Public Office, Private Gains?

An Event Study on U.S. Congressional Stock Trades

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Abstract

This thesis examines whether members of Congress earn abnormal returns on their investments and under what conditions such returns might arise. Using a dataset of 41 851 stock transactions between 2012 and 2024, we use an event study methodology complemented by calendar-time portfolio regressions and sub-sample analyses. After adjusting for risk using the Fama–French Three-Factor model, we find no consistent evidence that congressional buy trades outperform the market on aggregate, while sale transactions show limited but statistically significant loss avoidance. However, sub-analyses reveal evidence of significant abnormal returns under specific conditions. Firstly, some congressional committees earn abnormal returns during crisis periods such as COVID-19 and the Russia-Ukraine invasion and trading stocks aligned with members' committee jurisdiction. Furthermore, we find limited support of market reaction on disclosures of congressional trades by high-profile members. These findings indicate that although legislation may have reduced broad insider trading, outperformance in certain conditions suggest that informational advantages may exist, raising implications for market fairness and the adequacy of current regulations.

Keywords:

Abnormal returns, Event study, Insider information, STOCK Act, U.S Congress

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1. Introduction

In recent years, stock trading among members of Congress in the U.S. has come under increasing public scrutiny and media attention. Many members of Congress actively trade stocks, often while serving on committees that may grant them access to non-public, market-relevant information. Between 2019 and 2021, 183 U.S. members reported trading stocks and other assets, where the majority served on committees that potentially provided them with insider information (Kelly, Playford, & Parlapiano, 2022). Notably, representative Ro Khanna has traded stocks for a total volume exceeding 293 million USD, and during a span of one and a half month the speaker of the house, Nancy Pelosi, made more than 250,000 USD on a single trade, which was more than her yearly salary (Quiver Quantitative, n.d.). Moreover, during the early stages of the COVID-19 pandemic, several members disposed of their holdings right before the crash, in some cases following classified briefings about the severity of the virus outbreak. (Lane, 2020)

This has caused debates about the ethics of congressional trading and the adequacy of regulations to prevent insider trading. In 2012, the STOCK act was passed with the aim to prevent congressional insider trading by for example expanding the requirements for trade reporting. The act requires members of Congress to report all trades over 1,000 USD within 45 days of the transaction date. This also applies to trades made by children and spouses of the members. However, there have been issues with compliance with the law. For example, 78 congress members were found to have violated it in 2023. This might not come as a surprise since the fine for violating the law is only 200 USD (Hayes, 2025). This implies that current regulations likely open up for members of Congress to trade on potential informational advantage with minor consequences. While corporate insiders are heavily penalized for similar behavior, members of Congress operate under a separate legal framework. This leads many to view this as a problematic double standard, as this behavior creates a principal-agent problem as private financial gains conflict with public duty (Jensen and Meckling, 1976). If Congress members profit from insider information, it could damage public confidence in the fairness of the political system. By empirically testing whether congressional trades actually earn abnormal returns, this study contributes to a deeper understanding of ethical governance, financial market fairness, and the need for more effective regulatory oversight.

1.1 Research Questions

The debate over whether Congress members exploit informational advantages to earn abnormal returns and whether current legislation is sufficient to prevent such trading highlights a reason for empirical investigation. This leads us to our first research question:

1) *Do members of Congress in the US earn abnormal stock returns on average?*

While this question addresses whether congressional trades generate abnormal returns on average, previous research has found weak or mixed evidence, suggesting that outperformance may be limited to a smaller group of individuals rather than being widespread across all members. This raises the possibility that abnormal returns may come from specific informational

channels or contexts. To explore this further, we extend the analysis by explicitly testing factors such as committee membership to isolate potential abnormal returns and informational content of trades. Committee membership, which differs in their legislative focus and proximity to specific industries, may serve as one such channel. If members of certain committees consistently earn higher abnormal returns, it could suggest unequal access to policy-relevant information. Hall, Karadas, and Schlosky (2017) found that members serving on powerful committees during 2004-2010 earned significant abnormal returns after two terms in Congress, specifically those on Finance, Financial Services, and Banking followed by Energy and Commerce, and Ways and Means. This leads us to our second research question:

2) *Are abnormal returns for buy and sale transactions linked to members of Congress in certain committees?*

It is also valuable to consider broader contextual factors, particularly periods of crisis, as informational advantages and information asymmetry may become heightened for specific committees. For example, during COVID-19, there were heightened legislative decisions with substantial economical impact, such as the lockdown and stimulus packages. Senators including Richard Burr and Kelly Loeffler were investigated after having sold stocks after private briefings before the market crashed in early 2020 (Faturechi & Willis, 2020; Lane, 2020). Similarly, multiple members of Congress traded defense stocks in early 2022 when geopolitical tensions escalated following Russia's invasion of Ukraine (Swope, 2022). These cases raise the question of whether members of Congress' investment performance and informational advantages are amplified during major crises. Therefore, we have the third research question:

3) *Are there abnormal returns for buy and sale transactions during specific crisis situations for the different committees?*

While this question addresses when trades occur, it does not account for which types of stocks are traded, which could be an important factor when assessing potential informational advantages. The Congress members can invest in stocks of a wide variety of sectors, with some more related to their committee work. There are documented cases where members of Congress traded stocks in industries under their own legislative oversight, emphasizing the need for stricter regulations (Levinthal, 2021). This raises the question of whether abnormal returns are more likely when members of Congress trade stocks in industries that their committee oversees, where they might have increased access to non-public information. Thus, our fourth research question is:

4) *Do members of Congress earn abnormal returns from buy and sell transactions in stocks in industry sectors related to their committee assignments?*

In recent years, growing media attention and public scrutiny have led to a surge in retail investors mimicking congressional trades in hopes of beating the market. Platforms like CapitolTrades, QuiverQuant, and ETFs replicating congressional portfolios have gained popularity in recent years. Another example is the Nancy Pelosi Stock Tracker, which tracks Nancy Pelosi's trades, reflecting her popularity among retail investors due to her perceived trading success and

substantial personal wealth. From a behavioral finance perspective, this mimicking behavior can be linked to information cascade and herding, where individuals follow perceived information agents, such as Congress members, rather than relying on their own analysis (Palmer, 2022). In this context, trades made by members of Congress can act as informative signals to the market. This raises questions about whether this truly is a viable strategy for retail investors to generate abnormal returns. Recent research provides support to this idea. Using 2012-2020 Senate data, Abdurakhmonov, Snider, Ridge, and Hasija (2023) found that share prices tend to rise significantly in the days surrounding public disclosures of stock purchases, with stronger effect when the senator serves on a committee overseeing the firm. This suggests that markets may interpret such disclosures as signals. This leads us to our fifth and final research question:

5) *Are there abnormal returns following the disclosures of congressional trades and is it a viable strategy to mimic them?*

1.2 Hypotheses

For research questions 1-4 the same hypothesis structure can be applied where we divide the hypothesis for Congress buy and sales in the following way.

H0a: There are no positive abnormal returns following buy transactions.

H1a: Congress members significantly outperform the market and earn positive abnormal returns following buy transactions.

H0b: There are no negative abnormal returns following sale transactions.

H1b: Congress members significantly outperform the market by avoiding losses following sale transactions, measured by negative abnormal returns following the sale transactions.

2. Literature review

2.1 Empirical Evidence on Political Insider Trading

The performance of investments made by U.S. Congress members and Senators have been investigated in several papers. The paper which our thesis mainly aims to replicate and extend is one the most cited papers in this topic, **"**Abnormal Returns from the Common Stock Investments of the U.S. Senate" by Ziobrowski, Boyd, Cheng, & Ziobrowski (2004). They conducted an event study and calendar-time portfolios on data from 1993-1998 and found that Senators in the United States outperformed the market on a risk-adjusted basis by around 85 basis points per month, indicating that they traded with "substantial informational advantages". They also investigated factors of outperformance such as party affiliation and tenure. They found no significant difference between the parties, and that junior Senators outperformed senior ones. A parallel study by Ziobrowski, Boyd, Cheng, & Ziobrowski (2011), "Abnormal Returns from the Common Stock Investments of Members of the U.S. House of Representatives", extended the

earlier study to analyze trades of the House of Representatives between 1985-2001. They found that House members earned significant abnormal returns of 55 basis points per month, which reinforced the concerns about potential insider trading among Congress members.

However, subsequent research has questioned the prevalence of such outperformance. Eggers and Hainmueller (2013) critiqued the earlier findings, pointing out potential data and methodological limitations. Using an updated sample of 2004-2008, they found no evidence of outperformance by Congress members, and that they even slightly underperformed a passive index by 2-3% annually. A more recent paper from after the STOCK Act was passed, is one by Belmont, Sacerdote, Sehgal, & Van Hoek (2022). Using data from 2012-2020 and an event study slightly different to Ziobrowski et al. (2004), they found no consistent abnormal returns for the Congress for House members or Senators, and that they even tended to underperform by a few basis points over a six-month horizon. Furthermore, they explicitly test the COVID period, the top percentiles of outcomes, trades made by members whose committee has oversight over the traded stock, and members accused of insider trading. However, they found no significant abnormal returns attributed to these factors, suggesting that informational advantage and outperformance is likely limited to certain members. Also that systematic informational advantage, if ever existed, has largely disappeared following the STOCK Act. However, even if aggregate outperformance appears to diminish after 2012, it does not rule out possibilities of more specific, context-dependent informational advantages. At the same time, literature offers conflicting conclusions about whether Congress members warn abnormal returns on average, further motivating our research.

2.2 Contribution

We primarily replicate and extend the study by Ziobrowski et al. (2004), drawing additional inspiration from Belmont et al. (2022), with the aim to explore gaps in the existing literature. While both of these studies examined factors that could explain abnormal returns, the analyses were limited. In particular, they did not explore trading performance across committees. Although some subsequent but less cited research such as Hall et al. (2017) have tested this more explicitly, we contribute to a more refined understanding of when congressional trading may reflect informational advantage by including periods of crisis and examining trades aligned with committee responsibilities. Additionally, we extend previous studies by including the most recent years up to 2024. By including this period, we capture the effects of the STOCK Act while accounting for market disruptions, such as the COVID-19 crisis and the Russia-Ukraine invasion. This broader time frame allows us to assess whether congressional trading outperformance persists under different conditions. In doing so, our research not only aims to add to literature, but also contribute to ongoing debates about ethics and fairness in financial markets.

3. Data

Due to the reporting requirements introduced by the STOCK Act, we are able to access congressional trading data for 2012-2024, obtained from QuiverQuantitative.com. The data in

the years 2012-2013 are however very limited (see Figure 1). The number of trades increases from 2014 until peaking in 2020 before reverting. The spike in trading activity coincides with the COVID-19 pandemic, motivating our crisis-period sub-test.

