

# Implications of Dividend Announcements for the Stock Prices and Trading Volumes of DAX Companies (in English)

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## Abstract

This paper deals with market reactions to dividend announcements on the German stock market. Our study is based on a model of expected dividends with regard to the reluctance-to-change-dividends hypothesis. State-of-the-art models are used to detect price and volume reactions to dividend news. Empirical results provide evidence that announced dividend changes convey new information to the market. On average, stock prices move in the same direction as dividends. One can observe an increase in stock-return volatility in anticipation of expected news. For the entire sample, we find that trading volumes exhibit significant increases around dividend announcement dates. This supports the hypothesis that dividend change in either direction causes an increase in investors' propensity to revise their portfolios.

## Suggested Citation

 Henryk Gurgul & Paweł Majdosz & Roland Mestel, 2006. "[Implications of Dividend Announcements for the Stock Prices and Trading Volumes of DAX Companies \(in English\)](#)," [Czech Journal of Economics and Finance \(Finance a uver\)](#), Charles University Prague, Faculty of Social Sciences, vol. 56(1-2), pages 58-68, January.

Handle: *RePEc:fau:fauart:v:56:y:2006:i:1-2:p:58-68*

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