are closely involved in firm operations and strategic decisions, divergence in their views about firm prospects may be reflected in stock returns through a distinct organizational channel. We interpret this channel through recent theoretical work showing that disagreement within decision-making groups can distort corporate choices, delay investment, and generate deadlock (Donaldson et al., 2020; Garlappi et al., 2017, 2022).

Third, our paper relates to recent empirical studies that examine disagreement among economically important groups connected to the firm. Sheng (2025) studies employee disagreement using Glassdoor business-outlook forecasts and finds that it predicts lower future stock returns by capturing adverse fundamentals, including lower profitability, weaker employee synergy, and more misconduct incidents. Bena and Wang (2021) examine disagreement in shareholder voice between active and passive mutual funds using proxy voting decisions and show that such disagreement is associated with lower firm value, particularly when voting outcomes are uncertain. Our study differs from these papers along two key dimensions. First, we focus on corporate insiders who are directly involved in firm decision-making rather than employees or external shareholders. Second, we infer disagreement from insiders' actual trading directions rather than

from survey-based forecasts or proxy voting decisions. This distinction is important because insider trades are costly personal financial decisions made under legal, reputational, and regulatory constraints. Our setting therefore allows us to examine whether disagreement among corporate decision-makers contains value-relevant information for asset prices.

The remainder of the paper is organized as follows. Section 2 describes the data and insider-disagreement measure. Section 3 presents the main cross-sectional return results and robustness tests. Section 4 examines earnings news and firm outcomes. Section 5 concludes.

2 Data

2.1 Sample description

Our primary data sources are CRSP, Compustat, the LSEG Insiders Data, I/B/E/S, and BoardEx. We begin by constructing a monthly panel of U.S. common stocks from CRSP. The initial sample includes ordinary common shares listed on the NYSE, AMEX, or NASDAQ. We merge these observations with accounting information from Compustat and insider trading records from LSEG Insiders Data, formerly part of Thomson Reuters Refinitiv.

Following Gao et al. (2022), we exclude microcap and low-priced stocks to reduce the influence of illiquidity and other microstructure-related concerns. Specifically, we remove: 1) stocks with a share price below \$5 at the end of the previous month; 2) firms with market capitalization in the lowest two deciles based on NYSE common-stock breakpoints; and 3) firms with missing or nonpositive book value of equity at the end of the previous fiscal year. In addition, to ensure that each firm has a sufficiently long trading history and at least 12 months of insider trading observations after the typical IPO lockup period, we require firms to be at least 18 months old.

We use analyst forecast dispersion as a standard proxy for investor disagreement (e.g., Diether et al., 2002), constructed from the I/B/E/S unadjusted files. For each stock-month, we measure analyst dispersion as the standard deviation of analysts' earnings-per-share (EPS) forecasts, scaled by the absolute value of the mean EPS forecast for the current fiscal year. We use forecasts with the forecast period indicator equal to one, corresponding to forecasts for the current fiscal year ($FPI = 1$). Consistent with the prior literature, we require each firm-month to have at least two valid forecasts and an absolute mean forecast greater than \$0.1.

We further merge the sample with BoardEx to obtain governance characteristics. These variables include board size, board independence, an indicator for CEO-chair duality, and the percentage of captured directors. These controls allow us to account for observable differences in board structure and governance arrangements that may be correlated with both insider disagreement and subsequent stock returns. We also control for heterogeneity in directors' political preferences, which may be one source of disagreement among insiders. We measure their political ideology using measures from the Database on Ideology, Money in Politics, and Elections (DIME) (Bonica, 2024).¹ In our analysis, we control for both the average political stance of the board and the dispersion in political stances across board members. Using CRSP and Compustat, we also construct a standard set of stock characteristics and firm-level financial variables for use as controls in our cross-sectional return tests. These include market beta, short-term reversal, illiquidity, maximum daily return, momentum, book-to-market ratio, and firm size.

Our main sample is a stock-month panel from January 1990 to December 2023 and contains 728,260 observations. This sample is used to form portfolios in our portfolio-sorting analysis. For tests that additionally require analyst dispersion from I/B/E/S and governance variables from BoardEx, the sample size decreases to 515,394 stock-month observations.

2.2 Measuring insider disagreement

We measure disagreement among insiders—defined as executives, directors, and senior managers—using divergence in their trading decisions. We clean the insider trading data from LSEG Insiders Data following prior literature (e.g., Gao et al., 2022; Lakonishok & Lee, 2001; Sias & Whidbee, 2010). Specifically, we remove records with cleanse codes of “S” or “A”, which indicate duplicated and amended records. We also exclude records with missing transaction prices, transactions involving fewer than 100 shares, and amended filings. We focus on open market stock transactions, identified by transaction codes “P” or “S”. To mitigate the influence of data errors and unusual transactions, we exclude trades involving more than 20% of the firm's total shares outstanding, as well as trades whose transaction price fall outside the range of 80% to 120% of the stock price

¹This measure, referred to as the “campaign finance score” or “CFScore” in the DIME database, has been used and validated in recent economics and finance research (e.g., Autor et al., 2020; Djourelouva et al., 2024). The score places individuals on a liberal-conservative spectrum based on their political donation records and the ideology of donation recipients, with lower values indicating more liberal ideology and higher values indicating more conservative ideology.

on the transaction day.

For each insider appearing in the trading data, we define an individual-level categorical variable, *Net Insider Demand*, denoted by $NID_{i,p,[t-12,t-1]}$, which captures insider p 's net trading direction in firm i over the previous 12 months, $[t-12, t-1]$. As documented by Gao et al. (2022), a nontrivial fraction of firms have no insider trading in a given month, and such "silence" conveys information about future returns that differs from the information contained in net insider buying or selling. To account for insiders who do not appear in the trading files in a given month, we construct a firm-month-insider panel as follows. For each insider-firm pair, we assume that the insider is a potential trader in every month from her first appearance in the insider trading data to her last appearance in the data.²

Using this panel, $NID_{i,p,[t-12,t-1]}$ equals one if the total number of shares purchased by insider p exceeds the total number of shares sold over months $t-12$ to $t-1$, and equals minus one if the total number of shares sold exceeds the total number of shares purchased. If no trades are recorded for that insider-firm pair over the entire 12-month window, we classify the insider as silent in that month, setting $NID_{i,p,[t-12,t-1]}$ equal to zero.

We measure our key variable, insider disagreement for firm i at the end of month $t-1$, denoted by $IDA_{i,t-1}$, as the cross-sectional standard deviation of $NID_{i,p,[t-12,t-1]}$ across all insiders of firm i who are classified as potential traders in every month from $t-12$ to $t-1$. By construction, $IDA_{i,t-1}$ is bounded between zero and one. A value of zero indicates that all potential insiders have the same trading signal, while higher values indicate greater dispersion in insiders' trading directions.

For each stock-month, we also characterize both the composition of insider trading directions and aggregate net insider demand. To characterize the composition of trading directions, we classify firms into seven groups based on the set of insider trading types observed over the previous 12 months. For example, if all potential insiders have positive net insider demand, the firm is classified as "Buy-only". If a firm has both insiders with positive net insider demand and insiders with negative net insider demand, but no silent insiders, it is classified as "Buy-sell." If a firm has insiders with positive net demand, negative net demand, and silence, it is classified as

²This approach ensures that we focus on insiders who hold shares and are required to disclose trades when they occur.

“Buy-sell-silence.” The seven groups are: buy-only, sell-only, silence-only, buy-sell, sell-silence, buy-silence, and buy-sell-silence.

We also construct the aggregate insider demand by summing individual net insider demand across insiders for each stock-month. Based on this measure, we define indicator variables *Net buy*, *Net sell*, and *Net silence*. *Net buy* equals one if aggregate insider demand over the previous 12 months is positive, while *Net sell* equals one if aggregate insider demand is nonpositive with insider trading activities. *Net silence* equals one if all potential insiders are silent over the previous 12 months. These variables allow us to distinguish aggregate insider trading direction from disagreement in trading directions across insiders.

2.3 Summary statistics

Table 1 reports summary statistics for the stock-month panel. The insider disagreement measure has a mean of 0.39 and a standard deviation of 0.23. Over the sample period, the average level of insider disagreement increases modestly, from 0.35 during 1990–1999 to 0.43 during 2020–2023. This increase is driven primarily by greater disagreement among firms at the lower end of the distribution, as reflected in the rise in the 25th percentile, while the median and 75th percentile remain relatively stable. Aggregate net insider demand is predominantly negative: 70.13% of stock-month observations have negative aggregate insider demand, or net selling, over the previous 12 months; 14.31% exhibit positive aggregate insider demand, or net buying; and 15.56% have no insider trading records, that is, net silence.

[TABLE 1 ABOUT HERE]

To illustrate the composition of insiders’ trading directions, Figure 1 plots the evolution of the insider disagreement categories over the sample period. The combined share of firms in which all insiders are of the same type—buy-only, sell-only, or silence-only—declines from 41.07% in January 1990 to 13.19% in December 2023. This decline is driven mainly by the shrinking fraction of firms whose insiders are all silent. By construction, these firms have an IDA value of zero. The reduction in low-disagreement firms is consistent with the evidence in Table 1 that the lower tail of the IDA distribution becomes thinner over time.

[FIGURE 1 ABOUT HERE]

In contrast, the share of firms with both buying and selling insiders, but no silent insiders, rises from 25.60% to 59.94%, making it the largest category by the end of the sample period. The proportion of firms with only selling and silent insiders declines from 13.22% in January 1990 to 6.99% in December 2023, while the share of firms with only buying and silent insiders remains below 1% throughout the sample period. Finally, the share of firms with all three types of insiders—buy-sell-silence—fluctuates without a clear trend, reaching a low of 17.58% in February 2014 and a high of 35.29% in January 2009.

In our baseline portfolio analysis, stocks are sorted into terciles based on the rank of their insider disagreement measure. Figure 2 plots the composition of insider disagreement categories within each portfolio. By construction, all stocks with an IDA value of zero—that is, firms whose insiders all trade in the same direction—belong to the low-disagreement portfolio. These firms are those for which all potential insiders have the same trading signal: buy-only, sell-only, or silence-only. As the share of these firms declines over time, the low-disagreement portfolio contains an increasing share of firms with both buying and selling insiders. The mid-disagreement portfolio is composed primarily of firms with both buying and selling insiders, together with a declining share of firms with selling and silent insiders and a relatively stable share of firms with all three types of insiders. In the high-disagreement portfolio, approximately 50% of firms contain all three types of insiders (buying, selling, and silent), while the remainder consists mainly of firms with buying and selling insiders.

We use CRSP and Compustat to construct stock characteristics and firm financial variables used as controls in our analysis. These include *beta*, estimated as the regression coefficient from daily stock returns on daily market returns within a given month; *short-term reversal (STR)*, measured as the one-month lagged stock return; *illiquidity (ILLIQ)*, measured as the absolute monthly stock return divided by dollar trading volume and multiplied by 10^6 ; *MAX*, measured as the average of the five highest daily returns within a given month; and *MOM*, measured as the cumulative return over the previous 12 months. The firm-level controls include *BTM*, defined as the book value of equity from the most recent quarter divided by the market value of equity, and *Size*, defined as the logarithm of market capitalization. We further merge the sample with BoardEx to obtain governance controls, including board size, board independence, an indicator for CEO-chair duality, and the percentage of captured directors.

To account for the possibility that political heterogeneity among directors contributes to insider disagreement, we incorporate measures of board members’ political ideology from the Database on Ideology, Money in Politics, and Elections (DIME) (Bonica, 2024).³ The ideology score places individuals on a liberal–conservative spectrum based on their political donation records and the ideology of donation recipients, with lower values indicating more liberal ideology. We control for both the average political stance of the board and the dispersion in political stances across board members.

Table 2 compares the summary characteristics between stocks in the high- and low-disagreement portfolios. We find that the two groups differ along multiple dimensions. In Panel A, we compare the raw values of these characteristics, after winsorization at the 1st and the 99th percentiles. Specifically, 14.31% of firms in the high-disagreement portfolio have positive aggregate insider demand, compared with 13.73% of firms in the low-disagreement portfolio. In contrast 85.69% of firms in the high-disagreement portfolio have negative aggregate insider demand, compared with 39.83% of firms in the low-disagreement portfolio. By construction, no stocks in the high-disagreement portfolio fall into the net-silence category, whereas 46.44% of stocks in the low-disagreement portfolio are classified as having all insiders silent over the previous 12 months.

[TABLE 2 ABOUT HERE]

Relative to stocks in the low-disagreement portfolio, stocks in the high-disagreement portfolio have significantly lower analyst dispersion, higher beta, higher one-month lagged return (*STR*), greater liquidity, and a higher monthly *MAX*. In addition, firms in the high-disagreement portfolio are significantly larger, have lower book-to-market ratios, higher past 12-month returns (*MOM*), slightly fewer directors, a higher proportion of independent directors, a greater likelihood of CEO-chair duality, a higher proportion of captured directors, and greater political disagreement among directors. In Panel B, we demean each variable by its monthly cross-sectional average to remove common time-series variation and then compare the demeaned variables. The results are largely similar to those based on raw values except that after demeaning, firms in the high-disagreement portfolios have larger boards and more liberal board ideology on average.

³This measure, referred to as the “campaign finance score” (“CFScore”) in the DIME database, has been used and validated in recent economics and finance research (e.g., Autor et al., 2020; Djourelouva et al., 2024).