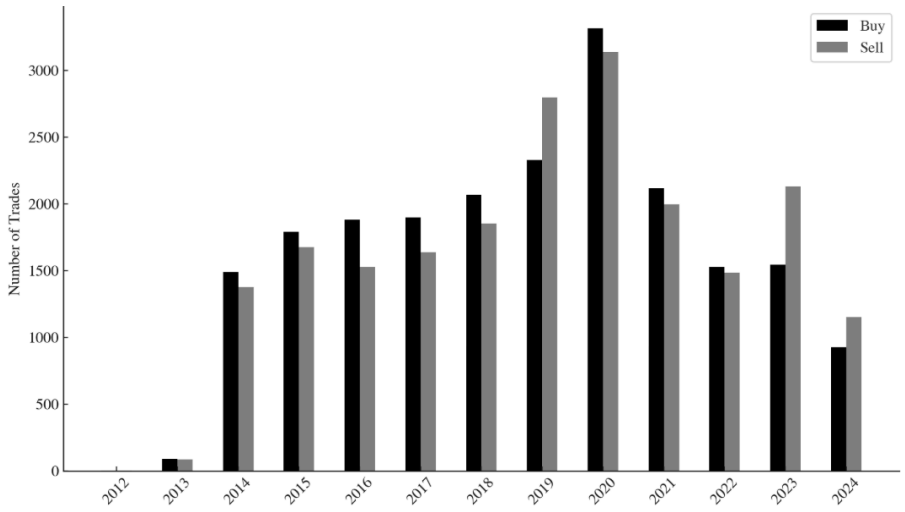

Figure 1*: Number of buy and sale transactions in the dataset per year from 2012 to 2024.*

The data sample includes trades by members of both the Senate and The House of Representatives, identified by ticker. For each transaction, the data has information such as transaction date, disclosure date, name, trade size, and chamber. Each observation represents one stock transaction, and we limit the transactions to buy and sale transactions and exclude "exchange" transactions. The amount of the trades are divided wide into ranges ($1,001-$15,000, $15,001-$50,000, $50,001-$100,000, etc.). Table 1 shows that the dataset consists of 41851 congressional trades in total, with buy and sell trades making up similar proportions for the different ranges. The majority of the trades fall into the lowest bracket ($1,001–$15,000), and the number of trades decreases as the amount range increases. We aggregate the trades of the same stock made by the same individual on the same day using the midpoint of the range. After cleaning the data, our dataset contains 41 851 transactions.

Category	Buy	Sell
Total no. of transactions	20986	20865
Transactions $1,001–15,000	15747	15284
Transactions $15,001–50,000	3326	3374
Transactions $50,001–100,000	882	934
Transactions $100,001–250,000	605	683
Transactions $250,001–500,000	141	200
Transactions above $500,000	102	128

Table 1*: Total number of buy and sell transactions for respective trade size range in USD.*

For each trade, the necessary market data to calculate returns and benchmarks is gathered. The daily stock returns for all traded companies is retrieved from the CRSP database via Wharton Research Data Services (WRDS). Each trade in our sample was matched via its unique identifier PERMNO to retrieve its daily return time series. We retrieved daily returns of the CRSP Value Weighted Index from WRDS and the Fama-French returns from French's data library (French, n.d.). Specifically, we use the Fama-French Three Factor (FF3) data, which provides daily returns for the market factor, size factor (SMB), and value factor (HML), to construct expected returns for each trade. These data allow us to compute abnormal returns under different benchmarks (market-adjusted and multi-factor adjusted). All return data were aligned by date with each trade's event window for the event study analysis.

The dataset is further complemented with sector and committee information to conduct subgroup analyses. Each traded stock was classified into a broad industry sector using CRSP's 'gsector' classification which groups firms into 11 sectors such as Technology, Healthcare, Finance, Utilities, etc. Data on congressional committee assignments for each person in our sample was manually matched, primarily from public sources like GovTrack and the official Congressional Directory. We recorded the committees on which each member served during the sample period. Committee groups are manually consolidated into broader categories for interpretability (see Table A5).

3.1 Data Limitations

Some limitations of the data can be noted. First, the data is based on self-reported disclosures under the STOCK Act, which may be subject to omissions, introducing potential selection bias. Second, some trades were excluded due to unmatched tickers that could not be matched when standardizing to PERMNOs. Furthermore, trade sizes are reported in wide ranges, which may distort trade-weighted returns. For this reason, the event study uses equal-weighted returns. Another limitation of our dataset is that it does not allow us to link buy trades to subsequent sale trades at the individual level, preventing the construction of true buy and sell matched portfolios. Instead we rely on fixed period holdings of 255 days, which introduces assumptions about investor behavior.

Regarding subgroup analysis, committee assignments were manually matched to members' primary roles during the sample period. We acknowledge that some members changed committee assignments over this time period. Due to data availability time constraints, the matching uses primary committee roles during the period and does not dynamically update for mid-career changes. This simplification could introduce some noise as a trade might be flagged as aligned with a committee that the member joined after the trade. Lastly, committees are grouped into broader categories for interpretability, potentially concealing differences between committees or sector-specific responsibilities in the sector mapping.

4. Methodology

The core methods to investigate whether U.S. Congress members earned abnormal returns is an event study framework following Ziobrowski et al. (2004), complemented by calendar-time portfolio regressions. For the event study, the WRDS event study tool is used to compare and verify the manual results.

4.1 Event Study

In the event study, each event is defined as a stock transaction by a Congress member. Similar to Ziobrowski et al. (2004), we construct two event samples, one for buy transactions and one for sale transactions. Multiple event window lengths are considered to address whether any abnormal performance manifests quickly or only over longer horizons. We use windows up to one trading year like Ziobrowski et al. (2004) as it allows for gradual information diffusion, and captures the effect of disclosure lags. Further, we adopt an estimation window of 500 days. The long estimation period provides stable estimates for expected returns. The gap between the estimation window and the event window is set to 50 days prior to the event to avoid contamination of the event.

For each event, the abnormal returns (AR) are calculated using the difference between returns and expected returns from a benchmark model. We use two different benchmarks for robustness, the CRSP Value Weighted Index as the market-adjusted model, as well as the FF3 model, following the studies by Belmont et al. (2022) and Ziobrowski et al. (2004). In the market-adjusted model, the CRSP Value Weighted Index is subtracted from the stock return each day to get the AR. This model assumes that the market index captures the baseline risk of the stock and is a simple benchmark for a straightforward measure of outperformance relative to the broader market. The FF3 model accounts for risk factors such as company size and value/growth characteristics. This model is usually preferred as it controls for the size and value premia. If congressional trades are systematically tilted toward small-cap or high book-to-market stocks, the market-only benchmark could misattribute those style exposures to informational skill without the SMB and HML factors. The FF3 model is defined as:

$$R_{p,t} - R_{f,t} = \alpha_i + \beta_{i,1}(R_{m,t} - R_{f,t}) + \beta_{i,2}SMB_t + \beta_{i,3}HML_t + \varepsilon_{p,t}$$

The excess return is regressed on the parameters α_i, $\beta_{i,1}$, $\beta_{i,2}$, $\beta_{i,3}$.

R_{mt}: $market\ return$

SMB_t: $return\ of\ size\ factor$

HML_t: $return\ of\ book\ to\ market\ ratio\ factor$

$\varepsilon_{p,t}$: $error\ term$

α_i: $average\ abnormal\ return$

The abnormal returns are aggregated to average abnormal returns (AAR) to make analysis on a portfolio level. The daily average AR is:

$$AAR_t = \frac{1}{N} * \sum_{i=1}^{N} w_i AR_t$$

N : $\#\ of\ transactions\ (buy\ or\ sell)\ in\ the\ sample$
R_{it}: $return\ on\ sample\ transaction\ i\ on\ day\ t$
R_{mt}: $expected\ return,\ using\ CRSP\ value\ weighted\ index\ for\ day\ t$
w_i: $weight\ on\ trade\ of\ transaction\ i,\ assumed\ to\ be\ 1\ in\ an\ equally\ weighted\ portfolio$

This is summed for all transactions to get the cumulative average abnormal return (CAAR). The CAAR for buy and sell transactions respectively is:

$$CAAR_t = \sum_{i=-255}^{t} AAR_t$$

For research question 2, we calculate CAARs in sub-samples. The trades are grouped by committee affiliation, where a single trade may map to multiple committees if the transaction was made by a member who belongs to several committees. The CAARs are then computed for each committee.

Further, we test whether committee based performance varies conditionally during crisis periods, specifically during COVID-19 and the beginning of the Russia-Ukraine war. Crisis periods are defined using date cutoffs around the events, with a dummy variable for the specific period. The COVID period is defined as the entire year of 2020, and Russia-Ukraine as January to June 2022. The sector alignment is then tested for each committee by constructing a dummy variable inspired by Belmont et al. (2022). The dummy variable equals 1 if the traded stock's "gsector" aligns with any of the trader's committees (see Table A6 for exact mapping).

To investigate whether retail investors can earn abnormal returns by mimicking trades made by Congress members, we use an event study with the disclosure date as the event. We use short event windows up to 10 days to capture immediate market reactions to disclosures, assuming that informational content or signaling is incorporated quickly and that longer windows risk confounding the effect to unrelated market movements. Unlike the transaction-based event study where we aggregate abnormal returns into CAARs for interpretability, we calculate CAR at the individual level as the dependent variable as this allows us to test whether characteristics like trader identity influence abnormal returns. We use regressions of the form:

$$CAR_t = \beta_0 + \beta_1 Senate + \beta_2 NancyPelosi + \beta_3(Post2020 * NancyPelosi) + \beta_4(Post2020 * Senate) + \varepsilon_t$$

We include a dummy to post-2020 disclosures, as interest in congressional trading heightened after this, coinciding with emergence of platforms like CapitolTrades and QuiverQuant, making disclosure data widely accessible. Year fixed effects control for time-specific market shocks, and standard errors are clustered at the member level to account for within-person correlation across disclosures. This specification isolates whether abnormal returns differ systematically following disclosures by Nancy Pelosi or Senators, and whether effects intensifies post-2020, reflecting the possibility that markets react differently to high-profile members or members perceived as successful traders.

4.2 Calendar time portfolio

Ziobrowski et al. (2004) also uses a calendar-time portfolio to complement the analysis on longer-run abnormal returns and uses this for statistical inference as this approach addresses issues of cross-sectional dependence of many overlapping events in event studies. A rolling portfolio is constructed each month containing buy and sale trades respectively, assuming a holding period of 255 days (one trading year). The return is:

$$R_{p,t} = \frac{\sum_{i=1}^{N} c_{i,t} R_{i,t}}{\sum_{i=1}^{N} c_{i,t}}$$

$R_{p,t}$: $return\ of\ portfolio\ on\ day\ t$
$c_{i,t}$: $compounded\ value\ of\ transaction\ i\ from\ event\ date\ to\ t-1$

Portfolios are built under two schemes, equal-weighted where each trade contributes equally, and trade-weighted where weights are based on size of the trade using the midpoint of the broad reported range. Monthly returns of rolling portfolios are regressed on the FF3 factors. The hedged portfolio (buy - sale) captures the net abnormal return.

4.3 Statistical tests

To test the statistical significance of abnormal returns in the event study and the calendar-time portfolio, we use t-tests under the assumption that abnormal returns are independently and identically distributed. Given that our datasets for sales and buys include over 20,000 individual transactions respectively, the Central Limit Theorem (CLT) supports the use of parametric tests as the distribution of average abnormal returns approximates normality. While we cannot guarantee strict independence, as some stocks may appear in multiple trades or cluster around similar dates, leading to potential cross-sectional dependence and temporal correlation. The large sample size mitigates this, it does not fully eliminate them. As such, statistical significance, especially in the smaller subgroups or in shorter windows, should be interpreted with caution.

