

Dr Paweł Kropiński

Tytuł: State ownership, probability of informed trading, and profitability potential: Evidence from the Warsaw Stock Exchange.

Abstract: This study examines information asymmetry in state-owned enterprises (SOEs) and how it changed during the COVID-19 crisis, using the probability of informed trading (PIN) as a market-based measure of private information. PIN captures the likelihood that trading activity is driven by informed investors and provides insight into the transparency of firms' informational environments.

The analysis challenges the common assumption that state ownership is necessarily associated with weak governance and low transparency. Rather than relying on theoretical claims, the study provides empirical evidence on information asymmetry in SOEs by applying the PIN model to high-frequency tick data from firms listed on the Warsaw Stock Exchange between September 2013 and February 2021.

A central element of the study is the comparison between the pre-COVID and COVID-19 periods. The results show that SOEs experience a higher probability of informed trading during the crisis, indicating an increase in information asymmetry at times of heightened uncertainty. In addition, the study examines whether PIN is reflected in stock returns, revisiting the prevailing view that informed trading is priced by the market but does not significantly affect returns.

The contribution of the study is threefold. First, it provides direct, market-based evidence on information asymmetry in state-owned firms using high-frequency data. Second, it contributes to crisis-related finance research by demonstrating how the informational environment of SOEs deteriorates during an extreme systemic shock. Third, it offers new evidence on the relationship between informed trading and stock returns in an emerging European market.

The findings have important policy implications. The increase in information asymmetry for SOEs during crisis periods highlights the need for enhanced disclosure, timely communication, and regulatory oversight when markets are under stress. For policymakers, the results suggest that state ownership alone does not guarantee informational stability in turbulent periods and that targeted transparency measures may be required to protect investors and maintain market confidence.