3 Insider disagreement and stock returns

3.1 Portfolio Sorts

We begin by examining whether insider disagreement predicts future stock returns using portfolio sorts. At each rebalancing date, we sort stocks into terciles based on insider disagreement, measured as the standard deviation of categorical net insider demand over the previous 12 months, and form three portfolios: low disagreement (LO), medium disagreement (MI), and high disagreement (HI). We consider both equal-weighted and value-weighted portfolios, and examine their performance in the following 1, 6, and 12 months. In addition to raw returns, we report risk-adjusted performance using the CAPM (which includes a market factor) and the Fama-French four-factor model (which includes market, size, value, and momentum factors). For each specification, we focus on the return difference between the high- and low-disagreement portfolios (HML), which captures the premium associated with insider disagreement.

The results in Table 3 show a significantly positive and economically meaningful return spread between high- and low-disagreement stocks. Panel A shows that the HML portfolio earns positive and statistically significant raw returns in all six specifications. For equal-weighted portfolios, the annualized HML return ranges from 1.57% for the 1-month holding period to 2.59% for the 12-month holding period. For value-weighted portfolios, the corresponding spread ranges from 2.09% to 2.77%. Panels B and C show that this pattern remains after adjusting for standard risk factors. In Panel B, the CAPM alpha of the HML portfolio is positive and statistically significant in all cases, ranging from 1.25% to 2.36% per year for equal-weighted portfolios and from 2.19% to 2.97% per year for value-weighted portfolios. Panel C reports alphas from the Fama-French four-factor model. The four-factor alpha of the HML portfolio is again positive and significant in every specification, ranging from 1.65% to 2.72% per year for equal-weighted portfolios and from 2.58% to 3.28% per year for value-weighted portfolios.

[TABLE 3 ABOUT HERE]

Overall, portfolio sorting analysis shows that stocks with higher insider disagreement earn higher subsequent alphas than stocks with lower insider disagreement under standard risk factor models. The pattern is statistically and economically significant and robust to different weighting

schemes and holding periods.

3.2 Fama-Macbeth cross-sectional regressions

While the portfolio analysis provides preliminary evidence on return spreads across disagreement-sorted portfolios, in this subsection we use Fama and MacBeth (1973) regressions to test whether this relation remains after controlling for other forms of disagreement, aggregate insider trading activity, and stock- and firm-level characteristics.

Table 4 reports Fama-MacBeth regression estimates of monthly excess returns on insider disagreement. The dependent variable is the monthly excess return in month t , and insider disagreement is measured using insider trading activities over months $t - 12$ to $t - 1$. Across specifications, we incrementally add controls for the direction of aggregate insider demand (*Net buy*, *Net silence*). We also control for lagged analyst dispersion as a proxy for disagreement among outsiders. We include a set of lagged stock characteristics that are known to predict stock returns: beta, short-term reversal, illiquidity, maximum daily returns in the previous month, book-to-market ratio, and log market capitalization. To account for governance characteristics that may be correlated with both insider disagreement and future stock returns, we control for lagged board size, board independence, CEO-Chair duality, the percentage of captured directors, and the average political stance of directors. As a potential source of insider disagreement, we control for political disagreement among directors.

[TABLE 4 ABOUT HERE]

In all specifications, the coefficient on insider disagreement is positive and statistically significant. In the univariate specification in Column (1), the coefficient is 0.2230 and is significant at the 5% level. The magnitude is comparable to the portfolio-sorting evidence. Specifically, the estimate in Column (1) implies that a difference in insider disagreement of 0.4768, corresponding to the difference in average disagreement between the high- and low-disagreement portfolios (see Table 2), is associated with a predicted return spread of $0.4768 \times (0.2230/100) \times 100\% = 0.106\%$ per month, or $0.106\% \times 12 = 1.272\%$ annualized. This magnitude is close to the return spread reported in the portfolio sorting results in Table 3.

The positive relation remains after adding the full set of controls. In the most saturated specification in Column (5), the coefficient on insider disagreement is 0.2958 and statistically significant. This estimate implies that the difference in average disagreement between the high- and low-disagreement portfolios predicts a return spread of $0.4768 \times (0.2958/100) \times 100\% = 0.141\%$ per month, or 1.692% per year. The positive cross-sectional relation between insider disagreement and future excess returns is not subsumed by aggregate insider trading direction, analyst forecast dispersion, standard return predictors, governance characteristics, or political disagreement. Crucially, the results indicate that our measure of insider disagreement is not simply a repackaging of either aggregate insider trading or analyst disagreement.

Table 5 examines whether the return predictability of insider disagreement persists over longer horizons. The dependent variables are cumulative excess returns measured over months t to $t + 2$, t to $t + 5$, t to $t + 8$, and t to $t + 11$. Insider disagreement continues to be measured over months $t - 12$ to $t - 1$, and the specifications follow those in Table 4. The results show that the positive association between insider disagreement and future excess returns extends beyond the next month. Once control variables are included (Columns (2) to (5)), the coefficient on insider disagreement is statistically significant and positive across all columns and return horizons.

[TABLE 5 ABOUT HERE]

Overall, the Fama-MacBeth evidence both corroborates the univariate result that insider disagreement predicts higher future excess returns in the cross-section and indicates that this relation is distinct from aggregate insider demand, analyst dispersion, standard return predictors, firm governance characteristics, and political disagreement. The results further show that the return relationship persists over horizons for at least 12 months.

3.3 Robustness tests

3.3.1 Alternative factor models

We examine whether the portfolio evidence is sensitive to alternative factor models and whether it is distinct from known mispricing effects. Panels A to C of Appendix Table A1 replace the baseline four-factor specification with three alternative asset-pricing models. Specifically, Panel

A uses the Fama-French five-factor model, which includes market, size, value, operating profitability, and investment factors (Fama & French, 2015); Panel B augments the Fama-French four-factor model with the Pastor-Stambaugh liquidity factor (Pástor & Stambaugh, 2003); and Panel C augments the four-factor model with the downside risk factor of Ang et al. (2006). Under these alternative factor models, the HML alpha remains positive and statistically significant, with magnitudes comparable to those in the baseline analysis.

Panel D examines whether the predictive power of insider disagreement is subsumed by existing mispricing proxies. We consider three measures: the management-based mispricing score and the performance-based mispricing score of Stambaugh and Yuan (2017), and mean analyst forecast scaled by book equity from Chen et al. (2025) and Frankel and Lee (1998). We first sort stocks into terciles based on one of three mispricing measures and then, within each mispricing tercile, sort stocks again into terciles based on insider disagreement. Within each mispricing tercile, we construct a high-minus-low disagreement spread, and then average these spreads equally across the three mispricing groups. We report the Fama-French four-factor alpha of this conditional disagreement premium. The results show that the conditional disagreement premium remains positive and statistically significant in all specifications, and its magnitude is similar to that in the baseline results, suggesting that the return premium associated with insider disagreement is not driven by these mispricing measures.

3.3.2 Excluding routine trades

Some insider trades may reflect opportunistic incentives, whereas others may be driven by routine, non-informative reasons, such as personal liquidity needs. Cohen et al. (2012) show that only the opportunistic trades are informative about the firm’s future performance. To ensure our results are not driven by routine trades, we exclude trades that exhibit predictable timing and are therefore less likely to be opportunistic. Following Cohen et al. (2012), we classify an insider’s trade in a given month as routine if the insider has traded in the same calendar month for three consecutive years in the past. We then reconstruct net insider demand and insider disagreement after excluding these routine trades and repeat the portfolio-sorting analysis.

Appendix Table A2 reports the results. The net returns and alpha from the CAPM, Fama-

French four-factor model, and Fama-French five-factor model remain significantly positive, with magnitudes similar to those in the baseline results. This evidence suggests that the return premium associated with insider disagreement is not driven by routine trading.

3.3.3 Alternative sample periods

While our main tests use the full sample period from January 1990 to December 2023, we consider alternative sample periods to assess whether our results are driven by specific periods.

First, as the COVID pandemic introduced substantial market uncertainty and affected firms' operations and stock returns, we truncate the sample before the onset of the pandemic and repeat the portfolio-sorting analysis using the January 1990 to December 2019 subsample. As shown in Appendix Table A3, the HML portfolio based on insider disagreement continues to earn positive and statistically significant abnormal returns after excluding the COVID-19 period. The results hold across weighting schemes, holding periods, and factor models, suggesting that the baseline portfolio evidence is not driven by the pandemic period.

Bebchuk et al. (2013) show that the return predictability of governance quality is concentrated in the 1990s and disappears after 2000. Because insider disagreement may be correlated with firm governance structures, we next examine whether the return predictability of insider disagreement persists after 2000. In Appendix Table A4, we repeat the portfolio analysis using the subsample in January 2000. We continue to find that higher insider disagreement predicts high net returns and risk-adjusted returns. In particular, under the Fama-French three-factor and four-factor models (Panels C and D), the abnormal return of the HML portfolio is statistically significant across the 1-, 6-, and 12-month holding horizons, with magnitudes comparable to those in the full-sample results.

Taken together, these subsample tests show that the return predictability of insider disagreement is not driven by either the COVID-19 period or the 1990s.

4 Delayed Information or Organizational Frictions

How to explain the result that higher insider disagreement predicts higher future abnormal returns? We posit two plausible channels. The first is a delayed-information channel, whereby

insider disagreement reflects delayed incorporation of value-relevant information into prices. The second is an organizational-friction channel, whereby internal disagreement about the firm’s prospects generates risk that investors require compensation to bear. In this section, we seek to distinguish between these two channels by examining several firm outcomes, including stock market reactions to earnings announcements, earnings surprises, return volatility, trading volume, and operating performance.

4.1 Delayed Information

One interpretation of the positive return predictability is that insider disagreement captures (favorable) private information that has not yet been fully incorporated into prices. Under this delayed-information channel, insiders disagree because they receive or interpret value-relevant signals differently, and the market adjusts only as that information is later revealed publicly.

4.1.1 Earnings Announcements

We first examine whether the return premium associated with insider disagreement reflects mispricing. A common approach in the literature is to study stock market reactions to earnings announcements, which provide a setting to assess whether investors have correctly anticipated a firm’s performance (Atilgan et al., 2024; Bebchuk et al., 2013; Edmans, 2011; Edmans et al., 2024; La Porta et al., 1997). If insider disagreement signals information that predicts higher future returns but is not fully incorporated into prices, then when this information is subsequently revealed through earnings announcements, we would expect firms with higher insider disagreement to experience more positive abnormal returns around earnings announcements.

We construct a sample of annual earnings announcements using announcement dates and actual EPS results from I/B/E/S. Following Bebchuk et al. (2013), we examine cumulative abnormal returns around earnings announcements over several windows: $[t - 20, t + 1]$, $[t - 10, t + 1]$, $[t - 5, t + 1]$, $[t - 3, t + 1]$, and $[t - 1, t + 1]$, where t denotes the earnings announcement date. We also examine abnormal returns on the trading day before the announcement ($t = -1$), the announcement day ($t = 0$), and the trading day after the announcement ($t = 1$). We consider three measures of announcement-window returns: cumulative excess returns, cumulative abnormal

returns from the Fama-French three-factor model, and cumulative abnormal returns from the Fama-French four-factor model. For the factor-adjusted measures, factor loadings are estimated over the window from trading day -210 to trading day -21 relative to the earnings announcement date.

We regress these abnormal returns around annual earnings announcements for fiscal year t on insider disagreement measured using insider trading activities over the corresponding 12-month fiscal year period. The regressions control for the direction of aggregate insider demand during the fiscal year (Net buy, Net silence). We also control for analyst dispersion, measured using the analyst consensus eight months before the fiscal year end, as well as lagged firm size, book-to-market ratio, board size, board independence, CEO-chair duality, the percentage of captured directors, the average political stance of directors, and board political disagreement. We include firm fixed effects to absorb time-invariant firm characteristics, such as unobservable corporate culture among firm insiders, and year fixed effects to account for common time-series shocks and market conditions.

Table 6 reports the results. Panel A uses cumulative excess returns as the dependent variable, while Panels B and C use cumulative abnormal returns estimated from the Fama-French three-factor and four-factor models, respectively. Across the three panels, we find no robust association between insider disagreement and stock market reactions to annual earnings announcements. The coefficient on insider disagreement is statistically insignificant for all multi-day windows across Panels A to C. For the daily announcement-window returns, the coefficient is also generally insignificant. The only exception is the day before the announcement (column (6)), where higher insider disagreement is associated with lower excess returns and Fama-French four-factor abnormal returns. However, this relation is not significant for Fama-French three-factor returns and does not persist across other cumulative windows.

[TABLE 6 ABOUT HERE]

Overall, we find no evidence indicating that firms with higher insider disagreement experience more positive stock market reactions around earnings announcements. This finding is inconsistent with the notion that the positive return premium associated with insider disagreement reflects underreaction to information that is later revealed through earnings announcements.

4.1.2 Earnings Surprises

We next examine earnings surprises directly. Stock analysts provide a setting in which the expectations of an important group of market participants about firms' profitability can be observed. If insider disagreement contains information about future earnings that analysts do not fully incorporate into their forecasts, firms with higher insider disagreement should exhibit larger earnings surprises when actual earnings are announced. The absence of a robust association between insider disagreement and announcement returns in Table 6 suggests that insider disagreement may not systematically affect the accuracy of market expectations. We therefore test this implication more directly by examining the relation between insider disagreement and analyst forecast errors.

We construct annual earnings surprises using 1-year EPS forecasts from the I/B/E/S unadjusted files. We match forecasts to actual EPS recorded in I/B/E/S, and we adjust them to account for stock splits between the forecast date and the earnings announcement date. Following the literature (e.g., Core et al., 2006; Edmans, 2011; Edmans et al., 2024), we use analyst forecasts measured eight months before the fiscal year end, so that the previous fiscal year's earnings are likely to have been publicly released. Earnings surprise is defined as the difference between actual EPS and the median analyst forecast, scaled by a deflator. Because no single deflator is theoretically dominant (Bebchuk et al., 2013), we consider four alternatives: the stock price at the end of the forecast month, assets per share, the standard deviation of analyst forecasts, and the absolute value of the mean analyst forecast.