4.4 Limitations

One limitation is that the long event windows in the event study risk beta drift and the inclusion of unrelated firm news. Ziobrowski et al. (2004) flagged the same risk and therefore added a monthly calendar-time portfolio regression, which we include as a robustness check. We also use multiple window lengths to ensure robustness. If we only find significance at one horizon, we would be cautious, while consistency across horizons would strengthen results. However, one limitation of this is that it assigns the same importance to small and large transactions, potentially underrepresenting the impact of high-value trades. Nonetheless, Belmont et al. (2022) find that using either an equally weighted or a trade-weighted methodology does not materially affect the overall conclusions of their study. Based on this, we rely solely on the equally-weighted approach in our analysis. While this simplifies comparisons, accounting for trade value could yield a more precise estimate as it may understate the influence of larger trades. Additionally, we do not construct buy-and-hold abnormal returns (BHAR) matched on size, value and industry, as done by Belmont et al. (2022), as this method requires a more extensive benchmark dataset and more time and coding than that was feasible within the scope of this thesis. Finally, committee alignment is based on static membership and broad sector classifications. The mapping is approximate and we acknowledge that it is somewhat rough and that some sector-committee links may be imprecise.

5. Empirical Results

5.1 General Congress Trading

In the first section, we aim to answer the first research question by estimating cumulative average abnormal returns (CAARs) for all congressional trades, using the FF3 model as the benchmark.

5.1.2 Event Study Summary Statistics

	[-255, 0]	[-128, 0]	[-50, 0]	[-5, 0]
Min	-874.87	-478.26	-207.71	-80.29
Q1	-23.94	-15.02	-8.34	-2.15
Median	-3.51	-1.96	-0.75	0.00
Mean	-3.85	-2.52	-1.25	0.02
SD	44.00	27.78	17.11	7.82
Q3	15.16	9.45	5.74	2.06
Max	616.08	540.69	422.92	307.20

	[0, 255]	[0, 128]	[0, 50]	[0, 5]
Min	-1047.30	-495.25	-190.31	-115.16
Q1	-22.44	-14.04	-7.57	-2.14
Median	-2.58	-1.16	-0.41	-0.06
Mean	-4.79	-2.57	-1.07	-0.14
SD	43.26	26.10	15.01	5.56
Q3	16.28	10.20	6.22	1.94
Max	318.40	266.25	277.38	195.80

***Table 2**: Summary statistics of CAARs in % across selected event windows for buy transactions for the event study using FF3 as benchmark. Windows are defined relative to the transaction day (t = 0).*

	[-255, 0]	[-128, 0]	[-50, 0]	[-5, 0]
Min	-799.53	-407.11	-147.23	-79.02
Q1	-25.01	-15.78	-9.04	-2.46
Median	-2.34	-1.43	-0.87	-0.23
Mean	-2.77	-2.02	-1.30	-0.22
SD	49.31	30.50	18.28	8.20
Q3	19.77	11.91	6.75	1.87
Max	734.08	514.23	387.82	286.54

	[0, 255]	[0, 128]	[0, 50]	[0, 5]
Min	-792.43	-494.77	-283.66	115.59
Q1	-23.74	-14.54	-7.61	-2.18
Median	-2.00	-0.73	-0.22	-0.08
Mean	-3.84	-1.99	-0.65	0.00
SD	46.19	28.29	16.73	6.59
Q3	18.62	11.69	6.84	2.04
Max	461.23	411.66	293.27	290.82

***Table 3**: Summary statistics of CAARs in % across selected event windows for sale transactions for the event study using FF3 as benchmark. Windows are defined relative to the transaction day (t = 0).*

Table 2 and 3 report the distributions of CAARs across the selected event windows. Both tables show substantial spread, with large outliers for both buy and sale transactions. As expected, the standard deviation declines as the event window shortens, but even the five-day window has a span of around 300%. While the magnitudes of variation are similar for buy and sale transactions, buy transactions exhibit slightly more extreme negative returns. For both buy and sale transactions, mean and median CAARs are negative across most pre-event and post-event windows, indicating that congressional trades do not consistently generate abnormal returns. We retain outliers in the analysis to reflect the full range of outcomes from congressional trades. The outliers may represent precisely the trades of greatest interest, instances where informational advantage could have yielded extraordinary gains or loss avoidance. Removing them would compress variance and risk obscuring instances of informed trading, motivating the committee, sector, and crisis-level analyses that follow.

5.1.3 Event Study Results

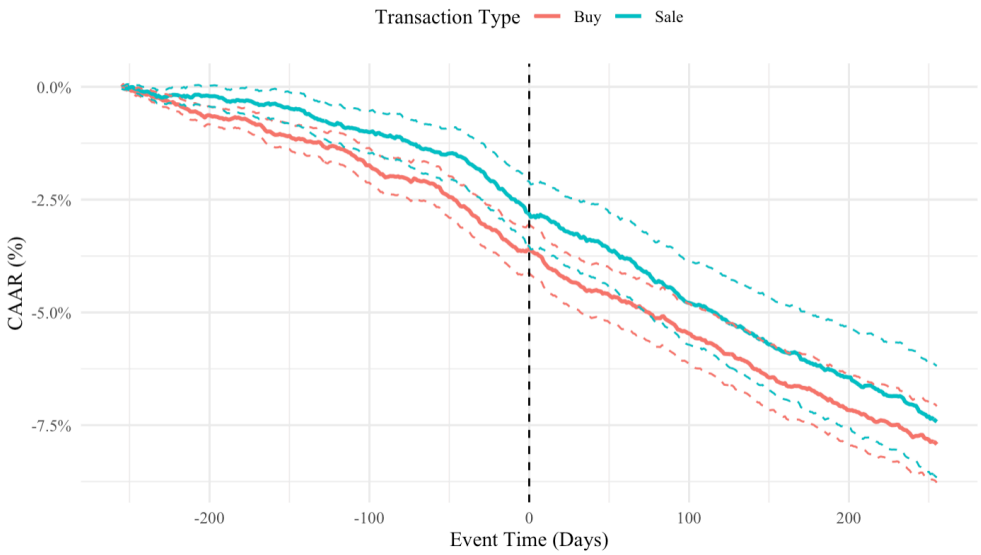

***Figure 2**: Plot of the CAARs in % for buy (red) transactions and sale (blue) transactions over a ±255 window relative to the transaction day, with the FF3 model as benchmark. The solid lines show mean CAARs and dashed lines the 95% confidence band based on t-statistics.*

	Buy			Sale		
Event Window	CAAR (%)	t-statistics	p-value	CAAR (%)	t-statistics	p-value
[-255, 0]	-3.5756***	-18.057	0	-2.7767***	-10.719	0
[0, 255]	-4.1922***	-18.341	0	-3.9145***	-11.762	0
[-128, 0]	-2.2655***	-18.057	0	-2.0251***	-10.719	0
[0, 128]	-2.3274***	-18.129	0	-2.0118***	-11.424	0
[-50, 0]	-1.1737***	-18.057	0	-1.3039***	-10.719	0
[0, 50]	-1.0212***	-18.043	0	-0.6567***	-10.976	0
[-5, 0]	0.0369***	-18.057	0	-0.2222***	-10.719	0
[0, 5]	-0.1131***	-18.029	0	-0.0048***	-10.785	0

Significance: *** p < 0.01, ** p < 0.05, * p < 0.1

***Table 4**: CAARs in % with corresponding t-statistics and p-values for buy and sale transactions across selected event windows, using the FF3 model as benchmark. P-values smaller than 0.0001 have been reported as 0.*

Figure 2 illustrates a steady downward trajectory in CAARs for both buy and sale transactions, both before and after the transaction date. Table 4 quantifies this pattern. We observed that buy trades are significantly negative at the 1% level in every window. The short-run effect is small, with -0.11% in the [0, 5] window, but decreases to -4.19% in [0, 255]. This suggests that

Congress members on average do not generate positive abnormal returns in their buy transactions, and in fact underperform relative to the FF3 benchmark.

Sale transactions also show significantly negative CAARs at the 1% level across all event windows. The effect increases over time, from -0.0048% in the short-term [0, 5] post-event window to -3.91% in the long-term [0, 255] post-event window. This suggests that Congress members on average timed their stock sales before continued price declines, avoiding losses. However, the presence of significantly negative CAARs in the pre-sale windows, indicates that they on average sold stocks that had already declined prior to the sale. This could reflect for example partial loss avoidance rather than anticipatory trading. We are cautious to attribute the loss avoidance to the advantage gained from insider information. Additionally, across all windows, the CAARs for the buy transactions are more negative in magnitude than CAARs for the sale transactions, which contradicts the idea that members of Congress outperform due to their stock-picking abilities. Overall, the results in this section suggest systematic underperformance in buy transactions and modest ability to avoid losses in sales transactions.

5.1.4 Comparison Between the Market-Adjusted Model and FF3 Model Event Study

Using the CRSP value-weighted index as benchmark, buy trades seem to earn small but significant abnormal returns of 0.013% and 0.078% in the [0, 5] and [0, 255] post-event windows (see Table A1). However, the CAARs for buy transactions has a pre-event increase, indicating that most abnormal performance is realized prior to the buy trades (see Figure A1). The CAARs for sale transactions are negative in long term post-sale windows [0, 128] and [0, 255] at -0.34% and -0.74%, but is only significant at the 10% level in the [0, 128] window.

Using the market-adjusted model, the buy trades outperform with small positive significant values of abnormal return for certain event windows. However, under the FF3 model, buy transactions statistically significantly underperform. Using both models, the sale transactions seem to exhibit results of a downward trajectory of CAARs after the sale date over the long-run, but these numbers are more negative and only statistically significant under FF3. The calendar-time portfolio (see Table 5) confirms this, with market beta being slightly larger than 1 and significantly positive weights on SMB and HML for the equally weighted buy and sale portfolios. As there is a contrast in results between the using the CRSP Value Weighted Index and the FF3 model, using a simpler benchmark could misleadingly suggest buy trades beat the market. The proceeding analyses are therefore made with the FF3 as a benchmark in order to keep a more conservative approach.

5.1.5 Calendar time portfolio

	Buy (EW)	Buy (TW)	Sale (EW)	Sale (TW)	Hedged (EW)	Hedged (TW)
Mean return	1.18125	1.24469	1.06330	1.18159	0.02234	0.02416
SD.	4.72155	4.85671	4.73559	4.62640	0.09086	0.09069
Market-adj. return	0.04716	0.11060	-0.04570	0.07260	0.01133	0.01314
Fama-French Alpha	0.00028	0.00082	-0.00060	0.00108	0.00055	0.00278
$R_m - R_f$	1.03964***	1.04683***	1.03843***	0.99422***	2.02590***	1.98793***
SMB	0.10874***	0.08543	0.16651***	0.14490***	0.25409***	0.20715**
HML	0.14988***	0.16087***	0.11253***	0.14764***	0.22136***	0.27464***
Adj. R^2	0.93896	0.89180	0.94564	0.90988	0.96213	0.92644

Significance: *** p < 0.01, ** p < 0.05, * p < 0.1

Table 5*: Calendar-time portfolio for equal-weighted (EW) and trade-weighted (TW) portfolios for buy, sale, and hedged (buy-sell). The portfolio returns are regressed on the FF3 factors. Coefficients represent excess returns and factor loadings. Portfolios are formed monthly and held for 12 months. Statistical significance is based on t-tests.*

To complement the event study findings, we construct calendar-time portfolios for robustness. The results in Table 5 show that none of the portfolios generate an alpha significantly different from zero. Compared to the event study that found significantly negative CAARs for buy trades, the calendar-time portfolio indicates no significant underperformance. For sales, the event study CAARs suggested the ability to avoid losses. Although the equally-weighted sale portfolio in the calendar-time portfolio shows a small negative alpha, it is not statistically significant. We therefore interpret possible outperformance in sales with caution.

