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## Abstract

The author, using 1980-1989 data, investigates whether the sensitivity of stock prices to corporate performance is related to corporate performance. The evidence shows only weak evidence that the sensitivity of stock prices to corporate performance is related to corporate performance.

evidence. Payment of an incremental 10% bonus for good economic performance is associated with a 30 to 90 basis point increase in the expected after-tax gross economic return in the following fiscal year; and payment of an incremental raise of 10% following a good stock market performance is associated with a 400 to 1200 basis point increase in expected total shareholder return.



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