We regress earnings surprises for fiscal year t on insider disagreement measured using insider trading activity over the corresponding fiscal year. The regressions include the same set of controls as in Table 6: indicators for the direction of aggregate net insider demand, analyst dispersion, firm size, book-to-market ratio, board size, board independence, CEO-chair duality, the percentage of captured directors, directors' average political stance, board political disagreement, as well as firm fixed effects and year fixed effects.

Table 7 reports the results. As with earnings announcement returns, we find no robust association between insider disagreement and earnings surprises. In Column (1), where the analyst forecast error is scaled by stock price, the coefficient on insider disagreement is positive and

statistically significant. However, this result does not persist across alternative deflators. In Columns (2) to (4), where forecast errors are scaled by assets per share, the standard deviation of forecasts, and the absolute mean forecast, respectively, the coefficient on insider disagreement is statistically insignificant, and the signs of the estimates are mixed.

[TABLE 7 ABOUT HERE]

Taken together, the evidence in Tables 6 and 7 does not support the idea that the return premium associated with insider disagreement reflects investors failing to price in information embedded in insider disagreement that is subsequently revealed through earnings announcements. We find neither more positive announcement-window returns nor consistently more positive earnings surprises among firms with higher insider disagreement. In short, the results are not consistent with a delayed-information channel.

4.2 Organizational Frictions

An alternative interpretation of the positive return predictability is that insider disagreement reflects internal organizational frictions. When managers and directors disagree about the firm's prospects or strategic direction, decision-making may become delayed, distorted, or inefficient. In this case, the positive return predictability reflects compensation for holding firms exposed to these frictions.

4.2.1 Volatility and Volume

We first examine whether insider disagreement is associated with subsequent return volatility and trading volume. If the organizational-friction channel is correct, the higher risk from insider disagreement should manifest in higher future volatility. Insider disagreement may also affect investor trading activity, although the direction is less clear ex ante. On the one hand, insider disagreement may increase trading by amplifying disagreement among outside investors. On the other hand, it may reduce trading if ambiguity-averse investors refrain from trading when insider activity conveys mixed signals.⁴

⁴For example, Carlin et al. (2014) show that disagreement among mortgage dealers is associated with higher future volatility and trading volume.

We conduct the analysis at the stock-month level by regressing future volatility and trading-volume measures on insider disagreement. We consider two measures of return volatility. *Volatility* is the standard deviation of daily stock returns over the given future window. *IVOL* is idiosyncratic volatility, constructed following Goulding et al. (2024) by regressing daily excess stock returns over the given window on the Fama-French three factors and taking the standard deviation of the residuals and multiplying it by 100.

We consider three measures of trading volume. *Turnover* is the natural logarithm of share turnover, measured as trading volume divided during the given month by shares outstanding. We also use two measures of unexplained trading volume following Garfinkel (2009). *DTO* is the monthly average change in daily market-adjusted trading volume, where daily DTO is measured as market-adjusted turnover minus a stock-specific benchmark based on the 7-trading-day-lagged 180-day rolling median of market-adjusted turnover. *SUV* is the monthly average standardized unexplained trading volume, where daily SUV is the residual from a rolling-window regression of daily turnover on contemporaneous positive and negative return components, scaled by the root mean squared error from the rolling regression.

Table 8 reports the results. The key independent variable is insider disagreement, measured using insider trading activity over months $[t - 12, t - 1]$. Panel A examines volatility and trading volume in month t . We include the same set of control variables as in the Fama-MacBeth regressions in Table 4. We also control for the one-month lagged dependent variable. In the volatility regressions in columns (1) and (2), we additionally control for one-month lagged log turnover; in the trading volume regressions in columns (3) to (5), we additionally control for one-month lagged return volatility. Firm fixed effects and year fixed effects are included in all specifications.

[TABLE 8 ABOUT HERE]

The results in Panel A show that insider disagreement is positively associated with future volatility. The coefficient on insider disagreement is positive and statistically significant for both raw return volatility and idiosyncratic volatility in month t (columns (1) and (2)). The association of insider disagreement with trading volume is negative. The coefficient on turnover is negative but statistically insignificant (column (3)), while the coefficients on the two measures for unexplained volume are negative and statistically significant (columns (4) and (5)). Thus, in the short

run, firms with higher insider disagreement experience higher subsequent volatility but lower unexplained trading volume.

Panels B to E extend the analysis to longer horizons by examining outcomes over months $[t, t + 2]$, $[t, t + 5]$, $[t, t + 8]$, and $[t, t + 11]$. For the volatility measures, we estimate volatility using daily returns over the corresponding multi-month window. For the trading-volume measures, we average the monthly measures over the same window. The specifications otherwise follow Panel A. The positive association between insider disagreement and future volatility persists over the 3-month horizon for both volatility measures. From the 6-month horizon onward, the coefficients remain positive but are no longer statistically significant (columns (1) and (2)). For trading volume, the negative association with unexplained turnover is more persistent. The coefficients on DTO and SUV remain negative and statistically significant across all horizons up to 12 months (columns (4) and (5)). The coefficient on turnover also becomes significantly negative at the 9- and 12-month horizons (column (3)).

Overall, the evidence shows that higher insider disagreement is associated with higher future return volatility, consistent with the view that insider disagreement captures a source of risk. At the same time, insider disagreement is associated with lower future trading activity, especially lower unexplained trading volume. This pattern suggests that investors may view insider disagreement as an ambiguous signal and become reluctant to trade the firm's shares.

4.2.2 Firm value and operating performance

We next examine whether insider disagreement is associated with firms' valuations and operating performance. If insider disagreement reflects organizational risk or frictions among insiders, firms with higher insider disagreement may experience lower valuation and weaker operating performance. This analysis therefore complements the return, volatility, and trading-volume results by examining firm-level operating outcomes underlying stock performance.

Using a firm-year panel, we measure firm value with Tobin's q , and operating performance with return on assets (RoA) and net profit margin. We regress each outcome, measured at the end of fiscal year t , on insider disagreement measured using insider trading activity over the 12-month period of year t . As in the previous analyses, we control for the direction of aggregate

net insider demand, analyst dispersion, firm governance characteristics, and political disagreement among directors. We further control for one-year-lagged firm and financial characteristics, including firm age, log market capitalization, leverage, RoA, and book-to-market ratio. All specifications include year fixed effects, and firm or industry fixed effects.

Table 9 reports the results. In specifications with industry and year fixed effects (columns (1), (3), and (5)), insider disagreement is negatively and significantly associated with all three outcomes of Tobin’s q , RoA, and net margin. When replacing industry fixed effects with firm fixed effects (columns (2), (4), and (6)), the negative association remains statistically significant for Tobin’s q and net profit margin. The coefficient for RoA remains negative but is not statistically significant.

[TABLE 9 ABOUT HERE]

Overall, the results show that higher insider disagreement is associated with lower firm valuation and weaker profitability. These findings are consistent with the view that insider disagreement reflects a form of organizational risk that is related to poorer firm operational outcomes.

5 Conclusions

This paper examines whether disagreement among corporate insiders predicts the cross-section of future stock returns. We construct a firm-level measure of insider disagreement based on dispersion in individual insiders’ directional trading indicators, distinguishing among net buying, net selling, and silence. This measure captures heterogeneity in insiders’ revealed views within the same firm. Using U.S. stocks from 1990 to 2023, we show that insider disagreement has become increasingly common and positively predicts future stock returns. High-disagreement firms earn significantly higher abnormal returns than low-disagreement firms, and the relation remains robust after controlling for investor disagreement, governance characteristics, common asset-pricing and mispricing factors.

The evidence provides little support for a delayed-information explanation centered on earnings news. Insider disagreement does not robustly predict more positive earnings-announcement returns or consistently higher earnings surprises. Instead, high insider disagreement is associated

with higher future volatility, lower trading activity, lower firm valuation, and weaker profitability. These findings are consistent with the interpretation that insider disagreement reflects organizational risk or internal frictions arising from corporate decision-making under disagreement, for which investors require compensation.

Overall, the paper contributes to the literatures on insider trading, disagreement, and corporate decision-making by showing that heterogeneity in insiders' trading directions contains incremental information about both expected returns and real firm outcomes.

References

- Akbas, F., Jiang, C., & Koch, P. D. (2020). Insider investment horizon. *The Journal of Finance*, 75(3), 1579–1627.
- Ang, A., Chen, J., & Xing, Y. (2006). Downside risk. *The Review of Financial Studies*, 19(4), 1191–1239.
- Atilgan, Y., Demirtas, K. O., Edmans, A., & Gunaydin, A. D. (2023). *Does the carbon premium reflect risk or mispricing?* Centre for Economic Policy Research.
- Atilgan, Y., Demirtas, K. O., Edmans, A., & Gunaydin, A. D. (2024). Does the carbon premium reflect risk or outperformance? *FEB-RN Research Paper*, (03).
- Autor, D., Dorn, D., Hanson, G., & Majlesi, K. (2020). Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure. *American Economic Review*, 110(10), 3139–3183.
- Bebchuk, L. A., Cohen, A., & Wang, C. C. (2013). Learning and the disappearing association between governance and returns. *Journal of Financial Economics*, 108(2), 323–348.
- Bena, J., & Wang, I. (2021). Mutual fund disagreement and firm value: Passive vs. active voice. *Active Voice* (August 19, 2021).
- Biggerstaff, L., Cicero, D., & Wintoki, M. B. (2020). Insider trading patterns. *Journal of Corporate Finance*, 64, 101654.
- Boehme, R. D., Danielsen, B. R., & Sorescu, S. M. (2006). Short-sale constraints, differences of opinion, and overvaluation. *Journal of Financial and Quantitative Analysis*, 41(2), 455–487.
- Bonica, A. (2024). Database on Ideology, Money in Politics, and Elections: Public version 4.0 [Computer file].
- Cao, Y., Dhaliwal, D., Li, Z., & Yang, Y. G. (2015). Are all independent directors equally informed? evidence based on their trading returns and social networks. *Management Science*, 61(4), 795–813.
- Carlin, B. I., Longstaff, F. A., & Matoba, K. (2014). Disagreement and asset prices. *Journal of Financial Economics*, 114(2), 226–238.
- Chen, H., Chen, Z., & Li, J. (2025). The debt-equity spread [Forthcoming]. *Journal of Finance*.

- Cohen, L., Malloy, C., & Pomorski, L. (2012). Decoding inside information. *The Journal of Finance*, 67(3), 1009–1043.
- Contreras, H., & Marcet, F. (2021). Sell-side analyst heterogeneity and insider trading. *Journal of Corporate Finance*, 66, 101778.
- Core, J. E., Guay, W. R., & Rusticus, T. O. (2006). Does weak governance cause weak stock returns? an examination of firm operating performance and investors' expectations. *the Journal of Finance*, 61(2), 655–687.
- Cziraki, P., & Gider, J. (2021). The dollar profits to insider trading. *Review of Finance*, 25(5), 1547–1580.
- Daniel, K., Klos, A., & Rottke, S. (2023). The dynamics of disagreement. *The Review of Financial Studies*, 36(6), 2431–2467.
- David, A. (2008). Heterogeneous beliefs, speculation, and the equity premium. *The Journal of Finance*, 63(1), 41–83.
- Diether, K. B., Malloy, C. J., & Scherbina, A. (2002). Differences of opinion and the cross section of stock returns. *The journal of finance*, 57(5), 2113–2141.
- Djourelouva, M., Durante, R., & Martin, G. J. (2024). The impact of online competition on local newspapers: Evidence from the introduction of craigslist. *The Review of Economic Studies*, 92(3), 1738–1772.
- Donaldson, J. R., Malenko, N., & Piacentino, G. (2020). Deadlock on the board. *The Review of Financial Studies*, 33(10), 4445–4488.
- Edmans, A. (2011). Does the stock market fully value intangibles? employee satisfaction and equity prices. *Journal of Financial Economics*, 101(3), 621–640.
- Edmans, A., Pu, D., Zhang, C., & Li, L. (2024). Employee satisfaction, labor market flexibility, and stock returns around the world. *Management Science*, 70(7), 4357–4380.
- Fama, E. F., & French, K. R. (2015). A five-factor asset pricing model. *Journal of Financial Economics*, 116(1), 1–22.
- Fama, E. F., & MacBeth, J. D. (1973). Risk, return, and equilibrium: Empirical tests. *Journal of Political Economy*, 81(3), 607–636.
- Frankel, R., & Lee, C. M. (1998). Accounting valuation, market expectation, and cross-sectional stock returns. *Journal of Accounting and Economics*, 25(3), 283–319.