5.2 FF3 Model Event Study By Committee

To examine whether committee membership affects trading outcomes, we group trades by the committee memberships to which the trading members belong. Table A2 shows that trading activity is highest among members of the “Financial Services and Economic Development” committee, with a wide margin, with over 6,000 buy and sale transactions respectively. Other active committees include “Foreign Affairs and Homeland Security”, “Agriculture and Natural Resources”, and “Energy, Commerce, and Infrastructure”.

Tables A3 and A4 report FF3 adjusted CAARs across committees, for purchases and sales respectively. For buy transactions, most committees have significantly negative post-event CAARs, aligning with previous analyses. “Foreign Affairs and Homeland Security” is the only committee that stands out with a significantly positive CAAR of 1.36% in the [0, 255] window. In the short term [0, 5] window, “Appropriations and Budget”, “Judiciary and Oversight”, and “Science, Technology, and Infrastructure” have significant but economically negligible CAARs. In the [0, 50] and [0, 128] windows however, all committees have significantly negative CAARs.

For sale transactions, we observe that in the long run windows [0, 255] and [0, 128], all committees show significantly negative CAARs (see Table A4), aligning with the previous results of loss avoidance in sale trades. However, in the short- and medium run, a few committees such as "Energy, Commerce and Transportation" and "Science, Technology, and Infrastructure" have positive CAARs in the [0, 50] window, but revert after.

5.3 FF3 Model Event Study By Committee During Crisis

The limited committee-level effects in Section 5.2 motivates extending the analysis to when private information may be more valuable, namely major crisis periods. In this section, we focus on trades made during COVID-19 and the Russia-Ukraine invasion, as these may serve as a natural test of informational advantage at the committee level.

	Buy	Sale	Buy	Sale	Buy	Sale
Committee	COVID	COVID	Invasion	Invasion	Other	Other
Agriculture and Natural Resources	819	850	128	137	3643	3729
Appropriations and Budget	564	427	113	170	3202	3342
Armed Services and Veterans' Affairs	744	1034	145	168	2637	3024
Education, Labor, and Health	192	277	183	177	2298	2283
Energy, Commerce, and Transportation	531	567	51	90	3169	3305
Financial Services and Economic Development	779	795	247	266	5174	4974
Foreign Affairs and Homeland Security	998	688	105	84	3510	3954
Judiciary and Oversight	82	153	30	13	1446	1258
Science, Technology, and Infrastructure	401	522	81	102	1961	1984
Special and Select Committees	263	82	131	78	1782	1333

***Table 8**: Number of buy and sale transactions by committee, divided by crisis period (COVID-19, Russia-Ukraine invasion), The 'Other' category includes all trades occurring outside the two defined crisis periods in this study.*

From Table 8 it can be observed that the trade volume varies across both committees and periods. Notably "Judiciary and Oversight" record only 30 and 13 trades for buy and sale respectively. Such small sample sizes could inflate standard errors. Thus CAAR estimates for these committees should be interpreted with caution.

Committee	Crisis	Event Window					
		[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]
Agriculture and Natural Resources	COVID	-0.53***	**3.73*** **	-2.59***	-0.58***	-1.77***	-0.03*
	Invasion	-16.02***	-19.35***	-7.68***	-4.74***	-0.99***	-4.01***
	Other	-7.32***	-4.33***	-5.08***	-2.87***	-2.70***	-0.77***
Appropriations and Budget	COVID	**1.89*** **	**0.84*** **	**0.86*** **	-1.73***	**3.11*** **	-0.54***
	Invasion	-5.98***	**5.48*** **	-2.63***	**3.13*** **	-2.77***	**1.70*** **
	Other	-2.20***	-6.02***	-1.20***	-2.76***	-0.59***	-0.98***
Armed Services and Veterans' Affairs	COVID	-8.10***	-3.50***	-7.98***	-4.30***	-5.50***	-1.73***
	Invasion	-22.56***	-21.73***	-17.67***	-14.81***	-7.54***	-6.88***
	Other	-9.34***	-4.97***	-6.61***	-3.23***	-3.50***	-1.29***
Education, Labor, and Health	COVID	-9.46***	**0.27*** **	-8.08***	-3.17***	-5.33***	**0.36*** **
	Invasion	**1.84*** **	-2.85***	**1.29*** **	-2.53***	**2.46*** **	-1.06***
	Other	-1.44***	-8.51***	-1.34***	-3.43***	-1.43***	-1.52***
Energy, Commerce, and Transportation	COVID	-3.24***	-5.64***	-2.39***	-3.28***	-0.44***	-1.53***
	Invasion	-9.75***	**0.50*** **	-4.91***	-1.03***	-1.45***	**0.42*** **
	Other	-1.64***	-5.14***	-1.55***	-2.18***	-1.28***	-1.26***
Financial Services and Economic Development	COVID	**0.56*** **	-7.71***	**0.06*** **	-5.70***	**0.48*** **	-1.73***
	Invasion	**2.93*** **	**0.61*** **	**1.27*** **	**0.34*** **	**1.09*** **	-0.25***
	Other	-3.21***	-4.11***	-1.76***	-2.31***	-1.08***	-1.00***
Foreign Affairs and Homeland Security	COVID	-8.67***	**6.86*** **	-1.54***	**1.01*** **	**0.54*** **	-0.86***
	Invasion	**10.17*** **	**12.95*** **	**4.54*** **	**7.56*** **	**3.85*** **	**6.36*** **
	Other	-4.55***	-0.64***	-3.14***	-1.36***	-1.26***	-0.28***
Judiciary and Oversight	COVID	-9.38***	**2.09*** **	-3.62***	**2.12*** **	-3.62***	**1.78*** **
	Invasion	-11.15***	-1.99***	-4.82***	**1.56*** **	-3.70***	**1.93*** **
	Other	-3.90***	-8.04***	-2.65***	-4.17***	-1.10***	-1.83***
Science, Technology, and Infrastructure	COVID	-9.82***	-9.82***	-5.21***	-2.34***	-1.36***	-0.95***
	Invasion	-6.37***	-0.89***	-1.98***	-1.49***	**0.32*** **	**2.09*** **
	Other	-3.57***	-6.05***	-3.01***	-2.55***	-2.17***	-1.62***
Special and Select Committees	COVID	-0.36***	**3.07*** **	**0.02**	-3.64***	**0.73*** **	-0.41***
	Invasion	**4.87*** **	-1.45***	**3.80*** **	-2.31***	**2.93*** **	**0.17*** **
	Other	-0.22***	-9.15***	-0.89***	-4.40***	-1.32***	-2.08***

Table 9*: CAARs in % for buy transactions by committees across defined periods (COVID, Invasion, and Other) for selected event windows. Positive CAARs are bolded. Statistical significance based t-tests is denoted by: ***p<0.01, **p<0.05, *p< 0.1.*

Committee	Crisis	Event Window					
		[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]
Agriculture and Natural Resources	COVID	**3.95*** **	-3.09***	**0.04*** **	-2.11***	-0.32***	**0.99*** **
	Invasion	-12.93***	-10.27***	-7.65***	-4.89***	-3.20***	**0.85*** **
	Other	-0.60***	-3.30***	**0.32*** **	-1.54***	**0.15*** **	-0.26***
Appropriations and Budget	COVID	-5.80***	**0.02*** **	-5.28***	-0.23***	-2.44***	-1.50***
	Invasion	**0.50*** **	**8.72*** **	**0.31*** **	**3.65*** **	**0.45*** **	**2.08*** **
	Other	-2.76***	-4.83***	-1.84***	-2.42***	-1.00***	-0.74***
Armed Services and Veterans' Affairs	COVID	-6.09***	-6.06***	-5.20***	-5.07***	-2.88***	-1.11***
	Invasion	-18.73***	-11.76***	-14.89***	-7.90***	-4.27***	-0.69***
	Other	**0.64*** **	-3.86***	**1.55*** **	-1.37***	**0.70*** **	-0.56***
Education, Labor, and Health	COVID	-3.71***	-4.87***	-5.39***	-2.83***	-3.39***	-0.82***
	Invasion	-9.18***	-3.97***	-7.45***	-1.76***	-3.72***	**0.70*** **
	Other	-1.92***	-6.09***	-1.07***	-2.07***	-1.19***	-0.71***
Energy, Commerce, and Transportation	COVID	-3.44***	-3.95***	**4.90*** **	**4.56*** **	**5.95*** **	**8.15*** **
	Invasion	-3.74***	**0.86*** **	-1.86***	**1.33*** **	-2.06***	**1.25*** **
	Other	-0.09***	-4.62***	-0.59***	-1.22***	-0.71***	-0.38***
Financial Services and Economic Development	COVID	-0.83***	-5.36***	-2.26***	-5.38***	-2.19***	-1.88***
	Invasion	-15.43***	-8.91***	-12.52***	-6.90***	-8.62***	-3.19***
	Other	-4.64***	-5.64***	-3.60***	-3.22***	-2.27***	-1.63***
Foreign Affairs and Homeland Security	COVID	-0.10***	**2.66*** **	-0.27***	**1.64*** **	-1.23***	**1.37*** **
	Invasion	-11.17***	-3.47***	-5.57***	-2.42***	**0.69*** **	-0.22***
	Other	**0.81*** **	-1.07***	**0.82*** **	-0.43***	-0.32***	-0.01**
Judiciary and Oversight	COVID	-12.14***	**2.48*** **	-11.08***	**3.39*** **	-8.51***	**3.94*** **
	Invasion	**1.52*** **	**9.76*** **	**1.05*** **	**7.74*** **	**1.41*** **	**3.04*** **
	Other	-5.18***	-5.05***	-3.87***	-2.86***	-2.51***	-1.26***
Science, Technology, and Infrastructure	COVID	-5.24***	-7.62***	**4.53*** **	**3.12*** **	**6.65*** **	**8.75*** **
	Invasion	-3.18***	**3.12*** **	-2.12***	-0.32***	**0.06** **	**0.85*** **
	Other	-4.32***	-6.28***	-3.50***	-2.45***	-2.25***	-0.86***
Special and Select Committees	COVID	-3.79***	**1.99*** **	-4.94***	**4.92*** **	-4.25***	-1.98***
	Invasion	-15.64***	-6.62***	-8.84***	-4.51***	-5.65***	-3.22***
	Other	-4.43***	-6.05***	-2.88***	-2.82***	-2.18***	-1.07***

***Table 10**: CAARs in % for sale transactions by committees across defined periods (COVID, Invasion, and Other) for selected event windows. Positive CAARs are bolded. Statistical significance based t-tests is denoted by: *** p<0.01, ** p<0.05, * p<0.1.*

Table 9 shows that the most significant outperformance for buy transactions is observed for "Foreign Affairs and Homeland Security". For the Russia-Ukraine invasion period, the post-event CAARs are positive and significant at the 1% level for all windows, with a 12.95% CAAR in [0, 255]. In Table 10, we observe that for sale transactions, the post-event window CAARs are significantly negative in all post-event windows during this period. Worth noting however, is that the pre-event CAARs for buy trades are positive and significant, and that the pre-event CAARs for sales are significantly negative, suggesting that although their trades outperformed after transaction, they bought stocks that had already performed well and sold stocks that had already declined. Moreover, we observe significantly positive CAARs for buy transactions in the [0, 128] and [0, 255] windows during COVID-19. However, the sale transactions show significantly positive CAARs in all windows, suggesting they did not time their sales well during this period. In the "Other" period, the buy CAARs are slightly negative, indicating that outperformance exists particularly during periods of crisis. Our hypothesis regarding powerful committees included "Foreign Affairs", "Intelligence", "Homeland Security", specifically during the invasion, all of which are included in this committee category (see Table A5).

