Task

Using the “Event study approach” evaluate the influence of dividend announcements on corporate stocks. For the study, author should choose 15 companies from USA and 15 companies from United Kingdom, regardless of sector.

The example for direct methodology should be considered the paper at <https://www.researchgate.net/publication/305379239_Market_Reaction_To_Dividend_Announcement-An_Event_Study_Analysis>. Methodology section described in the paper, should be followed directly applied by author to the chosen 15 USA and 15 UK companies.

For USA companies index s&p500 should be used as a proxy for finding market prices. For UK companies FTSE 100 index. Also, instead of +-10 days used in the work, interval of +-30 days from announcement should be used.

After that, it should compute abnormal and cumulative returns for discrete returns. It used following formulas for calculation of discrete returns and expected returns. To compute the expected returns, it should regress stock returns and index returns to find out intercept and slope of the market model.

 (1) Rit= (Pit-Pit-1+Dit)/pit-1 (2) Rt=a+b\*(RMt) +Ut, t=1, 2 ...T. In the last part, abnormal returns are equal to the difference between actual stock returns and estimated returns that derived from the market model. (3) ARit=Rit-(a+b\*RMt). Cumulative abnormal returns are equal to the summation of abnormal returns in a length of times. T = t2 (4) CAR (t1, t2)=Σ (ARt) T = t1 T-statistic test is an indicator to show whether market reactions on the announcement date affect a firm‟s value or not. In this order, it should test abnormal returns and cumulative returns. (5) T-test=AR/s.dev (6) t-test=CAR(t1,t2)/ [(T) ^0.5]\*(s.dev).

(Methodology copied from the paper.)

Empirical results should be presented in a form of graphs, similar to example paper. Detailed explanation is needed for every table created. Empirical results, obtained from the graphs should be described separately for USA and UK companies. Then, writer should compare results of UK and USA companies and check if there is some similarities or differences between the obtained empirical results and describe them in details.

All, the daily stock prices information and dividend announcement dates should be referenced. Total length of work should be no less than 3000 words (graphs and references excluded).