- Gao, G. P., Ma, Q., Ng, D. T., & Wu, Y. (2022). The sound of silence: What do we know when insiders do not trade? *Management Science*, 68(7), 4835–4857.
- Garfinkel, J. A. (2009). Measuring investors' opinion divergence. *Journal of Accounting Research*, 47(5), 1317–1348.
- Garfinkel, J. A., & Sokobin, J. (2006). Volume, opinion divergence, and returns: A study of post-earnings announcement drift. *Journal of Accounting Research*, 44(1), 85–112.
- Garlappi, L., Giammarino, R., & Lazrak, A. (2017). Ambiguity and the corporation: Group disagreement and underinvestment. *Journal of Financial Economics*, 125(3), 417–433.
- Garlappi, L., Giammarino, R., & Lazrak, A. (2022). Group-managed real options. *The Review of Financial Studies*, 35(9), 4105–4151.
- Goulding, C. L., Harvey, C. R., & Kurtović, H. (2024). Disagreement of Disagreement. Available at SSRN 4647471.
- Hong, H., & Stein, J. C. (2003). Differences of opinion, short-sales constraints, and market crashes. *The Review of Financial Studies*, 16(2), 487–525.
- Hong, H., & Stein, J. C. (2007). Disagreement and the stock market. *Journal of Economic Perspectives*, 21(2), 109–128.
- Jeng, L. A., Metrick, A., & Zeckhauser, R. (2003). Estimating the returns to insider trading: A performance-evaluation perspective. *Review of Economics and Statistics*, 85(2), 453–471.
- Jenter, D. (2005). Market timing and managerial portfolio decisions. *The Journal of Finance*, 60(4), 1903–1949.
- Johnson, T. C. (2004). Forecast dispersion and the cross section of expected returns. *The Journal of Finance*, 59(5), 1957–1978.
- Kaplan, S. N., & Zingales, L. (1997). Do investment-cash flow sensitivities provide useful measures of financing constraints? *The Quarterly Journal of Economics*, 112(1), 169–215.
- La Porta, R., Lakonishok, J., Shleifer, A., & Vishny, R. (1997). Good news for value stocks: Further evidence on market efficiency. *the Journal of Finance*, 52(2), 859–874.
- Lakonishok, J., & Lee, I. (2001). Are insider trades informative? *The Review of Financial Studies*, 14(1), 79–111.
- Malenko, N. (2014). Communication and decision-making in corporate boards. *The Review of Financial Studies*, 27(5), 1486–1532.

- Miller, E. M. (1977). Risk, uncertainty, and divergence of opinion. *The Journal of finance*, 32(4), 1151–1168.
- Pástor, L., & Stambaugh, R. F. (2003). Liquidity risk and expected stock returns. *Journal of Political economy*, 111(3), 642–685.
- Piotroski, J. D., & Roulstone, D. T. (2005). Do insider trades reflect both contrarian beliefs and superior knowledge about future cash flow realizations? *Journal of Accounting and Economics*, 39(1), 55–81.
- Ravina, E., & Sapienza, P. (2010). What do independent directors know? evidence from their trading. *The Review of Financial Studies*, 23(3), 962–1003.
- Sheng, J. (2025). When employees disagree: The market implications of internal dissent. *Available at SSRN 4599624*.
- Sias, R. W., & Whidbee, D. A. (2010). Insider trades and demand by institutional and individual investors. *The Review of Financial Studies*, 23(4), 1544–1595.
- Stambaugh, R. F., & Yuan, Y. (2017). Mispricing factors. *The Review of Financial Studies*, 30(4), 1270–1315.
- Varian, H. R. (1985). Divergence of opinion in complete markets: A note. *The Journal of Finance*, 40(1), 309–317.

Figures and Tables

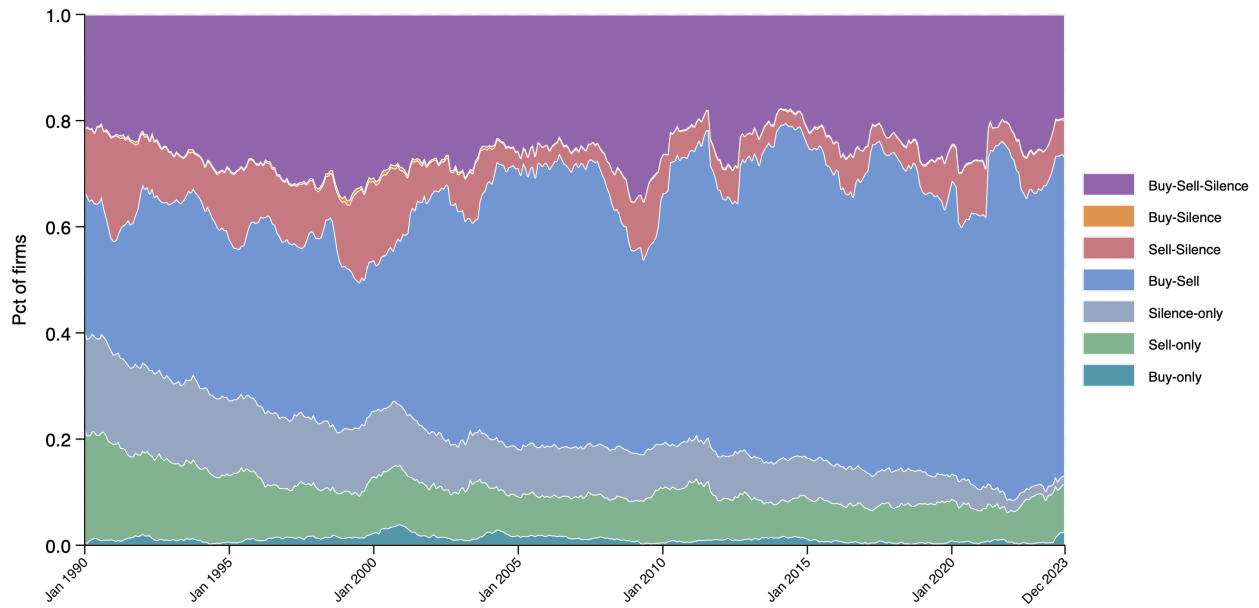
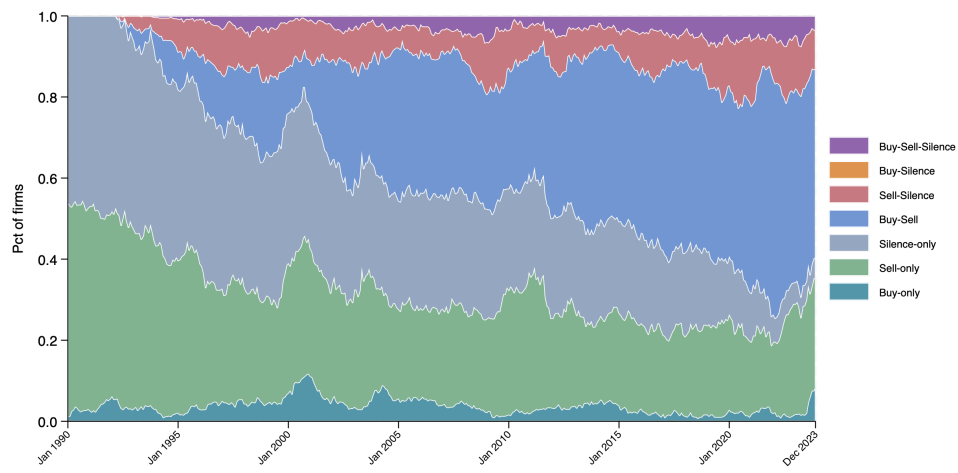
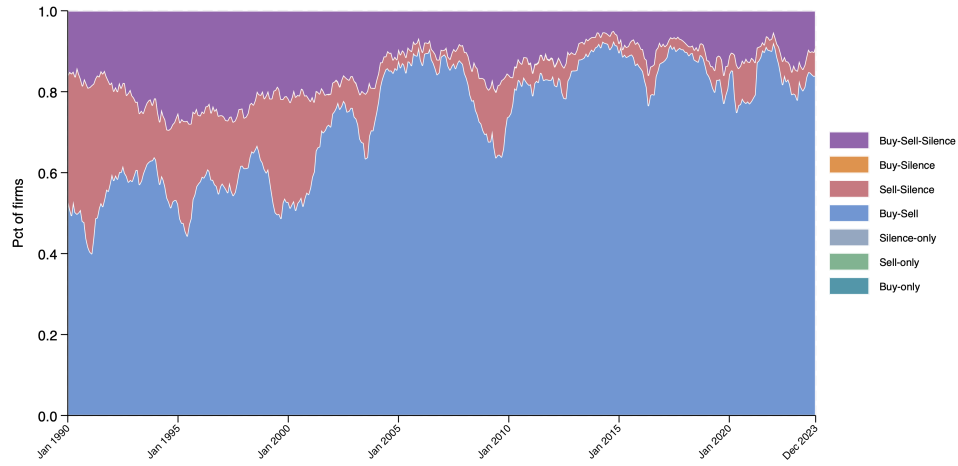


Figure 1. Composition of Insider Disagreement Categories Over Time: Full Sample

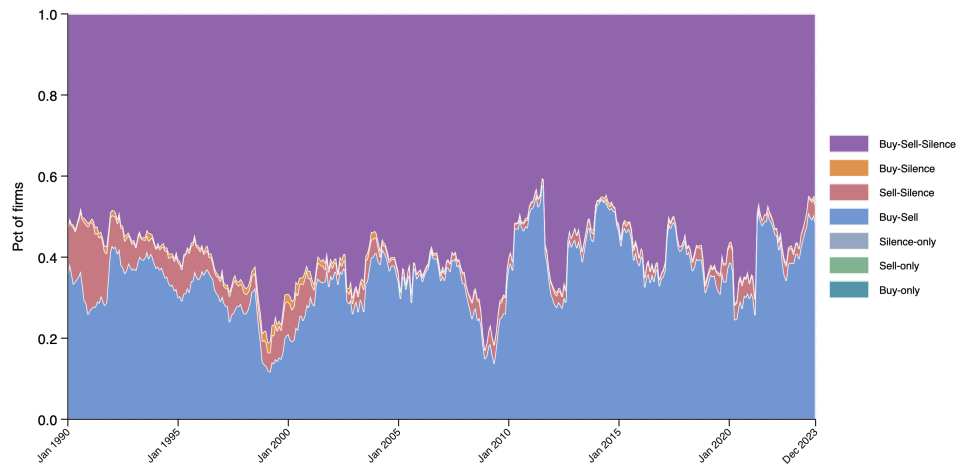
This figure plots the monthly composition of firms across seven insider disagreement categories in the full sample from January 1990 to December 2023. For each month, firms are classified into mutually exclusive categories based on the combination of insider buy, sell, and silence signals observed over the prior 12 months: BuyOnly12, SellOnly12, SilenceOnly12, BuySell12, SellSilence12, BuySilence12, and BuySellSilence12. The plotted values represent the share of firms in each category in a given month.



(1) Low-disagreement portfolio



(2) Mid-disagreement portfolio



(3) High-disagreement portfolio

Figure 2. Composition of Insider Disagreement Categories Over Time: by Portfolio

This figure plots the monthly composition of firms across seven insider disagreement categories within insider disagreement portfolios from January 1990 to December 2023. In each month, firms are first sorted into terciles based on insider disagreement over the prior 12 months. We classify firms according to the combination of insider buy, sell, and silence signals observed during the same 12-month period: BuyOnly12, SellOnly12, SilenceOnly12, BuySell12, SellSilence12, BuySilence12, and BuySellSilence12. The plotted values represent the monthly share of firms in each category within each insider disagreement portfolio.

Table 1. Summary statistics

This table reports the summary statistics of key variables in our stock-month sample over the period of January 1990 to December 2023. Variables are winsorized at the 1st and the 99th percentiles.

	Count	Mean	SD	p25	Median	p75
Insider disagreement	728,260	0.3914	0.2291	0.2887	0.4671	0.5222
Insider disagreement (1990 - 1999)	240,036	0.3524	0.2489	0.0000	0.4264	0.5189
Insider disagreement (2000 - 2009)	213,549	0.3984	0.2314	0.3015	0.4702	0.5270
Insider disagreement (2010 - 2019)	194,141	0.4144	0.2084	0.3536	0.4830	0.5189
Insider disagreement (2020 - 2023)	80,534	0.4340	0.1886	0.3755	0.4830	0.5189
Net buy (12m) (0/1)	728,260	0.1431	0.3501	0.0000	0.0000	0.0000
Net sell (12m) (0/1)	728,260	0.7013	0.4577	0.0000	1.0000	1.0000
Net silence (12m) (0/1)	728,260	0.1556	0.3625	0.0000	0.0000	0.0000
Analyst dispersion	672,570	0.0757	0.1381	0.0148	0.0305	0.0710
beta_lag	728,257	1.0238	0.8416	0.5035	0.9516	1.4568
STR	728,260	0.0168	0.1139	-0.0463	0.0119	0.0725
ILLIQ_lag	728,260	0.0019	0.0052	0.0000	0.0002	0.0011
MAX_lag	728,257	0.0303	0.0194	0.0171	0.0250	0.0374
logSize_lag	728,260	14.4837	1.4810	13.4426	14.2930	15.3607
BTM_lag	726,236	0.4952	0.3497	0.2482	0.4224	0.6525
MOM	727,943	0.2223	0.5295	-0.0807	0.1327	0.3869
Board Size	515,394	8.9856	2.9552	7.0000	9.0000	11.0000
Board independence	515,394	0.7619	0.2073	0.7143	0.8571	0.9000
CEO-Chair (0/1)	515,394	0.4772	0.4995	0.0000	0.0000	1.0000
% Captured directors	515,394	0.5265	0.3777	0.1667	0.5000	1.0000
Political stance (mean cfscore)	515,394	0.2376	0.3144	0.0169	0.2365	0.4552
Political stance (sd cfscore)	515,394	0.5563	0.1573	0.4696	0.5692	0.6603
tot_num_insider12 (full sample)	728,260	11.7714	6.7409	8.0000	12.0000	16.0000
tot_num_insider12 (low-disagreement)	244,054	8.3007	7.4150	0.0000	8.0000	14.0000
tot_num_insider12 (mid-disagreement)	241,295	14.3683	5.5506	10.0000	14.0000	18.0000
tot_num_insider12 (high-disagreement)	242,911	12.6787	5.5462	9.0000	12.0000	16.0000

Table 2. Comparison of stock characteristics between high- and low-disagreement firms

This table compares the firm characteristics of stocks in the high-disagreement portfolios versus those in the low-disagreement portfolio. Panel A compares the raw value of these variables, after winsorization at the 1st and the 99th percentiles. Panel B compares these variables after demean all variable at the cross-section of each month.

