**Replication Code: „Market Power and Systematic Risk"**

This folder contains the software programs necessary to replicate the paper "Market Power and Systematic Risk", published in Financial Management.

Note that we provide mainly the code because the data are from commercial data providers and are copyright protected. However, in each R-Code, we detail (i) which database the data are from and (ii) which elements need to be retrieved and loaded to run the code.

The main code files contain numbers.

In the files starting with "01", there are several data preparation steps. If you want to replicate the results, you need to first get the necessary data and then run each of these.

There are also two files with "02". These perform the preparation steps for the merger analysis.

After all these files have been run, your folder will contain a number of datafiles. These will be loaded and used in the further codes.

The code file "03" creates the main panel regression results as well as Figure 1.

The code file "04" creates the main merger regression results.

The code file "05" runs the robustness analyses for mergers with betas based on daily returns.

The code file "06" creates Figure 2.

The code file "07" creates Table 6.

The code file "08" runs the analyses for tail risk.

The code file "09" creates the robustness results for the merger analysis with betas based on daily returns.

Other code files are auxiliary, e.g., for creating the LaTeX tables. Note that the final formatting in the paper may differ slightly from that in the output. These minor adjustments can be made manually.

Other than that, the folder contains some datafiles from publicly available sources that are not protected by copyright.

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Here are some more details on the data format of the files needed for the main analysis:

- This is the format of the PANEL_NAICS.RData file:

| | Time | NAICS | PERMNO | HHI | Beta_M | Beta_CF | Beta_DR | Beta_Down | Beta_Up | Weight_Beta_M | Weight_Beta_CF | Weight_Beta_DR | Weight_Beta_Down | Weight_Beta_Up | Shrinking_Beta_M | Shrinking_Beta_CF | S |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **314713** | 19720131 | 452 | 10559 | 1559.423 | 1.1994919 | 0.56440484 | 1.10873810 | 0.251838738 | 0.35925081 | 1.2609410 | 0.57807381 | 1.1845654 | 0.28106664 | 0.395214735 | 1.2140347 | 0.55284236 | |
| **1098109** | 19720131 | 445 | 11949 | 1222.213 | 0.9753385 | 0.23396262 | 1.13441146 | 0.367144023 | 0.44614213 | 0.9414191 | 0.25190244 | 1.0592009 | 0.32430061 | 0.326759147 | 1.0070984 | 0.26958642 | |
| **1221061** | 19720131 | 422 | 12167 | 5706.000 | 0.4964473 | 0.22171285 | 0.49480890 | 0.200241976 | 0.07520318 | 0.5313791 | 0.22158531 | 0.5420685 | 0.19022230 | 0.071488128 | 0.5649905 | 0.25908589 | |

- This is the format if the Control_Panel.RData file:

| | PERMNO | YearMonth | Time | NAICS | HHI | Beta_M | Beta_CF | Beta_DR | Beta_Down | Beta_Up | Weight_Beta_M | Weight_Beta_CF | Weight_Beta_DR | Weight_Beta_Down | Weight_Beta_Up | Shrinking_Beta_M | Shrinkin |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **35** | 10001 | 198810 | 1988-10-31 | 221 | 149.2300 | 0.100733614 | -0.033047492 | 0.1317146027 | -0.115584586 | -0.053672607 | 0.08648674 | -0.0205949118 | 0.1050223471 | -0.1027385432 | -0.052379016 | 0.160008530 | |
| **36** | 10001 | 198811 | 1988-11-30 | 221 | 149.2300 | 0.100652308 | -0.033152389 | 0.1305467555 | -0.102880454 | -0.053484252 | 0.08785632 | -0.0216782031 | 0.1060630574 | -0.0905533810 | -0.052946152 | 0.160945197 | |
| **37** | 10001 | 198812 | 1988-12-30 | 221 | 149.2300 | 0.095042385 | -0.025345677 | 0.1141740806 | -0.103198209 | -0.034161773 | 0.08183927 | -0.0123265449 | 0.0863539002 | -0.0922301273 | -0.030323135 | 0.155941178 | |
| **38** | 10001 | 198901 | 1989-01-31 | 221 | 147.9562 | 0.096660258 | -0.022729160 | 0.1154103405 | -0.101891724 | -0.031239036 | 0.08534802 | -0.0094870533 | 0.0901512273 | -0.0916015304 | -0.026876792 | 0.159354750 | |
| **39** | 10001 | 198902 | 1989-02-28 | 221 | 147.9562 | 0.086303006 | -0.028330037 | 0.1127711704 | -0.067007539 | -0.031628367 | 0.07277016 | -0.0160544787 | 0.0835214494 | -0.0523470221 | -0.027368547 | 0.149298357 | |

- This is the format of the Mergers_with_SIC_NEW.RData file:

| | Deal.PermID | SDC.Deal.No | Date.Announced | Rank.Date | Rank.Value.inc..Net.Debt.of.Target..USD..Millions. | Target.Full.Name | Target.Nation | Acquiror.Full.Name | Acquiror.Nation |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 34391108794 | 125391020 | 1991-12-31 | 1991-12-31 | 0.0000 | Aladdin Hotel & Casino,Las Vegas,Nevada | United States | Bell Atlantic TriCon Leasing Corp(Bell Atlantic Corp) | United States |
| 2 | 34391126063 | 241279020 | 1991-12-31 | 1991-12-31 | 0.0000 | Hilb Rogal & Hamilton Co-Jackson,MI Office | United States | Walton Agency Inc | United States |
| 3 | 34391126064 | 241261020 | 1991-12-31 | 1991-12-31 | 5.0000 | Eastland Financial Corp | United States | Citizens Savings Bank,Providence,Rhode Island | United States |