

The Valuation Effects of Warrant Extensions

JOHN S. HOWE, PEIHWANG WEI

First published: March 1993

<https://doi.org/10.1111/j.1540-6261.1993.tb04711.x>

PDF

ABSTRACT

In this paper, we examine the warrant price and stock price reactions to the announcement of warrant life extensions. As predicted by option-pricing theory, warrant prices increase in response to an extension. Our principal finding is that the stocks of firms making the extension announcements experience positive abnormal returns on average. We interpret the evidence as supportive of an anticipation hypothesis in which the market perceives the decision to extend the warrants' expiration date as a favorable indication for the stock price before the subsequent expiration.

REFERENCES

Brown, S. J., and J. B. Warner, 1985, Using daily stock returns: The case of event studies, *Journal of Financial Economics* 14, 3-31.

[PubMed](#) | [Web of Science®](#) | [Google Scholar](#)

Longstaff, F. A., 1990, Pricing options with extendible maturities: Analysis and applications, *Journal of Finance* 45, 935-957.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential



ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

[Sitemap](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)