	High disagreement		Low disagreement		Diff. (High-Low)	
	(1)		(2)		(3)	
	mean	sd	mean	sd	b	t
Panel A: Raw values						
Insider disagreement	0.5997	0.0925	0.1230	0.1620	0.4768***	(1261.604)
Net buy (12m) (0/1)	0.1431	0.3501	0.1373	0.3441	0.0058***	(5.821)
Net sell (12m) (0/1)	0.8569	0.3501	0.3983	0.4895	0.4586***	(376.159)
Net silence (12m) (0/1)	0.0000	0.0000	0.4644	0.4987	-0.4644***	(-460.046)
Analyst dispersion	0.0703	0.1293	0.0908	0.1569	-0.0206***	(-47.553)
beta_lag	1.0635	0.8589	0.9971	0.8525	0.0664***	(27.090)
STR	0.0179	0.1178	0.0167	0.1151	0.0013***	(3.812)
ILLIQ_lag	0.0017	0.0047	0.0023	0.0062	-0.0006***	(-39.503)
MAX_lag	0.0315	0.0198	0.0303	0.0198	0.0012***	(21.236)
logSize_lag	14.4258	1.4707	14.3543	1.4131	0.0716***	(17.314)
BTM_lag	0.4528	0.3119	0.5603	0.3962	-0.1075***	(-105.106)
MOM	0.2330	0.5517	0.2133	0.5417	0.0197***	(12.554)
Log board size	2.0599	0.4696	2.0693	0.4756	-0.0094***	(-6.187)
Board independence	0.7483	0.2150	0.7432	0.2307	0.0050***	(7.018)
CEO-Chair (0/1)	0.4584	0.4983	0.4481	0.4973	0.0103***	(6.458)
% Captured directors	0.5413	0.3796	0.5166	0.3811	0.0246***	(19.479)
Average political stance	0.2365	0.3219	0.2372	0.3188	-0.0007	(-0.651)
Political disagreement	0.5442	0.1693	0.5384	0.1711	0.0059***	(10.716)
tot_num_insider12	12.6787	5.5462	8.3007	7.4150	4.3780***	(233.376)
Observations	242911		244054		486965	
Panel B: De-meaned values						
Insider disagreement	0.2083	0.0976	-0.2679	0.1505	0.4762***	(1310.528)
Net buy (12m) (0/1)	0.0000	0.3442	-0.0064	0.3447	0.0065***	(6.574)
Net sell (12m) (0/1)	0.1556	0.3486	-0.3016	0.4701	0.4573***	(385.633)
Net silence (12m) (0/1)	-0.1557	0.0525	0.3081	0.4855	-0.4637***	(-469.088)
Analyst dispersion	-0.0054	0.1269	0.0151	0.1548	-0.0205***	(-48.175)
beta_lag	0.0397	0.8323	-0.0255	0.8189	0.0652***	(27.556)
STR	0.0012	0.1058	-0.0001	0.1040	0.0012***	(4.059)
ILLIQ_lag	-0.0002	0.0043	0.0004	0.0057	-0.0006***	(-40.770)
MAX_lag	0.0013	0.0167	0.0001	0.0172	0.0012***	(24.655)
logSize_lag	-0.0580	1.2839	-0.1220	1.2496	0.0641***	(17.649)
BTM_lag	-0.0423	0.3028	0.0641	0.3883	-0.1063***	(-106.457)
MOM	0.0108	0.5097	-0.0084	0.5017	0.0192***	(13.245)
Log board size	-0.0135	0.3519	-0.0156	0.3658	0.0021*	(1.801)
Board independence	0.0002	0.1643	-0.0094	0.1710	0.0096***	(17.791)
CEO-Chair (0/1)	0.0013	0.4829	-0.0112	0.4783	0.0125***	(8.108)
% Captured directors	0.0147	0.3792	-0.0095	0.3809	0.0242***	(19.161)
Average political stance	-0.0011	0.3157	0.0011	0.3157	-0.0021**	(-2.116)
Political disagreement	-0.0005	0.1617	-0.0083	0.1620	0.0078***	(15.021)
tot_num_insider12	0.9073	5.5315	-3.4554	7.2720	4.3626***	(235.684)
Observations	242911		244054		486965	

Table 3. Baseline portfolio analysis

This table reports monthly portfolio returns based on portfolios sorted according to insider disagreement, where insider disagreement is measured as the standard deviation of categorical net insider demand (NID). At each rebalancing date, stocks are assigned to three portfolios: low disagreement (LO), medium disagreement (MI), and high disagreement (HI). The row labeled HML reports the return difference between the high- and low-disagreement portfolios. We report results for both equal-weighted and value-weighted portfolios, with portfolios rebalanced every 1, 6, or 12 months. The sample period ranges from January 1990 to December 2023. Panel A reports raw returns. Panel B reports CAPM alphas, and Panel C reports alphas from the Fama-French four-factor model, including the momentum factor. The reported alphas are the intercepts from time-series regressions of monthly portfolio returns on the corresponding risk factors. All returns and alphas are reported in percentage terms and annualized. Newey-West *t*-statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Holding period:	Equal-weighted			Value-weighted		
	1M (1)	6M (2)	12M (3)	1M (4)	6M (5)	12M (6)
Panel A: Raw returns						
HI	21.2649*** (7.107)	14.3727*** (4.959)	13.7749*** (4.726)	12.4328*** (4.641)	12.4309*** (4.662)	12.3458*** (4.543)
MI	18.5947*** (6.767)	14.1051*** (5.196)	13.7821*** (4.937)	11.8213*** (4.467)	11.2408*** (4.144)	11.3216*** (4.316)
LO	19.6990*** (6.749)	11.9755*** (4.258)	11.1803*** (3.898)	10.3454*** (3.564)	9.6624*** (3.374)	9.6069*** (3.307)
HML	1.5659*** (2.646)	2.3972*** (4.262)	2.5947*** (4.031)	2.0874** (2.119)	2.7685*** (2.795)	2.7389*** (2.830)
N	408	408	408	408	408	408
Panel B: CAPM						
HI	8.9977*** (4.779)	2.2729 (1.456)	1.6630 (1.113)	1.4287** (1.975)	1.4852** (2.103)	1.4155** (2.007)
MI	6.9342*** (4.012)	2.5749* (1.723)	2.2672 (1.622)	1.1879** (2.359)	0.5683 (1.068)	0.6829 (1.272)
LO	7.7519*** (4.412)	0.1855 (0.123)	-0.7006 (-0.481)	-0.7566 (-0.987)	-1.4637* (-1.791)	-1.5525* (-1.748)
HML	1.2458** (2.083)	2.0874*** (3.670)	2.3636*** (3.610)	2.1853** (2.022)	2.9489*** (2.812)	2.9680*** (2.967)
N	408	408	408	408	408	408
Panel C: Fama-French four-factor model						
HI	9.3259*** (9.136)	2.5010*** (3.692)	1.7998*** (2.607)	1.5467** (2.129)	1.5846** (2.363)	1.4152** (2.132)
MI	6.8240*** (7.264)	2.4163*** (3.386)	2.0351*** (3.098)	1.1677*** (2.817)	0.5737 (1.404)	0.7934* (1.886)
LO	7.6725*** (9.867)	0.0067 (0.013)	-0.9153* (-1.840)	-1.0338* (-1.719)	-1.6935*** (-2.621)	-1.7293** (-2.586)
HML	1.6533*** (2.725)	2.4943*** (4.938)	2.7151*** (4.869)	2.5804** (2.461)	3.2781*** (3.327)	3.1445*** (3.482)
N	408	408	408	408	408	408

Table 4. Fama–MacBeth regressions

This table presents Fama and MacBeth (1973) regression estimates of the relation between insider disagreement and future stock returns. The dependent variable is the monthly excess return in month t . The key independent variable, Insider disagreement, is defined as the standard deviation of categorical net insider demand from month $t - 12$ to $t - 1$. All control variables are one-month lagged or measured at the previous fiscal year end. The sample covers January 1990 to December 2023. Coefficients are multiplied by 100 to improve readability. Newey-West t -statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Monthly excess return _{t}				
	(1)	(2)	(3)	(4)	(5)
Insider disagreement	0.2230** (2.537)	0.4401*** (5.375)	0.3237*** (2.956)	0.3659*** (3.917)	0.2958** (2.088)
Net buy (12m) (0/1)			0.0579 (1.082)		0.1085* (1.736)
Net silence (12m) (0/1)			-0.0328 (-0.584)		0.0065 (0.063)
Analyst dispersion			0.1045 (0.412)		0.2552 (0.894)
beta_lag		-0.1365 (-1.500)	-0.1189 (-1.270)	-0.0958 (-1.023)	-0.0922 (-0.985)
STR		-3.4705*** (-6.410)	-3.5916*** (-6.550)	-3.4826*** (-5.815)	-3.5692*** (-5.626)
ILLIQ_lag		96.3815*** (5.660)	499.2097*** (5.687)	91.4400*** (5.253)	503.8094*** (5.692)
MAX_lag		14.4553*** (3.018)	12.4300*** (2.709)	14.9969*** (3.147)	13.5103*** (2.913)
logSize_lag		-0.4380*** (-10.201)	-0.3446*** (-8.064)	-0.3748*** (-8.509)	-0.2735*** (-6.307)
BTM_lag		0.1700 (1.071)	0.1931 (1.130)	0.0302 (0.158)	0.0564 (0.259)
MOM		0.3734* (1.796)	0.3543* (1.712)	0.3001 (1.443)	0.3378 (1.611)
logBoardSize				-0.2759** (-2.308)	-0.3347*** (-2.663)
Board independence				0.2096 (1.250)	0.2158 (1.205)
CEO-Chair (0/1)				0.1502*** (2.804)	0.1494*** (2.864)
% Captured directors				0.0803* (1.871)	0.0789* (1.759)
Average political stance				-0.2158* (-1.837)	-0.2297* (-1.939)
Political disagreement				0.2697*** (2.647)	0.2608*** (2.744)
N	728,260	725,916	671,218	549,914	515,394
R ²	0.001	0.083	0.090	0.104	0.114

Table 5. Fama–MacBeth regressions over longer horizons

This table presents Fama and MacBeth (1973) regression estimates of the relation between insider disagreement and future stock returns. The dependent variable is the cumulative excess return over months t to $t + i$. The key independent variable, Insider disagreement, is defined as the standard deviation of categorical net insider demand from month $t - 12$ to $t - 1$. Regressors are identical to those in Table 4. Column (1) is a univariate test. Columns (2) to (5) include stock price controls: beta, STR, ILLIQ, MAX, firm size, BTM, MOM. Columns (4) and (5) include governance controls: board size, board independence, CEO-Chair, % of captured directors, board average political stance, and board political disagreement. Control variables are measured as of the end of month $t - 1$. All control variables are one-month lagged or measured at the previous fiscal year end. The sample covers January 1990 to December 2023. Coefficients are multiplied by 100 to improve readability. Newey-West t -statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Cumulative excess return _[t,t+i]				
	(1)	(2)	(3)	(4)	(5)
Panel A: 3-month cumulative excess return $[t, t + 2]$					
Insider disagreement	0.1194 (1.326)	0.3315*** (4.080)	0.2988*** (2.778)	0.2937*** (3.250)	0.2588* (1.900)
Net buy (12m) (0/1)			0.0829 (1.483)		0.1363** (2.144)
Net silence (12m) (0/1)			0.0216 (0.387)		0.0377 (0.382)
Analyst dispersion			0.3199 (1.172)		0.4408 (1.330)
N	692,196	690,048	641,321	527,145	495,822
R ²	0.001	0.082	0.089	0.104	0.114
Stock price controls	No	Yes	Yes	Yes	Yes
Governance controls	No	No	No	Yes	Yes
Panel B: 6-month cumulative excess return $[t, t + 5]$					
Insider disagreement	0.1025 (1.036)	0.3221*** (3.730)	0.3759*** (3.262)	0.3062*** (3.231)	0.3806** (2.197)
Net buy (12m) (0/1)			0.1021* (1.686)		0.1511** (2.278)
Net silence (12m) (0/1)			0.0855 (1.418)		0.1194 (1.001)
Analyst dispersion			0.4644 (1.590)		0.5265 (1.455)
N	654,873	652,858	609,260	503,136	474,592
R ²	0.001	0.082	0.090	0.104	0.115
Stock price controls	No	Yes	Yes	Yes	Yes
Governance controls	No	No	No	Yes	Yes
Panel C: 9-month cumulative excess return $[t, t + 8]$					
Insider disagreement	0.1044 (0.972)	0.3122*** (3.248)	0.3933*** (3.196)	0.3430*** (3.272)	0.4389** (2.385)
Net buy (12m) (0/1)			0.1211* (1.837)		0.1681** (2.374)
Net silence (12m) (0/1)			0.1024 (1.504)		0.1566 (1.141)
Analyst dispersion			0.5665* (1.652)		-0.3420 (-0.377)
N	624,757	622,839	582,843	483,387	456,844
R ²	0.002	0.082	0.089	0.103	0.113
Stock price controls	No	Yes	Yes	Yes	Yes
Governance controls	No	No	No	Yes	Yes
Panel D: 12-month cumulative excess return $[t, t + 11]$					
Insider disagreement	0.1228 (1.019)	0.3284*** (3.127)	0.4382*** (3.333)	0.3250*** (2.625)	0.7698* (1.837)
Net buy (12m) (0/1)			0.1291** (1.982)		0.1103 (1.240)
Net silence (12m) (0/1)			0.1459** (2.002)		0.6468 (1.155)
Analyst dispersion			0.6517* (1.790)		-4.7942 (-0.899)
N	598,635	596,795	559,688	465,923	440,987
R ²	0.002	0.081	0.089	0.103	0.114
Stock price controls	No	Yes	Yes	Yes	Yes
Governance controls	No	No	No	Yes	Yes

