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SECURITY RETURNS DURING EX-DIVIDEND PERIOD

Abstract:

This paper examines the stock dividend ex-day effect on the Muscat Securities Market (MSM), which is of interest because several of the market microstructure explanations for the ex-day effect can be ruled out. We find that there are positive abnormal returns on Omani stock dividend ex-days. We also find that firms distributing stock dividends have higher stock prices than firms that are in the same industries but do not distribute stock dividends. In addition, we find that the positive abnormal returns are positively related to stock price increases in the pre-announcement period and to stock dividend percentages. These evidences suggest that stock dividends in Oman might be used to reduce stock prices.

Keywords:

Stock dividends; Bid-ask effect; Market microstructure

JEL Classification: G30, G14