The "Appropriations and Budget" committee also exhibits significant results in the Russia-Ukraine invasion period. The post-event buy CAARs are significantly positive across all windows, reaching 5.48% in the [0, 255] window. At the same time, the pre-buy windows show significantly negative CAARs, strengthening the support of well-timed trades. On the other hand, post-sale CAARs are significantly positive, suggesting they were poorly timed and missed out on gains.

Overall, "Education, Labor, and Health" have negative CAARs for buy transactions in the "Other" period. We observe significant and slightly positive CAARs for the COVID-19 period in the post-event windows [0, 255] and [0, 50] of 0.27% and 0.36% respectively. Simultaneously the CAARs for the pre-event windows [-255, 0] and [-50, 0] are significantly negative, suggesting well-timed trades. For sale trades, almost all post event-windows show significantly negative CAARs, indicating loss avoidance. Together, this provides moderate support to the hypothesis of abnormal returns due to insider information for this particular committee during COVID-19.

The "Agriculture and Natural Resources" committee shows a significantly positive CAAR for buy transactions in the [0, 255] post-event window during COVID-19, alongside with a significantly negative CAAR in the [-255, 0] pre-event window. However, the results are not consistent across other event windows and do not exist outside of this period, limiting the generalizability of these findings.

For the "Financial Services and Economic Development", buy transactions during the Russia-Ukraine invasion yield slightly positive and significant CAARs in the post-event windows [0, 128] and [0, 255]. In the same period, sale trades show significantly negative CAARs in the corresponding post-even windows, suggesting well-timed trades. No similar outperformance is observed during other periods.

The “Judiciary and Oversight” committee shows mixed results. During COVID-19 the CAARs for buy trades are significantly positive in all post-event windows, and are significantly positive in the [0, 50] and [0, 128] windows during the invasion period. However, sale transactions during these periods also show significantly positive CAARs in all post-event windows, which may indicate poor timing. Also, the results should be interpreted with caution since a number of transactions for this committee are relatively small (see Table 8).

5.4 FF3 Model Event Study By Committee, Crisis Period, and Sector Alignment

Building on evidence that some committees earn abnormal returns during crisis periods, the following analysis extends the analysis by including the variable *Aligned*. Specifically, we test whether the abnormal returns observed are concentrated in trades involving stocks in industries aligned with the committee’s oversight area during crises. Such findings could provide a more targeted support for the presence of information-based trading, potentially indicative of insider advantage. Given the large number of subgroup analyses, the results presented in this section are focused on the results that stand out the most, with full details in Table A8 and Table A9 in appendix. It is important to note that several statistically significant results are based on relatively small sample sizes (Table A7), which could limit the robustness and generalizability of some of the findings. Thus, results should be interpreted with some caution.

Table A8 shows that “Foreign Affairs and Homeland Security” yielded large positive and statistically significant CAARs for aligned buy transactions during the Russia-Ukraine invasion, most notably 35.64% over the [0, 255] window. As observed in Table A9, the CAARs following their sales during the Russia-Ukraine invasion are nearly neutral, suggesting no evidence of outperformance. Aligned buys in this committee category also exhibit significant CAARs during COVID-19, but are smaller in magnitude. In contrast, aligned sale transactions during COVID-19 showed positive CAARs after sales, suggesting poor timing and missed gains.

“Agriculture and Natural Resources” achieved significantly positive CAARs for aligned buy transactions during COVID-19, outperforming the non-aligned trades during this period. Furthermore, aligned sales during COVID-19 yield significantly negative CAAR for the [0, 255] period, suggesting outperformance of sales in the long term. However, this pattern does not hold during the Russia-Ukraine invasion, where aligned buy transactions exhibit even larger underperformance than non-aligned buy transactions.

“Education, Labor, and Health” exhibit large and significantly positive CAARs for both aligned buy and sale transactions during the Russia-Ukraine invasion, making it difficult to draw conclusions about the timing or informational advantages of these trades. During the COVID-19 period, this committee also showed no evidence of outperformance in aligned buy transactions. However, aligned sale transactions during this period are followed by significantly negative CAARs in the [0, 128] and [0, 255] windows. This could suggest that members calculatedly sold stocks ahead of market decline.

5.5 Event Study on Disclosures

This section presents the results from the event study on the disclosure dates, aiming to assess abnormal returns around disclosures and address research question five.

	Event Window					
	[-10,0]	[-5,0]	[-1,0]	[0,1]	[0,5]	[0,10]
Dummy_Nancy	-0.385	-0.699**	-0.371	-0.996**	-1.985**	-0.849
Senate	-0.011	-0.247***	-0.056	-0.142	-0.015	0.165
post2020 × Dummy_Nancy	-1.682*	-0.711*	0.526	1.770***	2.349***	1.474**
post2020 × Senate	0.453	0.355	0.206	0.262	0.510**	0.188
Num.Obs.	17712	17712	17712	17711	17695	17683
R2 Adj.	0.002	0.002	0.001	0.005	0.002	0.002

Table 14: *CARs in % selected event windows for buy disclosures. The dependent variable is regressed on variables for Nancy Pelosi, Senate membership, and their interactions with a post-2020 dummy. Year fixed effects are included and standard errors are clustered on a member level.*

	Event Window					
	[-10,0]	[-5,0]	[-1,0]	[0,1]	[0,5]	[0,10]
Dummy_Nancy	0.216	-0.246	0.110	-0.583	-1.669***	-3.265***
Senate	0.187	-0.173	-0.006	-0.009	-0.056	0.000
post2020 × Dummy_Nancy	3.919***	1.024	0.848**	1.195**	3.951***	6.039***
post2020 × Senate	-0.323	-0.143	-0.067	-0.014	0.008	-0.493
Num.Obs.	17609	17609	17609	17591	17570	17560
R2 Adj.	0.002	0.002	0.002	0.002	0.001	0.001

Table 15: *CARs in % selected event windows for sale disclosures. The dependent variable is regressed on variables for Nancy Pelosi, Senate membership, and their interactions with a post-2020 dummy. Year fixed effects are included and standard errors are clustered on a member level.*

Tables 14 and 15 show the estimated CARs around disclosure dates for buy and sale disclosures, distinguishing post-2020 effects for Nancy Pelosi and Senate members. For buy disclosures, the post-2020 and Senate interaction remains insignificant except for a small positive significant value of 0.51% for the [0, 5] window. For sale disclosures, the Senate shows no significant results for any period.

For buy disclosures, the Nancy dummy is negative for all windows and significant in multiple windows, whereas the Senate variable is insignificant for the majority of windows. The interaction term for post-2020 and Pelosi is positive and significant in all post-event windows. We also observe a potential pattern of reaction of the event as most pre-event windows are significantly negative and post-event windows are positive and significant, suggesting a shift in market perception. However, her post-2020 sale disclosures also yield positive CARs in all windows, and also growing in magnitude in the post-event windows [0,1] to [0, 10]. For sales disclosures, the Nancy dummy has significantly negative CARs in some post-event windows.

6. Discussion

In this thesis, our aim was to investigate whether members of the U.S. Congress earned abnormal returns on their stock trades, and to identify specific conditions under which such returns may occur. This includes committee assignment, crisis periods, and trading in related industries. We also examined how the market reacts to the disclosure of these transactions, regarding the stock prices, and the viability of strategies that mimic these trades.

6.1 General Congress Trading

Our event study and portfolio analysis show no evidence that members of Congress on an aggregate level earn abnormal returns on their buy transactions, meaning that the null hypothesis for research question 1 cannot be rejected for buy transactions. Results for buy transactions show significant underperformance with the FF3 benchmark, while using the market-adjusted model show weak evidence of abnormal returns, suggesting that the latter model may misattribute factor exposure as alpha, overstating abnormal performance. This aligns with Fama and French (1993) who argue that failing to control for systematic risk factors such as size and book-to-market can lead to biased results about abnormal returns. This suggests that congressional buy transactions may be tilted toward small-cap and value stocks, which is indeed confirmed in the calendar time portfolio. The findings for buy trades align with Eggers and Hainmueller (2013) and Belmont et al. (2022), who found no evidence of informed trading in buy trades. They even found that buy trades underperformed benchmarks, suggesting that any unusual positive trading performance is limited to a few members. Our results contradict the results of Ziobrowski et al. (2004) who found evidence of positive abnormal returns using data from the pre-STOCK Act period. An explanation of this could be that the STOCK Act has reduced the willingness to act on insider information amongst the members of Congress, as our results are similar to Belmont et al. (2022) who also use a dataset from the post-STOCK Act period.

The results for sale transactions are more consistent for the both benchmarks in the event study, strengthening evidence that members of Congress are able to avoid subsequent losses, potentially reflecting informed trading. These findings align with Cherry, Heitz and Jens (2017), who found that congressional outperformance is realized in sales rather than buys. However, results from both benchmarks show that members of Congress tend to dispose of their holdings after the stock return has already started to decline, potentially reflecting that they react to the trend rather than

being informed. This could be due to for example loss aversion and the asymmetry of risk preferences explained by behavioral biases (Kahneman & Tversky, 1979; Odean, 1998). Sale transactions are apart from anticipated decline in performance, also driven by non-informational motives such as liquidity needs, tax reasons, or portfolio rebalancing (Beneish and Vargus, 2002). Additionally, the calendar-time portfolio does not show statistically significant negative alphas for the sale portfolios, weakening the support for outperformance in sale trades. Overall, these results show no broad outperformance, with some, but inconsistent results that sale trades outperform.

6.2 Committee Level Analysis

We further examined whether abnormal returns were concentrated in certain committees. We find limited evidence that committee membership alone yields consistent abnormal returns. Among all categories, only "Foreign Affairs and Homeland Security" shows significant outperformance for buy transactions in the long run. In contrast, some committees deemed as powerful by literature, did not show consistent or significant abnormal returns. For example, the "Financial Services and Economic Development" committees showed significant underperformance in all periods, contradicting with the Hall et al. (2017) who found that Finance, Financial Services, Banking, and Ways and Means committees, which we categorized as "Financial Services and Economic Development" (see Table A5), outperformed the most. While this may indicate changing power over time, particularly since they used data from before the STOCK Act, it also raises questions about whether informational advantage is contingent on specific policy relevance of committees during certain time periods. When examining the results for sale transactions, we find that many committees are able to avoid subsequent losses. Taken together, these mixed results suggest that committee membership alone does not guarantee informational advantage. Based on these results, we find weak support for the second research question.