Table 6. Market reactions to annual earnings announcements

This table examines the relationship between insider disagreement and market reactions to annual earnings announcements. Insider disagreement is measured over the 12-month fiscal-year period and is constructed from *categorical* individual net insider demand. The dependent variable is the cumulative abnormal return (CAR) over the announcement windows $[t - 20, t + 1]$, $[t - 10, t + 1]$, $[t - 5, t + 1]$, $[t - 3, t + 1]$, and $[t - 1, t + 1]$, as well as the abnormal return on the day before the announcement ($t = -1$), the announcement day ($t = 0$), and the day after the announcement ($t = 1$). Panel A reports excess returns. Panels B and C report abnormal returns estimated using the Fama-French three-factor and four-factor models, respectively, with factor loadings estimated over the window from 210 to 21 trading days before the earnings announcement. All specifications control for net buy over the past 12 months, net silence over the past 12 months, and analyst dispersion, as well as firm size, book-to-market ratio, board size, board independence, an indicator for CEO-chair duality, the percentage of captured directors, average board political stance, and board political disagreement. All columns include firm and year fixed effects. Standard errors are clustered at the firm level. The sample is restricted to firm-year observations with at least two analyst forecasts. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Dep. var: CAR	(1) $[t - 20, t + 1]$	(2) $[t - 10, t + 1]$	(3) $[t - 5, t + 1]$	(4) $[t - 3, t + 1]$	(5) $[t - 1, t + 1]$	(6) $t = -1$	(7) $t = 0$	(8) $t = 1$
Panel A: Excess return								
Insider disagreement	-0.0025 (-0.501)	-0.0040 (-0.966)	-0.0036 (-1.030)	-0.0010 (-0.303)	-0.0047 (-1.496)	-0.0018* (-1.909)	0.0008 (0.419)	-0.0033 (-1.432)
Net buy (12m) (0/1)	0.0013 (0.593)	-0.0010 (-0.564)	-0.0005 (-0.294)	0.0007 (0.486)	0.0010 (0.730)	-0.0001 (-0.305)	0.0015* (1.790)	-0.0007 (-0.728)
Net silence (12m) (0/1)	0.0003 (0.092)	-0.0024 (-0.847)	0.0001 (0.020)	0.0015 (0.654)	-0.0001 (-0.039)	-0.0015** (-2.209)	0.0024* (1.837)	-0.0008 (-0.509)
Analyst dispersion	0.0020 (0.707)	0.0015 (0.624)	0.0007 (0.349)	-0.0002 (-0.115)	0.0004 (0.268)	-0.0003 (-0.554)	0.0005 (0.513)	0.0004 (0.319)
N	37,213	37,213	37,213	37,213	37,213	37,213	37,213	37,213
Adjusted R^2	0.067	0.064	0.062	0.059	0.054	0.037	0.032	0.051
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Fama-French 3-factor model								
Insider disagreement	0.0019 (0.387)	0.0006 (0.135)	-0.0016 (-0.474)	-0.0005 (-0.147)	-0.0048 (-1.539)	-0.0014 (-1.533)	0.0005 (0.273)	-0.0034 (-1.505)
Net buy (12m) (0/1)	0.0137*** (6.256)	0.0064*** (3.645)	0.0034** (2.196)	0.0031** (2.168)	0.0022 (1.633)	0.0001 (0.259)	0.0018** (2.167)	0.0001 (0.125)
Net silence (12m) (0/1)	0.0105*** (3.096)	0.0039 (1.366)	0.0031 (1.286)	0.0031 (1.317)	0.0004 (0.171)	-0.0012* (-1.960)	0.0023* (1.777)	-0.0005 (-0.297)
Analyst dispersion	0.0014 (0.507)	0.0011 (0.486)	0.0016 (0.838)	0.0003 (0.176)	0.0004 (0.264)	-0.0002 (-0.526)	0.0006 (0.655)	0.0004 (0.362)
N	37,213	37,213	37,213	37,213	37,213	37,213	37,213	37,213
Adjusted R^2	0.065	0.062	0.060	0.058	0.054	0.043	0.031	0.052
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Fama-French 4-factor model								
Insider disagreement	-0.0006 (-0.118)	-0.0018 (-0.421)	-0.0022 (-0.647)	-0.0007 (-0.221)	-0.0046 (-1.465)	-0.0015* (-1.669)	0.0004 (0.198)	-0.0031 (-1.338)
Net buy (12m) (0/1)	0.0096*** (4.365)	0.0046*** (2.599)	0.0029* (1.887)	0.0030** (2.071)	0.0021 (1.576)	0.0001 (0.124)	0.0017** (2.026)	0.0002 (0.243)
Net silence (12m) (0/1)	0.0081** (2.310)	0.0027 (0.932)	0.0033 (1.344)	0.0032 (1.380)	0.0008 (0.376)	-0.0014** (-2.128)	0.0025* (1.894)	-0.0001 (-0.079)
Analyst dispersion	0.0014 (0.482)	0.0010 (0.413)	0.0011 (0.584)	-0.0002 (-0.124)	-0.0001 (-0.069)	-0.0003 (-0.510)	0.0005 (0.489)	-0.0000 (-0.015)
N	37,213	37,213	37,213	37,213	37,213	37,213	37,213	37,213
Adjusted R^2	0.065	0.062	0.061	0.058	0.053	0.043	0.031	0.051
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 7. Earnings surprise and insider disagreement

This table examines the relationship between annual EPS earnings surprises and insider disagreement during the fiscal year. The dependent variable is earnings surprise, defined as the difference between actual EPS and the median analyst forecast issued eight months before fiscal year-end, scaled by one of the following deflators. The deflator is the stock price at the end of the forecast month in column (1), assets per share in column (2), the standard deviation of analyst forecasts in column (3), and the absolute mean analyst forecast in column (4). The key independent variable, Insider disagreement, is measured as the standard deviation of categorical net insider demand over the fiscal year. We control for an indicator for positive net insider demand, an indicator for insider trading silence, and analyst dispersion measured eight months before the fiscal year end. We further control for one-year-lagged log firm size, book-to-market ratio, log board size, board independence, an indicator for CEO-chair duality, the percentage of captured directors, average board political stance, and board political disagreement. All columns include firm fixed effects and year fixed effects. Standard errors are clustered at the firm level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Earnings surprise as analyst forecast errors scaled by:			
	Price _{-8m}	Assets	SD forecast	Mean forecast
	(1)	(2)	(3)	(4)
Insider disagreement	0.0025** (2.212)	-0.0006 (-0.529)	0.0919 (0.292)	0.0441 (1.476)
Net buy (12m) (0/1)	-0.0082*** (-12.787)	-0.0061*** (-12.346)	-1.8067*** (-12.480)	-0.1593*** (-10.442)
Net silence (12m) (0/1)	-0.0041*** (-4.445)	-0.0048*** (-5.493)	-1.1536*** (-4.867)	-0.1112*** (-4.508)
Analyst dispersion	-0.0017 (-1.631)	0.0001 (0.077)	-0.0112 (-0.120)	-0.0745 (-1.298)
logSize	-0.0056*** (-15.663)	-0.0065*** (-16.183)	-1.7623*** (-19.250)	-0.1286*** (-14.742)
BTM	-0.0091*** (-7.396)	-0.0070*** (-8.132)	-1.8167*** (-8.334)	-0.2220*** (-7.847)
Log board size	0.0008 (1.068)	0.0018** (2.483)	0.1956 (0.909)	0.0203 (1.095)
Board independence	-0.0005 (-0.380)	0.0002 (0.178)	-0.2233 (-0.596)	0.0158 (0.494)
CEO-Chair (0/1)	0.0007* (1.750)	0.0009** (2.186)	0.2763** (2.362)	0.0065 (0.601)
% captured directors	0.0000 (0.067)	0.0001 (0.143)	-0.0878 (-0.607)	0.0112 (0.893)
Average political stance	0.0003 (0.338)	-0.0006 (-0.583)	-0.0983 (-0.349)	0.0235 (0.985)
Political disagreement	0.0013 (0.932)	0.0007 (0.469)	0.0504 (0.117)	0.0493 (1.297)
N	37,318	37,309	37,052	37,299
Adjusted R ²	0.142	0.190	0.117	0.166
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 8. Insider disagreement, future return volatility and future trading volume

This table examines the association between insider disagreement and future return volatility and trading volume. The key independent variable, Insider disagreement, is defined as the standard deviation of categorical net insider demand from month $t - 12$ to $t - 1$. The dependent variables are as follows. *Volatility* is the standard deviation of daily stock returns over months $[t, t + j]$. *IVOL* is idiosyncratic volatility over months $[t, t + j]$, constructed following the definition in Goulding et al. (2024). *Turnover* is the natural logarithm of (average) share turnover, measured as trading volume divided by shares outstanding in a given month and averaged over months $[t, t + j]$. *DTO* is changes in trading volume, used as a proxy for unexplained volume, measured in a given month and averaged over months $[t, t + j]$, and the definition follows Garfinkel (2009). *SUV* is standardized unexplained trading volume, measured in a given month and averaged over months $[t, t + j]$, and the definition follows Garfinkel (2009). We consider 1-, 3-, 6-, 9-, and 12-month horizons for the dependent variables. All columns include the same set of control variables as in Table 4, including indicators for aggregate insider demand, analyst dispersion, stock characteristics, governance characteristics, and political disagreement. Additionally, we control for the one-month lagged dependent variable in all columns. Columns (1) and (2) also control for one-month lagged log turnover, while columns (3), (4), and (5) additionally control for one-month lagged return volatility. All columns include firm fixed effects and year fixed effects. Standard errors are clustered at the firm level. The sample covers January 1990 to December 2023. Coefficients are multiplied by 100 to improve readability. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Volatility _[t,t+j]	IVOL _[t,t+j]	Turnover _[t,t+j]	DTO _[t,t+j]	SUV _[t,t+j]
	(1)	(2)	(3)	(4)	(5)
Panel A: Month t					
Insider disagreement	0.0486*** (3.387)	3.4678*** (2.745)	-0.0229 (-0.047)	-0.0023** (-2.039)	-4.3927*** (-8.170)
N	506,056	506,056	506,056	506,056	506,053
Adjusted R^2	0.648	0.545	0.851	0.233	0.074
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes
Panel B: Months $[t, t + 2]$					
Insider disagreement	0.0422*** (2.587)	3.4444** (2.303)	-0.6576 (-1.086)	-0.0018*** (-2.910)	-4.0598*** (-7.060)
N	506,056	506,056	500,862	504,948	504,946
Adjusted R^2	0.735	0.671	0.876	0.195	0.088
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes
Panel C: Months $[t, t + 5]$					
Insider disagreement	0.0291 (1.568)	2.7119 (1.598)	-1.1473 (-1.591)	-0.0013*** (-2.910)	-2.8473*** (-5.748)
N	506,056	506,056	492,856	501,464	501,462
Adjusted R^2	0.755	0.711	0.879	0.189	0.120
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes
Panel D: Months $[t, t + 8]$					
Insider disagreement	0.0214 (1.071)	2.2889 (1.255)	-1.3384* (-1.672)	-0.0011*** (-2.828)	-1.9385*** (-4.477)
N	506,056	506,056	484,716	497,793	497,791
Adjusted R^2	0.757	0.724	0.879	0.188	0.133
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes
Panel E: Months $[t, t + 11]$					
Insider disagreement	0.0167 (0.793)	1.9303 (1.005)	-1.4604* (-1.696)	-0.0009*** (-2.743)	-1.3659*** (-3.510)
N	506,056	506,056	476,592	494,121	494,119
Adjusted R^2	0.756	0.730	0.879	0.176	0.151
Controls & Firm FE & Year FE	Yes	Yes	Yes	Yes	Yes

