

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

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Author

Listed:

- Henryk Gurgul
(Department of Applied Mathematics, University of Science and Technology, Krakow, Poland)
- Pawe³ Majdosz
(Department of Quantitative Methods in Economics, School of Economics and Computer Science, Krakow, Poland)
- Roland Mestel
(Institute of Banking and Finance, University of Graz, Austria)

Registered:

- [Henryk Gurgul](#)
- [Pawel Majdosz](#) ?
- [Roland Mestel](#)

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.

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