6.3 Crisis Periods

The findings in the subsequent analysis suggest that abnormal returns are more pronounced when conditioning on crisis periods, partly supporting the third research question. Interestingly, we find that the abnormal returns for buy transactions do not come from simply serving on the "Foreign Affairs and Homeland Security" as the results in the previous sections suggests. The results in this section indicates that those returns only exist during the defined crisis periods. Another finding is that committees that did not outperform generally generated significant abnormal returns during crisis periods. For instance, "Agriculture and Natural Resources", exhibited significant abnormal returns following buy transactions during COVID. These findings suggest that it may not be committee membership per se, but the occurrence of high-impact events where informational advantage from relevant committees pays off.

6.4 Sector Alignment

Incorporating sector alignment provides further insight to these findings. We find that some abnormal returns during crises are concentrated in stocks aligned with the committee's oversight.

For instance, “Foreign Affairs and Homeland Security” showed large positive CAARs during the Russia-Ukraine invasion for aligned buy trades compared to returns for non-aligned trades. This includes sectors such as Industrials (see Table A6), which in turn includes defense stocks. Foreign Affairs oversees arms exports and foreign military assistance, while Homeland Security is responsible for national security and emergency preparedness. Given these roles, members may have had early access to relevant policy developments, potentially informing their trades during the Russia–Ukraine invasion. Similarly, “Agriculture and Natural Resources” exhibited notable positive CAARs during COVID-aligned buy trades compared to non-aligned trades. These results partly contradict Belmont et al. (2022), who found no significant outperformance for the Congress overall when including a dummy for aligned sector. In contrast, our findings suggest that when alignment is examined at the committee level and within specific crisis periods, some evidence of abnormal return emerges. This indicates that informational advantages may exist in more targeted contexts, even effects are not visible at the aggregate level.

However, we emphasize caution when interpreting these findings due to the limited sample sizes for several committee–crisis–alignment combinations. For some committees in this analysis, there is limited sample size of these aligned transactions which limits the statistical power and robustness, raising a possibility that some observed effects are driven by noise. In some cases, notably large CAARs such as Special and Select Committees' aligned COVID trades, 72.7%, originate from small trade counts based on fewer than 10 trades (see Table A7). The inherent low statistical power of these subgroups significantly raises the risk that these observed abnormal returns represent statistical noise rather than genuine informational advantages.

6.5 Mimicking

Lastly, we examined abnormal returns around the disclosure date of trades. Overall, we find no significant systematic market reaction to disclosures. These results differ from the results from the study by Abdurakhmonov et al. (2023), who reported positive abnormal returns following the disclosures of purchases using data from 2012-2020. In our results, Nancy Pelosi’s post-2020 disclosures of buy transactions stand out as they are followed by significantly positive abnormal returns, suggesting that markets may perceive her trades as informative. This aligns with increased public attention and the rise of platforms tracking her trades, likely prompting mimicking behavior among retail investors. However, her sale disclosures also yield positive abnormal returns, implying that the market does not interpret them as signals of negative information. Abdurakhmonov et al. (2023) did not find significant effects following sales disclosures and concluded that the market possibly viewed these as less informative. In our case, the market could view the sales trades of Pelosi in a similar fashion, that they are not as informative as her buy trades. An explanation to why the stocks she sells seem to return positive abnormal returns after she sells them could be due to mere attention to the stocks and to her. Retail investors might see the disclosures of her trades and buy the stocks regardless of the direction the trades of Nancy Pelosi takes.

From a strategy perspective, our results suggest that a mimicking strategy following congressional stock disclosures does not necessarily generate abnormal returns. Moreover, our

analysis is constrained by short event windows and a limited number of disclosed trades for Nancy Pelosi, warranting cautious interpretation.

6.6 Implications

This specific outperformance suggests that while the Congress as a whole does not beat the market in their buy trades, certain groups or individuals seem to be exploiting informational advantages under certain conditions. Together, our results suggest that the market inefficiencies found two decades ago by Ziobrowski et al. (2004) are more narrow and no longer broad-based. The fact that we still observe outperformance in specific sectors and in crises suggests that informational advantages have not been fully eliminated after the STOCK Act. Also, it could be argued that the pockets of outperformance, such as those that we identified, are enough to cause cynicism and controversies around the legality of Congress trades and principal-agent conflicts. This lends support to calls for even stricter regulation around trading for Congress members.

6.7 Limitations

While we document correlations between committee membership and trading performance, we cannot establish a clear causal link. It is possible that more financially sophisticated members self-select into certain committees. Our event study design attempted to isolate causal effects by examining exogenous events such as COVID-19 and the Russia-Ukraine invasion, which strengthen a causal interpretation in those scenarios. We also assume that the periods 2020, and January-June 2022 are the crisis periods. However, in these periods there could have been other confounding market moving-events such as Fed rate hikes in early 2022. These factors were not explicitly controlled for, which may affect the interpretation of crisis-related results. Another limitation is the high share of statistically significant CAARs, including in small subgroups. The use of standard t-tests without accounting for serial correlation or cross-sectional dependence can be a limitation of event studies with overlapping windows, which may lead to underestimated standard errors. Methods such as Newey-West standard errors, clustering, or bootstrapping could improve inference in future research. As such, while some patterns are suggestive, their statistical robustness should be interpreted with caution. Moreover, the FF3 model was used for the analyses. Omitting additional risk factors such as momentum and profitability could have left residual risk in the abnormal returns. Incorporating a five-factor model or Carhart four factor model would provide more robust benchmarks.

7. Conclusion

This thesis aimed to analyse whether Congress member trades generate abnormal returns using Congress transaction data from 2012-2024. Using an event study framework as our main methodology, complemented by calendar-time portfolio regressions and several sub-analyses, we assess the presence, timing, and sources of potential informational advantage. We find no consistent evidence that congressional trades beat the market in trades on an aggregate level after adjusting for risk using the FF3 model. This aligns with recent post-STOCK Act research suggesting that regulatory reforms may have reduced systematic insider trading. While we find

some evidence of outperformance in sale transactions, particularly in avoiding post-sale losses, these results are not significant in the calendar-time portfolio analysis, indicating limited robustness. However, our sub-analyses reveal instances of abnormal returns under more narrowly defined conditions. We find significant outperformance among a few committees during crisis periods such as COVID-19 and the Russia-Ukraine invasions, as well as some evidence that aligned stocks outperform during these periods. This suggests that abnormal returns and informational advantages are not widespread, but rather event-driven and concentrated in certain committees with relevant oversight. These findings contribute to literature by refining the understanding of when and where potential insider trading risks may be concentrated. While our results indicate that regulatory efforts like the STOCK Act may have reduced broad insider trading, gaps remain, particularly during periods of heightened policy relevance. This has important implications for the debate about the sufficiency of current legislation and the ethical concerns surrounding congressional trading.

7.1 Future research

Given the public concern over potential insider trading in Congress and the limited academic consensus on the issue, future research in this area is timely and important. Future studies could further explore the mechanisms of political informational advantage. Firstly, the measurement of political influence could be expanded to further clarify whether greater institutional power translates into insider trading. Committee dummies could be complemented or replaced with variables for hierarchical power, chairs, ranking members, or party leaders. Furthermore, given our findings that abnormal returns appear around crisis events, it would be interesting to investigate a wider set of periods or events such as financial crises, elections, roll-call votes, or major legislative announcements. Finally, future research could expand on the scope of financial instruments. We limited the analysis to common stock transactions, yet some Congress members frequently trade options and other derivatives. Including these could offer a more complete view of how potential insider advantages may be leveraged.

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AI Appendix

ChatGPT-4 has been used for spell checking and improving grammar in the text, structure, and rephrasing. Additionally, it has assisted in the data preparation and cleaning process. It has also helped us in the coding process and helped with errors encountered.

Appendix

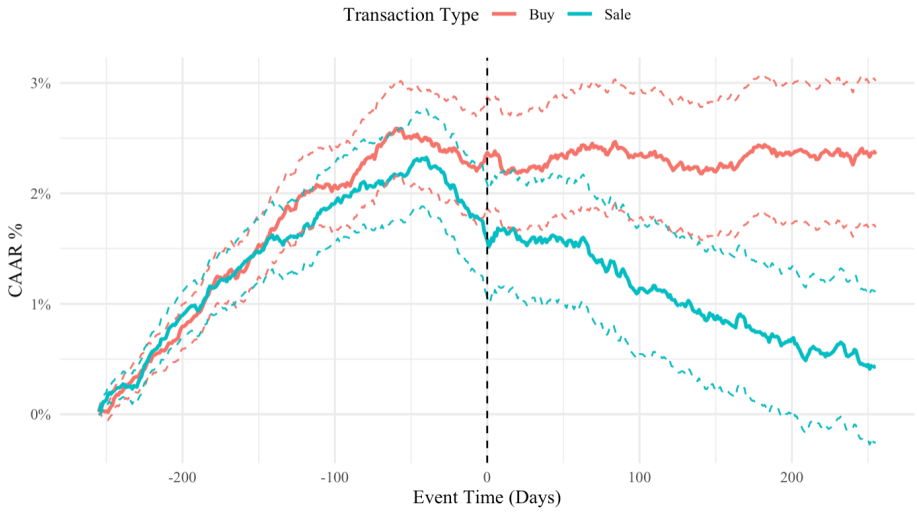

Figure A1*: Plot of the CAARs in % for buy (red) transactions and sale (blue) transactions over a ±255 window relative to the transaction day, with the market-adjusted model as benchmark. The solid lines show mean CAARs and dashed lines the 95% confidence band based on t-statistics.*

	Buy			Sale		
Event Window	CAAR (%)	t-statistics	p-value	CAAR (%)	t-statistics	p-value
[-255, 0]	2.375***	7.194	0	1.6105**	2.528	0.0115
[0, 255]	0.0784***	6.966	0	-0.7443	1.225	0.2205
[-128, 0]	0.5291***	7.194	0	-4e-04**	2.528	0.0115
[0, 128]	-0.0766***	7.168	0	-0.3399*	1.721	0.0853
[-50, 0]	-0.1436***	7.194	0	-0.6156**	2.528	0.0115
[0, 50]	-0.0154***	7.196	0	0.0068**	2.350	0.0188
[-5, 0]	0.1396***	7.194	0	-0.1759**	2.528	0.0115
[0, 5]	0.0134***	7.246	0	0.042**	2.514	0.0119

Significance: *** p < 0.01, ** p < 0.05, * p < 0.1

Table A1*: CAARs in % with corresponding t-statistics and p-values for buy and sale transactions across selected event windows, using the market-adjusted model as benchmark. P-values smaller than 0.0001 have been reported as 0.*

Committee	Buy Trades	Sale Trades
Financial Services and Economic Development	6200	6035
Foreign Affairs and Homeland Security	4613	4726
Agriculture and Natural Resources	4590	4716
Appropriations and Budget	3879	3939
Armed Services and Veterans' Affairs	3526	4226
Energy, Commerce, and Transportation	3751	3962
Education, Labor, and Health	2673	2737
Science, Technology, and Infrastructure	2443	2608
Special and Select Committees	2176	1493
Judiciary and Oversight	1558	1424

Table A2*: The number of trades associated with each congressional committee. Note: some members of Congress are part of several committees, so individual trades are counted for each relevant committee. Therefore, the total trade countries in this table exceed the number of unique trades in the dataset.*

	CAAR (%)							
Committee	[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]	[-5, 0]	[0, 5]
Agriculture and Natural Resources	-6.29***	-3.24***	-4.69***	-2.49***	-2.47***	-0.72***	0.02	0.02
Appropriations and Budget	-1.7***	-4.64***	-0.94***	-2.43***	-0.1***	-0.83***	0.52***	0.12*
Armed Services and Veterans' Affairs	-9.61***	-5.34***	-7.38***	-3.96***	-4.12***	-1.63***	-0.67***	-0.4***
Education, Labor, and Health	-1.84***	-7.4***	-1.68***	-3.35***	-1.45***	-1.33***	-0.53***	-0.45***
Energy, Commerce, and Transportation	-1.98***	-5.14***	-1.72***	-2.33***	-1.16***	-1.28***	-0.04	-0.13***
Financial Services and Economic Development	-2.44***	-4.39***	-1.39***	-2.65***	-0.78***	-1.07***	0.19***	-0.07**
Foreign Affairs and Homeland Security	-5.11***	1.36***	-2.6***	-0.62***	-0.74***	-0.25***	-0.11***	-0.07*
Judiciary and Oversight	-4.38***	-7.3***	-2.75***	-3.67***	-1.3***	-1.54***	0.02	0.17***
Science, Technology, and Infrastructure	-4.76***	-6.52***	-3.36***	-2.47***	-1.94***	-1.37***	-0.13**	0.06**
Special and Select Committees	0.1***	-6.93***	-0.45***	-4.15***	-0.75***	-1.7***	-0.36***	-0.45***

Significance: *** p <0.01, ** p <0.05, * p <0.10.