Table 9. Insider disagreement, firm value, and operating performance

This table examines the relationship between insider disagreement and firm value and operating performance. The dependent variables are Tobin's q in columns (1) and (2), return on assets (RoA) in columns (3) and (4), and net margin in columns (5) and (6), measured at the end of fiscal year t . The key independent variable, *Insider disagreement*, is measured as the standard deviation of categorical net insider demand over the 12 months of year t . We control for indicators for positive net insider demand and insider trading silence over the past 12 months, and analyst dispersion measured 8 months before the fiscal year end. We control for lagged governance and financial variables measured at the beginning of year t : log board size, board independence, an indicator for CEO-chair duality, the percentage of captured directors, the mean and standard deviation of board political stance, firm age, firm size, leverage, RoA, and book-to-market ratio. Columns (1), (3), and (5) include Fama-French 48-industry fixed effects and year fixed effects. Columns (2), (4), and (6) include firm fixed effects and year fixed effects. Standard errors are clustered at the firm level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Tobin's q		RoA		Net margin	
	(1)	(2)	(3)	(4)	(5)	(6)
Insider disagreement	-0.2880*** (-4.551)	-0.2578*** (-5.221)	-0.0080*** (-3.213)	-0.0028 (-1.112)	-0.0473*** (-3.476)	-0.0244** (-2.449)
Net buy (12m) (0/1)	-0.1952*** (-9.591)	-0.2257*** (-13.888)	-0.0123*** (-10.857)	-0.0131*** (-11.040)	-0.0258*** (-4.632)	-0.0267*** (-6.269)
Net silence (12m) (0/1)	-0.2829*** (-7.063)	-0.2056*** (-6.027)	-0.0110*** (-6.822)	-0.0099*** (-5.297)	-0.0398*** (-4.399)	-0.0357*** (-4.822)
Analyst dispersion	0.5551*** (8.387)	0.2384*** (4.682)	-0.0450*** (-11.627)	-0.0580*** (-11.651)	-0.0477** (-2.315)	-0.0991*** (-3.984)
Log board size	-0.2303*** (-5.751)	-0.1227*** (-3.112)	-0.0008 (-0.719)	-0.0004 (-0.261)	0.0093 (1.399)	-0.0030 (-0.507)
Board independence	-0.0277 (-0.412)	0.0303 (0.409)	-0.0000 (-0.009)	0.0031 (1.154)	0.0114 (0.942)	0.0049 (0.476)
CEO-Chair (0/1)	-0.0084 (-0.363)	0.0196 (0.867)	0.0004 (0.637)	0.0019** (1.982)	0.0154*** (3.494)	0.0074* (1.821)
% captured directors	0.0840*** (2.758)	0.0384 (1.407)	-0.0015 (-1.638)	-0.0005 (-0.385)	-0.0123** (-2.054)	0.0021 (0.420)
Average political stance	-0.0919** (-2.062)	0.0680 (1.122)	0.0055*** (4.866)	0.0043* (1.886)	0.0162** (2.051)	0.0079 (0.938)
Political disagreement	0.1170 (1.390)	-0.0427 (-0.457)	0.0061*** (2.625)	0.0031 (0.828)	0.0137 (0.892)	0.0177 (1.126)
Firm age	-0.1775*** (-9.832)	-0.4431*** (-8.904)	0.0042*** (8.390)	0.0051*** (2.672)	0.0210*** (6.191)	0.0260*** (3.120)
Log market cap	0.0842*** (6.982)	0.1212*** (5.272)	-0.0002 (-0.683)	-0.0040*** (-3.745)	0.0060** (2.494)	-0.0046 (-0.793)
Leverage	-1.6493*** (-19.296)	-0.7518*** (-6.751)	-0.0044* (-1.791)	-0.0234*** (-5.011)	0.1958*** (8.680)	0.0556* (1.846)
RoA	1.5040*** (5.239)	1.5304*** (6.306)	0.6247*** (49.376)	0.2795*** (17.898)	2.1103*** (20.062)	0.6396*** (7.007)
Book-to-market	-2.1479*** (-36.357)	-1.0675*** (-21.424)	-0.0330*** (-17.743)	-0.0612*** (-20.556)	0.0693*** (5.962)	-0.0964*** (-6.838)
N	37,242	37,242	37,244	37,244	37,158	37,158
Adjusted R^2	0.464	0.692	0.540	0.642	0.366	0.702
Industry FE	Yes	No	Yes	No	Yes	No
Firm FE	No	Yes	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Appendix

A Appendix Tables and Figures

Table A1. Portfolio alphas under alternative factor models and conditional on mispricing factors

This table reports monthly portfolio alphas for portfolios formed on insider disagreement under alternative factor models and conditional on mispricing factors. Insider disagreement is measured as the standard deviation of categorical net insider demand. In Panels A, B, and C, at each rebalancing date, stocks are sorted into three portfolios: low disagreement (LO), medium disagreement (MI), and high disagreement (HI). The row labeled HML reports the return on the high-disagreement portfolio minus the return on the low-disagreement portfolio. Panel A reports alphas from the Fama-French five-factor model (Fama & French, 2015). Panel B reports alphas from the Fama-French four-factor model augmented with the Pástor and Stambaugh (2003) liquidity factor. Panel C reports alphas from the Fama-French four-factor model augmented with the Ang et al. (2006) downside risk factor. Panel D reports conditional risk-adjusted alphas for the HML insider disagreement portfolios from 3-by-3 double sorts. In each month, stocks are first sorted into terciles based on one of three mispricing measures and then, within each mispricing tercile, sorted into terciles based on insider disagreement. For each mispricing tercile, the disagreement spread is constructed as the return on the high-disagreement portfolio minus the return on the low-disagreement portfolio. The conditional disagreement premium is defined as the equal-weighted average of these three within-tercile high-minus-low spreads. We then report the Fama-French four-factor alpha of the conditional disagreement premium. The mispricing measures are the management-based and performance-based mispricing scores from Stambaugh and Yuan (2017) and analyst value scaled by book equity from Frankel and Lee (1998). Results are reported for both equal-weighted and value-weighted portfolios, with portfolios rebalanced every 1, 6, or 12 months. The sample period is January 1990 to December 2023. All alphas are reported in percentage terms and annualized. Newey-West *t*-statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Holding period:	Equal-weighted			Value-weighted		
	1M (1)	6M (2)	12M (3)	1M (4)	6M (5)	12M (6)
Panel A: Fama-French five-factor model (Fama & French, 2015)						
HI	8.6656*** (10.889)	2.1394*** (4.095)	1.5982*** (2.679)	0.5300 (1.228)	0.5464 (1.348)	0.3689 (0.900)
MI	6.1140*** (8.552)	1.7828*** (3.433)	1.7841*** (3.370)	1.2779*** (3.308)	0.7766** (2.024)	0.8573** (2.083)
LO	7.2434*** (10.213)	-0.3759 (-0.829)	-1.2035** (-2.574)	-0.7522 (-1.376)	-1.7665*** (-2.978)	-1.8619*** (-3.087)
HML	1.4223*** (3.108)	2.5152*** (5.976)	2.8017*** (5.525)	1.2822 (1.639)	2.3129*** (2.841)	2.2308*** (2.933)
N	408	408	408	408	408	408
Panel B: Fama-French four-factor plus the Pástor and Stambaugh (2003) liquidity factor						
HI	9.2415*** (9.251)	2.4737*** (3.691)	1.8031*** (2.598)	1.5179** (2.134)	1.5356** (2.380)	1.3696** (2.171)
MI	6.7667*** (7.377)	2.3785*** (3.400)	1.9853*** (3.087)	1.1461*** (2.712)	0.5568 (1.339)	0.7911* (1.863)
LO	7.5895*** (10.070)	-0.0589 (-0.122)	-0.9828** (-2.004)	-0.9953* (-1.658)	-1.6413** (-2.509)	-1.7238** (-2.566)
HML	1.6520*** (2.755)	2.5326*** (4.971)	2.7859*** (4.933)	2.5132** (2.466)	3.1769*** (3.329)	3.0934*** (3.570)
N	408	408	408	408	408	408
Panel C: Fama-French four-factor plus the Ang et al. (2006) downside risk factor						
HI	9.2097*** (9.927)	2.4441*** (3.995)	1.7872*** (2.728)	1.1486* (1.919)	1.0950** (2.046)	0.9317* (1.674)
MI	6.5788*** (7.528)	2.1657*** (3.367)	1.9171*** (3.098)	1.1769*** (2.810)	0.6834* (1.743)	0.8779** (2.055)
LO	7.6343*** (9.949)	-0.0592 (-0.119)	-0.9249* (-1.859)	-0.8555 (-1.473)	-1.6187*** (-2.659)	-1.6960*** (-2.635)
HML	1.5754*** (2.927)	2.5033*** (5.530)	2.7121*** (5.197)	2.0041** (2.252)	2.7137*** (3.231)	2.6277*** (3.289)
N	408	408	408	408	408	408
Panel D: Conditional Fama-French four-factor alphas from double sorts on mispricing and insider disagreement						
Management-based mispricing	1.7683*** (3.022)	2.5042*** (4.777)	2.3427*** (4.670)	2.0804** (2.044)	2.8493*** (3.404)	2.5616*** (3.065)
Performance-based mispricing	1.7251** (2.563)	2.3453*** (4.213)	2.1729*** (3.865)	1.8583* (1.936)	2.7804*** (3.264)	2.1839*** (3.052)
Mean forecast/Book equity	2.2663*** (3.544)	2.4330*** (4.344)	2.2807*** (4.175)	1.7423** (2.242)	2.7528*** (3.186)	2.3642*** (2.943)
N	408	408	408	408	408	408

Table A2. Portfolio analysis excluding insider routine trades

This table reports monthly portfolio returns for portfolios formed on insider disagreement after excluding routine insider trades. Following Cohen et al. (2012), an insider's trade in a given month is classified as routine if the insider traded in the same calendar month in three consecutive years in the past. We exclude such trades and reconstruct the insider disagreement measure accordingly. Insider disagreement is measured as the standard deviation of categorical net insider demand (NID). At each rebalancing date, stocks are sorted into three portfolios: low disagreement (LO), medium disagreement (MI), and high disagreement (HI). The row labeled HML reports the return on the high-disagreement portfolio minus the return on the low-disagreement portfolio. We report results for both equal-weighted and value-weighted portfolios, with portfolios rebalanced every 1, 6, or 12 months. Panel A reports annualized raw monthly excess returns relative to the risk-free rate. Panels B, C, and D report annualized alphas from the CAPM, the Fama-French four-factor model, and the Fama-French five-factor model, respectively. The sample period is January 1990 to December 2023. All returns and alphas are reported in percentage terms and annualized. Newey-West t -statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Holding period:	Equal-weighted			Value-weighted		
	1M (1)	6M (2)	12M (3)	1M (4)	6M (5)	12M (6)
Panel A: Raw returns						
HI	21.2001*** (7.081)	14.3584*** (4.928)	13.7349*** (4.702)	11.9996*** (4.540)	12.0320*** (4.540)	12.0056*** (4.485)
MI	18.5411*** (6.733)	14.0066*** (5.178)	13.6286*** (4.907)	12.1690*** (4.582)	11.5088*** (4.201)	11.4956*** (4.370)
LO	19.8115*** (6.806)	12.0867*** (4.303)	11.3840*** (3.962)	10.2172*** (3.492)	9.9269*** (3.466)	9.8596*** (3.370)
HML	1.3886** (2.286)	2.2717*** (3.834)	2.3509*** (3.744)	1.7824** (1.978)	2.1052** (2.139)	2.1460** (2.364)
N	408	408	408	408	408	408
Panel B: CAPM						
HI	8.9560*** (4.780)	2.2676 (1.437)	1.6263 (1.086)	1.0299* (1.805)	1.1785 (1.394)	1.1621 (1.629)
MI	6.8392*** (3.943)	2.4515* (1.662)	2.1114 (1.533)	1.4755*** (3.507)	0.7596 (1.373)	0.8101 (1.548)
LO	7.8862*** (4.474)	0.3140 (0.208)	-0.4987 (-0.340)	-0.9317 (-1.395)	-1.1908* (-1.737)	-1.3076* (-1.728)
HML	1.0699* (1.725)	1.9536*** (3.259)	2.1249*** (3.271)	1.9616** (2.121)	2.3693** (2.264)	2.4697*** (2.661)
N	408	408	408	408	408	408
Panel C: Fama-French four-factor model						
HI	9.2812*** (8.994)	2.4799*** (3.556)	1.7596** (2.526)	1.1619* (1.890)	1.1093 (1.459)	1.0429* (1.650)
MI	6.7279*** (7.236)	2.3012*** (3.338)	1.8862*** (3.060)	1.3777*** (3.961)	0.8072** (2.061)	0.9358** (2.457)
LO	7.8117*** (10.042)	0.1437 (0.288)	-0.7190 (-1.390)	-0.9894 (-1.642)	-1.2040** (-2.025)	-1.3257** (-2.131)
HML	1.4695** (2.373)	2.3362*** (4.368)	2.4786*** (4.468)	2.1513** (2.207)	2.3132** (2.151)	2.3686*** (2.679)
N	408	408	408	408	408	408
Panel D: Fama-French five-factor model						
HI	8.6540*** (10.737)	2.1329*** (4.010)	1.5697** (2.578)	0.2129 (0.524)	0.1877 (0.391)	0.1529 (0.377)
MI	6.0211*** (8.606)	1.7027*** (3.363)	1.6067*** (3.318)	1.4351*** (4.423)	0.8927** (2.383)	0.8269** (1.976)
LO	7.3435*** (10.325)	-0.2906 (-0.641)	-0.9838** (-2.070)	-0.8635* (-1.691)	-1.3640** (-2.503)	-1.4406** (-2.555)
HML	1.3104*** (2.821)	2.4235*** (5.448)	2.5535*** (5.428)	1.0764 (1.366)	1.5517* (1.774)	1.5936** (2.123)
N	408	408	408	408	408	408

