Investor overreaction and the ex-date price behavior of stock dividends: evidence from the Taiwan Stock Exchange

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Abstract
This paper examines the ex-date price behavior of stock dividends for all stocks listed on the Taiwan Stock Exchange. The sample involves 2056 ex-dates of stock dividends from 473 firms. The results indicate a significantly positive abnormal return of 1.99% on the ex-date of stock dividends. The ex-date abnormal return is positively related to the stock dividend. The average ex-date abnormal return increases from 1.21% for the smallest stock dividend quintile to 3.65% for the largest stock dividend quintile.

Moreover, the result indicates a significant overreaction pattern in the 15-day pre-ex-date period and the 90-day post-ex-date period for quintiles sorted by stock dividend. The cumulative abnormal return is positively related to stock dividend in the pre-ex-date period, but negatively related to stock dividend in the post-ex-date period. In the 15-day pre-ex-date period, the cumulative abnormal return increases from −1.66% for the smallest stock dividend quintile to 1.13% for the largest stock dividend quintile under the market model. In contrast, the cumulative abnormal return decreases from 6.14% for the smallest stock dividend quintile to −9.58% for the largest stock dividend quintile in the 90-day post-ex-date period.

Keywords and phrases: Ex-date of stock dividend, overreaction hypothesis, Taiwan stock market.

I. Introduction
This paper investigates the stock price behavior surrounding the ex-date of stock dividends for stocks listed on the Taiwan Stock Exchange.

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Journal of Statistics & Management Systems
Vol. 13 (2010), No. 1, pp. 1–26
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