***Table A3**: CAAR in % for buy transactions, grouped by congressional committee membership, across selected event windows using FF3 as benchmark. Statistical significance is based on t-tests.*

	CAAR (%)							
Committee	[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]	[-5, 0]	[0, 5]
Agriculture and Natural Resources	-0.08***	-3.48***	0.01**	-1.76***	-0.05***	0.02***	0.23***	0.17***
Appropriations and Budget	-2.95***	-3.63***	-2.13***	-1.88***	-1.09***	-0.69***	-0.53***	-0.19**
Armed Services and Veterans' Affairs	-2.03***	-4.8***	-1.01***	-2.66***	-0.5***	-0.72***	-0.29***	0.09***
Education, Labor, and Health	-2.66***	-5.79***	-2.04***	-2.14***	-1.63***	-0.62***	-0.55***	-0.05***
Energy, Commerce, and Transportation	-0.68***	-4.38***	0.2***	-0.29***	0.25***	0.94***	0.19***	0.22***
Financial Services and Economic Development	-4.6***	-5.75***	-3.83***	-3.71***	-2.56***	-1.74***	-0.64***	-0.37***
Foreign Affairs and Homeland Security	0.44***	-0.55***	0.53***	-0.15***	-0.44***	0.19***	-0.06**	0.17***
Judiciary and Oversight	-5.91***	-4.03***	-4.65***	-2.03***	-3.16***	-0.62***	-1.31***	0.02
Science, Technology, and Infrastructure	-4.46***	-6.15***	-1.78***	-1.21***	-0.31***	1.19***	0.37***	0.53***
Special and Select Committees	-5.06***	-5.61***	-3.35***	-2.47***	-2.51***	-1.25***	-0.5***	0.01

Significance: *** p <0.01, ** p <0.05, * p <0.10.

***Table A4**: CAAR in % for sale transactions, grouped by congressional committee membership, across selected event windows using FF3 as benchmark. Statistical significance is based on t-tests.*

Committee Category	Subcategories
Agriculture and Natural Resources	Agriculture, Nutrition, and Forestry; Natural Resources; Energy and Natural Resources; Agriculture, Nutrition, and Energy
Appropriations and Budget	Appropriations; Budget; Appropriations and Budget
Armed Services and Veterans' Affairs	Armed Services; Veteran Affairs; Armed Services and Veterans Affairs
Education, Labor, and Health	Education and Workforce; Education and Labor; Health, Education, Labor, and Pensions
Energy, Commerce, and Transportation	Energy and Commerce; Commerce, Science, and Transportation; Transportation and Infrastructure; Commerce, Science and Transportation
Science, Technology, and Infrastructure	Science, Space, and Technology; Transportation and Infrastructure; Environment and Public Works; Science, Technology, and Infrastructure
Financial Services and Economic Development	Financial Services; Ways and Means; Joint Economic; Banking, Housing, and Urban Affairs; Small Business and Entrepreneurship; Taxation; Financial Services and Economic Development
Foreign Affairs and Homeland Security	Foreign Affairs; Foreign Relations; Homeland Security and Governmental Affairs; Intelligence
Judiciary and Oversight	Judiciary and Oversight; Oversight and Government Reform; Oversight and Accountability; Ethics; Rules and Administration
Special & Select Committees	Speaker of the House; Vice President; Coronavirus; Special & Select Committees; Leadership and Special Committees

***Table A5**: Broad committee categories used in the analysis and their corresponding subcommittees grouped under each category. These groupings were manually consolidated to improve interpretability*

Committee	Aligned Industries
Agriculture and Natural Resources	Consumer Staples, Materials
Armed Services and Veterans' Affairs	Industrials
Education, Labor, and Health	Health Care
Energy, Commerce, and Transportation	Energy, Communication Services, Industrials
Financial Services and Economic Development	Financials, Real Estate, Consumer Discretionary
Foreign Affairs and Homeland Security	Industrials, Information Technology, Energy
Judiciary and Oversight	Information Technology, Health Care
Science, Technology, and Infrastructure	Information Technology, Health Care, Industrials
Appropriations and Budget	Consumer Discretionary, Consumer Staples, Real Estate, Utilities
Special and Select Committees	Health Care

Table A6: *Mapping between congressional committees and the industry sectors (gsector) deemed relevant to their policy oversight. The alignment was constructed manually based on the expected scope of each committee's jurisdiction.*

		Buy Trades			Sale Trades		
Committee	Aligned	COVID (Buy)	Invasion (Buy)	Other (Buy)	COVID (Sale)	Invasion (Sale)	Other (Sale)
Agriculture and Natural Resources	No	734	117	3198	727	113	3185
	Yes	85	11	445	123	24	544
Appropriations and Budget	No	393	86	2440	310	123	2617
	Yes	171	27	762	117	47	725
Armed Services and Veterans' Affairs	No	678	122	2372	931	141	2699
	Yes	66	23	265	103	27	325
Education, Labor, and Health	No	172	169	2005	250	163	2022
	Yes	20	14	293	27	14	261
Energy, Commerce, and Transportation	No	391	34	2156	386	62	2273
	Yes	140	17	1013	181	28	1032
Financial Services and Economic Development	No	571	189	3979	567	195	3758
	Yes	208	58	1195	228	71	1216
Foreign Affairs and Homeland Security	No	522	70	2238	422	47	2608
	Yes	476	35	1272	266	37	1346
Judiciary and Oversight	No	48	25	1000	112	9	903
	Yes	34	5	446	41	4	355
Science, Technology, and Infrastructure	No	238	68	1120	273	69	1186
	Yes	163	13	841	249	33	798
Special and Select Committees	No	253	124	1534	80	73	1149
	Yes	10	7	248	2	5	184

Table A7*: The number of buy and sale transactions conducted by members of each congressional committee during the COVID-19 pandemic, the Russia–Ukraine invasion period, and all other periods. Trades are further categorized by whether the traded stock's sector aligns with the committee's oversight responsibilities ("Aligned" = Yes).*

		CAAR (%)					
Crisis	Aligned	[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]
Agriculture and Natural Resources							
COVID	No	-0.91***	**3.16*** **	-2.57***	-1.27***	-1.51***	-0.10***
COVID	Yes	**3.89*** **	**10.24*** **	-2.83***	**7.42*** **	-4.67***	**0.70*** **
Invasion	No	-16.36***	-20.58***	-8.42***	-4.16***	-0.86***	-4.59***
Invasion	Yes	-11.45***	-2.71***	**2.36*** **	-12.60***	-2.65***	**3.81*** **
Other	No	-7.67***	-5.62***	-5.17***	-3.58***	-2.56***	-1.11***
Other	Yes	-4.79***	**5.05*** **	-4.43***	**2.28*** **	-3.74***	**1.73*** **
Appropriations and Budget							
COVID	No	**0.92*** **	-0.73***	-0.05***	-3.72***	**2.39*** **	-1.00***
COVID	Yes	**4.05*** **	**4.33*** **	**2.89*** **	**2.73*** **	**4.72*** **	**0.50*** **
Invasion	No	**5.96*** **	**16.80*** **	**2.51*** **	**7.68*** **	**0.32*** **	**3.90*** **
Invasion	Yes	-42.23***	-28.90***	-18.24***	-10.68***	-12.15***	-5.00***
Other	No	-1.36***	-3.78***	-0.67***	-1.84***	-0.24***	-0.74***
Other	Yes	-4.78***	-12.90***	-2.83***	-5.61***	-1.66***	-1.72***
Armed Services and Veterans' Affairs							
COVID	No	-7.40***	-2.55***	-7.73***	-3.71***	-5.50***	-1.17***
COVID	Yes	-14.86***	-12.66***	-10.48***	-9.92***	-5.55***	-7.10***
Invasion	No	-21.62***	-7.44***	-15.05***	-8.55***	-5.59***	-5.11***
Invasion	Yes	-26.84***	-86.98***	-29.61***	-43.40***	-16.43***	-14.94***
Other	No	-9.67***	-4.17***	-6.52***	-2.91***	-3.47***	-1.24***
Other	Yes	-6.70***	-11.44***	-7.31***	-5.82***	-3.70***	-1.70***
Education, Labor, and Health							
COVID	No	-11.08***	**0.96*** **	-9.76***	-2.88***	-6.29***	**0.49*** **
COVID	Yes	**3.81*** **	-5.42***	**5.68*** **	-5.57***	**2.55*** **	-0.73***
Invasion	No	-0.51***	-4.77***	**0.21*** **	-3.41***	**2.08*** **	-1.66***
Invasion	Yes	**32.65*** **	**22.29*** **	**15.39*** **	**8.95*** **	**7.49*** **	**6.87*** **
Other	No	-0.69***	-9.08***	-1.08***	-3.71***	-1.31***	-1.48***
Other	Yes	-6.57***	-4.55***	-3.08***	-1.52***	-2.26***	-1.75***
Energy, Commerce, and Transportation							
COVID	No	**2.22*** **	-4.98***	-0.48***	-3.39***	-0.46***	-0.68***
COVID	Yes	-19.11***	-7.55***	-7.91***	-2.95***	-0.39***	-3.99***
Invasion	No	-1.99***	-1.11***	-1.20***	-2.89***	**1.08*** **	-2.32***
Invasion	Yes	-26.37***	**3.97*** **	-12.87***	**2.96*** **	-6.85***	**6.27*** **
Other	No	-1.85***	-5.38***	-1.99***	-1.57***	-1.07***	-1.11***
Other	Yes	-1.17***	-4.59***	-0.55***	-3.54***	-1.76***	-1.60***
Financial Services and Economic Development							
COVID	No	-0.75***	-5.81***	-0.77***	-5.87***	**0.05** **	-2.13***
COVID	Yes	**3.96*** **	-12.66***	**2.22*** **	-5.24***	**1.59*** **	-0.66***
Invasion	No	**11.17*** **	**6.96*** **	**7.25*** **	**3.80*** **	**4.16*** **	**2.21*** **
Invasion	Yes	-24.38***	-20.42***	-18.56***	-11.13***	-9.05***	-8.40***
Other	No	-3.98***	-3.64***	-2.02***	-1.98***	-1.24***	-0.94***