Table A3. Portfolio analysis excluding the COVID pandemic

This table reports monthly portfolio returns based on portfolios sorted according to insider disagreement, focusing on the sample period from January 1990 to December 2019, excluding the period of the COVID pandemic. At each rebalancing date, stocks are assigned to three portfolios: low disagreement (LO), medium disagreement (MI), and high disagreement (HI). The row labeled HML reports the return difference between the high- and low-disagreement portfolios. We report results for both equal-weighted and value-weighted portfolios, with portfolios rebalanced every 1, 6, or 12 months. Panel A reports raw returns. Panel B reports CAPM alphas, Panel C reports alphas from the Fama-French three-factor model, and Panel D reports alphas from the Fama-French four-factor model. The reported alphas are the intercepts from time-series regressions of monthly portfolio returns on the corresponding risk factors. All returns and alphas are reported in percentage terms and annualized. Newey-West *t*-statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Holding period:	Equal-weighted			Value-weighted		
	1M (1)	6M (2)	12M (3)	1M (4)	6M (5)	12M (6)
Panel A: Raw returns						
HI	21.2902*** (7.141)	14.4168*** (4.957)	13.8283*** (4.723)	12.1099*** (4.397)	12.1464*** (4.353)	11.8931*** (4.177)
MI	18.6235*** (6.756)	14.0810*** (5.200)	13.7954*** (4.859)	11.4560*** (4.116)	10.8470*** (3.845)	11.0050*** (4.044)
LO	19.7706*** (6.729)	12.0527*** (4.216)	11.1230*** (3.796)	10.2920*** (3.350)	9.6609*** (3.172)	9.5995*** (3.143)
HML	1.5196*** (2.689)	2.3641*** (4.388)	2.7053*** (4.429)	1.8180** (2.099)	2.4855*** (2.773)	2.2936*** (2.666)
N	360	360	360	360	360	360
Panel B: CAPM						
HI	9.4388*** (4.623)	2.7273* (1.652)	2.0807 (1.320)	1.5403** (1.983)	1.6214** (2.103)	1.3465* (1.714)
MI	7.3473*** (3.943)	2.9247* (1.836)	2.6097* (1.742)	1.0569** (1.975)	0.3977 (0.722)	0.6240 (1.175)
LO	8.1890*** (4.489)	0.6355 (0.426)	-0.4080 (-0.287)	-0.5925 (-1.050)	-1.1771* (-1.808)	-1.2355* (-1.730)
HML	1.2498** (2.239)	2.0919*** (3.947)	2.4888*** (4.080)	2.1327** (2.419)	2.7985*** (3.024)	2.5820*** (2.949)
N	360	360	360	360	360	360
Panel C: Fama-French three-factor model						
HI	9.0179*** (8.599)	2.3629*** (3.436)	1.7645** (2.439)	1.4177** (2.225)	1.5303** (2.391)	1.2494* (1.919)
MI	6.7789*** (7.251)	2.3773*** (3.410)	2.1396*** (3.433)	1.2136*** (2.688)	0.5095 (1.163)	0.7385* (1.691)
LO	7.5576*** (9.238)	-0.0242 (-0.053)	-0.9973** (-2.340)	-0.8985* (-1.819)	-1.5139*** (-2.690)	-1.6210*** (-2.951)
HML	1.4603** (2.422)	2.3871*** (4.358)	2.7617*** (4.479)	2.3162*** (2.630)	3.0442*** (3.253)	2.8704*** (3.289)
N	360	360	360	360	360	360
Panel D: Fama-French four-factor model						
HI	9.5493*** (8.568)	2.7760*** (3.859)	2.0823*** (2.817)	1.6022** (2.181)	1.6428** (2.457)	1.2790* (1.890)
MI	7.1463*** (7.025)	2.6533*** (3.430)	2.3104*** (3.224)	1.0228** (2.201)	0.3933 (0.940)	0.7509* (1.824)
LO	8.0109*** (9.433)	0.3865 (0.813)	-0.6509 (-1.424)	-0.7797 (-1.547)	-1.2389** (-2.107)	-1.3444** (-2.302)
HML	1.5384** (2.564)	2.3895*** (4.742)	2.7331*** (4.876)	2.3819*** (2.639)	2.8817*** (3.221)	2.6234*** (3.220)
N	360	360	360	360	360	360

Table A4. Portfolio analysis after 2000

This table reports monthly portfolio returns based on portfolios sorted according to insider disagreement, focusing on the sample period from January 2000 to December 2023. At each rebalancing date, stocks are assigned to three portfolios: low disagreement (LO), medium disagreement (MI), and high disagreement (HI). The row labeled HML reports the return difference between the high- and low-disagreement portfolios. We report results for both equal-weighted and value-weighted portfolios, with portfolios rebalanced every 1, 6, or 12 months. Panel A reports raw returns. Panel B reports CAPM alphas, Panel C reports alphas from the Fama-French three-factor model, and Panel D reports alphas from the Fama-French four-factor model. The reported alphas are the intercepts from time-series regressions of monthly portfolio returns on the corresponding risk factors. All returns and alphas are reported in percentage terms and annualized. Newey-West *t*-statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Holding period:	Equal-weighted			Value-weighted		
	1M (1)	6M (2)	12M (3)	1M (4)	6M (5)	12M (6)
Panel A: Raw returns						
HI	19.2638*** (5.259)	12.9009*** (3.533)	12.1677*** (3.302)	9.5472*** (2.855)	9.6574*** (2.911)	9.2891*** (2.766)
MI	17.0354*** (4.991)	12.7760*** (3.718)	12.2543*** (3.499)	9.0886*** (2.714)	8.3386** (2.418)	8.7706*** (2.607)
LO	18.2695*** (5.013)	10.9069*** (3.030)	9.9329*** (2.690)	7.6853** (2.084)	7.1178* (1.955)	7.1093* (1.916)
HML	0.9943 (1.391)	1.9940*** (3.036)	2.2347*** (2.823)	1.8620 (1.519)	2.5396** (2.087)	2.1798* (1.811)
N	288	288	288	288	288	288
Panel B: CAPM						
HI	10.0162*** (4.202)	3.7669** (2.042)	3.0389* (1.739)	1.3675 (1.474)	1.5711* (1.842)	1.2238 (1.409)
MI	8.1486*** (3.604)	3.9878** (2.151)	3.4998** (2.113)	1.0856* (1.771)	0.2551 (0.401)	0.7006 (1.040)
LO	9.0442*** (3.980)	1.7695 (0.936)	0.7425 (0.408)	-0.7045 (-0.717)	-1.3191 (-1.221)	-1.3642 (-1.146)
HML	0.9720 (1.338)	1.9974*** (2.972)	2.2964*** (2.814)	2.0720 (1.579)	2.8903** (2.296)	2.5880** (2.130)
N	288	288	288	288	288	288
Panel C: Fama-French three-factor model						
HI	8.8481*** (6.742)	2.5979*** (3.139)	1.8904** (2.164)	1.3491 (1.641)	1.6109** (2.232)	1.2389* (1.683)
MI	6.9738*** (5.715)	2.8595*** (3.351)	2.4223*** (3.509)	1.3988*** (2.869)	0.5072 (1.087)	0.9674* (1.873)
LO	7.6097*** (7.627)	0.3100 (0.491)	-0.6872 (-1.100)	-1.1927 (-1.549)	-1.8051** (-2.134)	-1.8677** (-2.155)
HML	1.2385* (1.677)	2.2878*** (3.430)	2.5777*** (3.335)	2.5419* (1.942)	3.4160*** (2.705)	3.1065*** (2.640)
N	288	288	288	288	288	288
Panel D: Fama-French four-factor model						
HI	9.1683*** (6.986)	2.8541*** (3.394)	2.0791** (2.367)	1.4801* (1.676)	1.7327** (2.314)	1.3057* (1.693)
MI	7.1054*** (5.617)	2.9629*** (3.246)	2.4677*** (3.228)	1.2722** (2.502)	0.4112 (0.890)	0.9356* (1.818)
LO	7.8413*** (7.891)	0.4941 (0.751)	-0.5617 (-0.859)	-1.0786 (-1.356)	-1.6650* (-1.945)	-1.6965* (-1.886)
HML	1.3270* (1.824)	2.3600*** (3.748)	2.6408*** (3.630)	2.5586* (1.918)	3.3977*** (2.748)	3.0022** (2.593)
N	288	288	288	288	288	288

B Variable definitions

Variable	Definition	Source
Insider disagreement	The standard deviation of individual insiders' categorical net insider demand within a firm over the previous 12 months. For each insider-firm-month, categorical net insider demand equals 1 for net buying, -1 for net selling, and 0 for silence over the prior 12-month window.	LSEG
Net buy (12m) (0/1)	An indicator equal to 1 if the firm's aggregate net insider demand over the previous 12 months is positive, and zero otherwise. Aggregate net insider demand is calculated by summing individual insiders' net insider demand within each firm-month.	LSEG
Net sell (12m) (0/1)	An indicator equal to 1 if the firm's aggregate net insider demand over the previous 12 months is nonpositive with insider trading activities, and zero otherwise.	LSEG
Net silence (12m) (0/1)	An indicator equal to 1 if the firm has no insider trading records in the past 12 months, and zero otherwise.	LSEG
Analyst dispersion	The standard deviation of analyst forecasts scaled by the absolute value of the mean EPS forecast for the current fiscal year ($FPI = 1$).	I/B/E/S
Earnings surprise	The difference between actual EPS for the current year and the median analyst forecast issued eight months before the fiscal year end, scaled by one of the following deflators: stock price eight months before fiscal year end, assets per share, the standard deviation of analyst forecasts, or the absolute mean analyst forecasts.	I/B/E/S
MAX	The average of the five highest daily returns in a given month.	CRSP
ILLIQ	The absolute monthly stock return divided by dollar trading volume, multiplied by 10^6 .	CRSP
SIZE	Market capitalization.	CRSP
STR	Short-term reversal (i.e., one-month lagged monthly return).	CRSP
BTM	book value of equity from the most recent quarter (or fiscal year end for firm-year level sample) divided by the market value of equity.	CRSP
MOM	The product of monthly gross returns for month $t - 12$ until $t - 1$, minus 1.	CRSP

beta	For a given stock-month, the regression coefficient of daily stock returns on daily market returns.	CRSP
Board size	The number of directors on the board.	BoardEx
Board independence	The proportion of independent directors.	BoardEx
CEO is chair (0/1)	Indicator variable that takes the value of 1 if the CEO is also the chairman of the board and 0 otherwise.	BoardEx
% Captured directors	The proportion of board directors appointed after the current CEO assumed office.	BoardEx
Average political stance	The average political conservatism score of all directors on the board.	DIME
Political disagreement	The standard deviation of political conservatism score across all directors on the board	DIME
Volatility	The standard deviation of daily stock returns.	CRSP
IVOL	The standard deviation of daily residuals estimated from a regression of the stock's excess returns on a constant, the excess market return, the size factor, and the book-to-market factor.	CRSP
Turnover	The natural logarithm of share turnover, measured as monthly trading volume divided by shares outstanding.	CRSP
DTO	The monthly average change in daily market-adjusted trading volume, where daily DTO is measured as market-adjusted turnover minus a stock-specific benchmark based on the 7-trading-day-lagged 180-day rolling median of market-adjusted turnover.	CRSP
SUV	The monthly average standardized unexplained trading volume, where daily SUV is the residual from a rolling-window regression of daily turnover on contemporaneous positive and negative return components, scaled by the root mean squared error from the rolling regression. The estimation window for each stock-day is the prior 60 trading days, excluding the most recent 5 trading days.	CRSP
Tobin's q	The market value of assets divided by the book value of assets. The market value of assets is the book value of assets plus the market value of common equity, minus the book value of common equity, and minus the balance sheet deferred taxes (Kaplan & Zingales, 1997).	Compustat
RoA	The ratio of net income before extraordinary items to the book value of assets.	Compustat
Net margin	The ratio of net income before extraordinary items to revenue.	Compustat

Firm age	Time (years) elapsed since the firm's stock first appeared in CRSP.	CRSP
Leverage	The sum of long-term debt and debt in current liabilities scaled by total assets.	Compustat

Other Tables 2 (new tables that have not been included in the paper)

Table B1. Fama–MacBeth regressions (Robustness)

This table presents Fama and MacBeth (1973) regression estimates of the relation between insider disagreement and future stock returns. The dependent variable is the monthly excess return in month t . The key independent variable, Insider disagreement, is defined as the standard deviation of categorical net insider demand from month $t - 12$ to $t - 1$. All control variables are one-month lagged or measured at the previous fiscal year end. The sample covers January 1990 to December 2023. Coefficients are multiplied by 100 to improve readability. Newey-West t -statistics based on 12 lags are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Monthly excess return _{t}				
	(1)	(2)	(3)	(4)	(5)
Panel A: Excluding firms with zero potentially-trading insiders					
Insider disagreement	0.1167 (1.030)	0.3062*** (3.445)	0.3473*** (2.991)	0.3122*** (3.198)	0.3330** (2.264)
Net buy (12m) (0/1)			0.0551 (1.004)		0.1171* (1.777)
Net silence (12m) (0/1)			0.1359* (1.869)		0.1093 (1.373)
Analyst dispersion			0.0994 (0.383)		-0.2402 (-0.472)
N	657,442	655,394	611,042	506,631	477,524
R ²	0.002	0.084	0.091	0.109	0.119
Panel B: Excluding silent firms					
Insider disagreement	0.3235*** (2.646)	0.3801*** (3.482)	0.3177*** (2.883)	0.3403*** (2.652)	0.2951** (2.019)
Net buy (12m) (0/1)			0.0524 (0.978)		0.1164* (1.763)
Analyst dispersion			0.1708 (0.644)		-0.1410 (-0.275)
N	614,912	613,011	575,879	478,022	453,645
R ²	0.002	0.086	0.091	0.111	0.119
Panel C: Control for $\log(1 + \#insiders)$					
Insider disagreement	0.5278*** (3.709)	0.2041** (2.433)	0.2629** (2.430)	0.2269** (2.259)	0.2020 (1.545)
Net buy (12m) (0/1)			0.0647 (1.202)		-0.0102 (-0.080)
Net silence (12m) (0/1)			0.1504** (1.995)		-0.1804 (-0.576)
Analyst dispersion			0.1173 (0.464)		0.0095 (0.027)
logtot_num_insider12	-0.1360** (-2.256)	0.1168*** (3.496)	0.1327*** (3.316)	0.0975*** (2.655)	0.0182 (0.134)
N	728,260	725,916	671,218	549,914	515,394
R ²	0.006	0.084	0.092	0.106	0.116
Panel D: Control for $\log(1 + \#insiders)$ AND excluding firms with zero insiders					
Insider disagreement	0.3683*** (2.883)	0.2094** (2.524)	0.2851*** (2.622)	0.2442** (2.368)	0.3186* (1.877)
Net buy (12m) (0/1)			0.0570 (1.049)		-0.0403 (-0.264)
Net silence (12m) (0/1)			0.1784** (2.395)		0.1552* (1.922)
Analyst dispersion			0.1318 (0.512)		-0.8193 (-0.774)
log_tot_num_insider12_no0	-0.3759*** (-4.089)	0.1422** (2.513)	0.1600*** (2.728)	0.1362*** (2.665)	0.0240 (0.154)
N	657,442	655,394	611,042	506,631	477,524
R ²	0.010	0.086	0.093	0.110	0.121