(continued)

		CAAR (%)					
Crisis	Aligned	[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]
Other	Yes	-0.56***	-5.68***	-0.85***	-3.43***	-0.53***	-1.19***
Foreign Affairs and Homeland Security							
COVID	No	-9.57***	**7.37*** **	-6.56***	**2.81*** **	-3.74***	**1.06*** **
COVID	Yes	-7.64***	**6.28*** **	**4.17*** **	-1.05***	**5.42*** **	-3.04***
Invasion	No	-1.60***	**2.12*** **	-1.57***	**1.36*** **	**1.57*** **	**2.51*** **
Invasion	Yes	**34.82*** **	**35.64*** **	**17.32*** **	**20.54*** **	**8.64*** **	**14.41*** **
Other	No	-5.02***	-0.45***	-3.75***	-1.64***	-1.73***	-0.71***
Other	Yes	-3.73***	-0.97***	-2.08***	-0.89***	-0.45***	**0.45*** **
Judiciary and Oversight							
COVID	No	-11.42***	**0.89*** **	-4.30***	**1.95*** **	-4.23***	**1.14*** **
COVID	Yes	-6.32***	**3.89*** **	-2.61***	**2.36*** **	-2.71***	**2.75*** **
Invasion	No	-12.50***	-1.70***	-6.54***	**2.51*** **	-4.08***	**2.02*** **
Invasion	Yes	-4.96***	-3.28***	**3.07*** **	-2.83***	-1.94***	**1.54*** **
Other	No	-3.38***	-9.32***	-3.03***	-4.99***	-1.23***	-1.78***
Other	Yes	-5.11***	-5.08***	-1.77***	-2.26***	-0.79***	-1.95***
Science, Technology, and Infrastructure							
COVID	No	-3.47***	-7.13***	-2.63***	-1.96***	-0.71***	**0.07*** **
COVID	Yes	-19.70***	-14.01***	-9.21***	-2.93***	-2.37***	-2.55***
Invasion	No	-4.54***	-3.42***	-0.76***	-2.73***	**1.55*** **	**1.29*** **
Invasion	Yes	-17.36***	**14.28*** **	-9.31***	**5.95*** **	-7.07***	**6.88*** **
Other	No	-2.05***	-6.11***	-2.41***	-2.08***	-2.70***	-1.17***
Other	Yes	-5.56***	-5.96***	-3.81***	-3.16***	-1.48***	-2.19***
Special and Select Committees							
COVID	No	-0.70***	**2.92*** **	-0.05***	-3.89***	**0.88*** **	-0.40***
COVID	Yes	**8.05*** **	**6.60*** **	**1.76*** **	**2.56*** **	-3.06***	-0.73***
Invasion	No	**3.44*** **	-2.30***	**3.23*** **	-2.55***	**2.70*** **	-0.23***
Invasion	Yes	**28.78*** **	**12.80*** **	**13.35*** **	**1.74*** **	**6.76*** **	**6.89*** **
Other	No	**0.29*** **	-10.14***	-0.65***	-4.99***	-1.47***	-2.09***
Other	Yes	-3.16***	-3.49***	-2.26***	-1.00***	-0.46***	-2.01***

Table A8*: CAARs in % for buy transactions grouped by congressional committee, crisis period (COVID-19, Russia–Ukraine invasion, and Other), and whether the traded stock aligns with the committee's oversight area. CAARs are presented for selected event windows. Positive CAARs are bolded. Statistical significance based t-tests is denoted by: *** p<0.01, ** p<0.05, * p<0.1.*

		CAAR (%)					
Crisis	Aligned	[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]
Agriculture and Natural Resources							
COVID	No	**3.21*** **	-2.26***	-1.14***	-2.69***	-1.70***	**0.81*** **
COVID	Yes	**8.76*** **	-8.54***	**7.70*** **	**1.68*** **	**8.65*** **	**2.12*** **
Invasion	No	-10.44***	-10.02***	-5.67***	-4.15***	-1.84***	-1.26***
Invasion	Yes	-25.88***	-11.57***	-17.98***	-8.73***	-10.29***	**11.87*** **
Other	No	-1.14***	-3.97***	**0.13*** **	-2.05***	**0.06*** **	-0.41***
Other	Yes	**2.46*** **	**0.54*** **	**1.39*** **	**1.39*** **	**0.69*** **	**0.62*** **
Appropriations and Budget							
COVID	No	-8.51***	-2.25***	-6.40***	-2.33***	-2.76***	-3.01***
COVID	Yes	**1.31*** **	**5.99*** **	-2.35***	**5.27*** **	-1.62***	**2.45*** **
Invasion	No	**0.33*** **	**10.23*** **	**1.24*** **	**3.22*** **	**1.47*** **	**1.61*** **
Invasion	Yes	**0.93*** **	**4.80*** **	-2.09***	**4.79*** **	-2.19***	**3.28*** **
Other	No	-2.13***	-3.72***	-1.40***	-1.73***	-0.97***	-0.44***
Other	Yes	-4.96***	-8.76***	-3.42***	-4.88***	-1.10***	-1.79***
Armed Services and Veterans' Affairs							
COVID	No	-5.45***	-5.45***	-4.79***	-4.69***	-2.51***	-0.68***
COVID	Yes	-11.85***	-11.45***	-8.84***	-8.45***	-6.20***	-4.99***
Invasion	No	-22.26***	-8.94***	-16.00***	-6.91***	-3.93***	-1.14***
Invasion	Yes	-2.76***	-24.53***	-9.87***	-12.37***	-5.80***	**1.38*** **
Other	No	**0.69*** **	-3.50***	**1.80*** **	-1.01***	**0.91*** **	-0.33***
Other	Yes	**0.24*** **	-6.60***	-0.38***	-4.07***	-0.91***	-2.35***
Education, Labor, and Health							
COVID	No	-4.50***	-2.92***	-6.71***	-2.35***	-3.61***	-1.20***
COVID	Yes	**3.46*** **	-22.72***	**6.74*** **	-7.26***	-1.38***	**2.74*** **
Invasion	No	-11.12***	-6.67***	-7.93***	-2.89***	-4.11***	**0.53*** **
Invasion	Yes	**13.62*** **	**27.87*** **	-1.84***	**11.53*** **	**0.88*** **	**2.67*** **
Other	No	-1.35***	-5.75***	-0.86***	-1.69***	-1.05***	-0.50***
Other	Yes	-6.36***	-8.72***	-2.72***	-5.09***	-2.26***	-2.34***
Energy, Commerce, and Transportation							
COVID	No	-1.37***	-5.85***	-2.61***	-2.92***	-2.46***	-0.57***
COVID	Yes	-8.05***	**0.31*** **	**21.70*** **	**21.31*** **	**24.80*** **	**27.68*** **
Invasion	No	-3.85***	**0.62*** **	-2.57***	**1.44*** **	-3.62***	**0.63*** **
Invasion	Yes	-3.49***	**1.44*** **	-0.12***	**1.06*** **	**1.76*** **	**2.77*** **
Other	No	-1.09***	-3.22***	-0.78***	-0.99***	-0.71***	-0.43***
Other	Yes	**2.14*** **	-7.75***	-0.16***	-1.73***	-0.73***	-0.25***
Financial Services and Economic Development							
COVID	No	**0.89*** **	-2.31***	-1.67***	-5.20***	-1.77***	-1.82***
COVID	Yes	-4.79***	-12.39***	-3.61***	-5.81***	-3.18***	-2.01***
Invasion	No	-9.15***	-5.22***	-8.52***	-4.90***	-7.39***	-1.34***
Invasion	Yes	-33.27***	-19.41***	-23.87***	-12.56***	-12.13***	-8.46***
Other	No	-4.61***	-5.21***	-3.49***	-3.22***	-2.25***	-1.87***

(continued)

		CAAR (%)					
Crisis	Aligned	[-255, 0]	[0, 255]	[-128, 0]	[0, 128]	[-50, 0]	[0, 50]
Other	Yes	-4.71***	-6.90***	-3.93***	-3.23***	-2.30***	-0.92***
Foreign Affairs and Homeland Security							
COVID	No	**3.11*** **	-1.33***	**0.69*** **	**0.35*** **	**0.26*** **	**1.07*** **
COVID	Yes	-5.36***	**9.18*** **	-1.84***	**3.76*** **	-3.68***	**1.86*** **
Invasion	No	-17.50***	-6.31***	-9.20***	-3.81***	-2.05***	-0.67***
Invasion	Yes	-2.34***	**0.50*** **	-0.52***	-0.49***	**4.51*** **	**0.40*** **
Other	No	-0.22***	-0.79***	**0.21*** **	**0.06*** **	-0.81***	-0.11***
Other	Yes	**2.80*** **	-1.61***	**2.00*** **	-1.36***	**0.64*** **	**0.17*** **
Judiciary and Oversight							
COVID	No	-15.51***	**4.29*** **	-13.80***	**4.70*** **	-9.90***	**5.51*** **
COVID	Yes	-2.82***	-2.53***	-3.58***	-0.24***	-4.69***	-0.43***
Invasion	No	-13.85***	**4.27*** **	-5.85***	**3.73*** **	-0.68***	**2.57*** **
Invasion	Yes	**36.10*** **	**22.13*** **	**16.59*** **	**16.78*** **	**6.13*** **	**4.10*** **
Other	No	-5.43***	-5.65***	-4.57***	-3.07***	-2.53***	-1.22***
Other	Yes	-4.54***	-3.49***	-2.05***	-2.31***	-2.46***	-1.35***
Science, Technology, and Infrastructure							
COVID	No	-5.68***	-6.46***	-5.53***	-3.24***	-2.07***	**0.58*** **
COVID	Yes	-4.77***	-8.88***	**15.58*** **	**10.10*** **	**16.22*** **	**17.73*** **
Invasion	No	-2.52***	**5.44*** **	-3.29***	**1.84*** **	-2.26***	**1.94*** **
Invasion	Yes	-4.74***	-2.40***	**0.65*** **	-5.47***	**5.58*** **	-1.74***
Other	No	-2.91***	-5.24***	-3.13***	-2.56***	-2.08***	-0.46***
Other	Yes	-6.40***	-7.81***	-4.04***	-2.31***	-2.50***	-1.46***
Special and Select Committees							
COVID	No	-5.66***	**0.08*** **	-5.47***	**3.83*** **	-4.35***	-2.23***
COVID	Yes	**65.35*** **	**72.74*** **	**14.59*** **	**45.18*** **	-0.90***	**7.40*** **
Invasion	No	-15.01***	-8.38***	-7.74***	-5.22***	-5.18***	-2.99***
Invasion	Yes	-24.75***	**18.66*** **	-24.60***	**5.73*** **	-12.54***	-6.47***
Other	No	-4.57***	-6.17***	-3.13***	-2.74***	-2.24***	-0.85***
Other	Yes	-3.67***	-5.35***	-1.40***	-3.32***	-1.85***	-2.33***

Table A9: *CAARs in % for sale transactions grouped by congressional committee, crisis period (COVID-19, Russia–Ukraine invasion, and Other), and whether the traded stock aligns with the committee's oversight area. CAARs are presented for selected event windows. Positive CAARs are bolded. Statistical significance based t-tests is denoted by: *** p<0.01, ** p<0.05, * p<0.1.*