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CAN FIRMS TIME THE MARKET? EVIDENCE USING OWN STOCK TRANSACTIONS.

Abstract:

Can firms time the market? This paper uses hand collected data on 37997 own stock transactions from 2005 to 2015 of Euronext Lisbon listed companies to detect market timing for selling and buying transactions. Following Dittmar and Field (2015) the paper uses relative prices to ascertain the relative performance of own stock transactions. Results show that firms can time both repurchases as well as resales. Firms repurchase (resell) at lower (higher) prices than those prevailing in the market. Moreover, market timing ability proves to be higher after the bailout period and to be influenced by the own stock trading frequency. Trading on the open market allows for increased timing ability for own stock repurchasing and reselling activity. Finally, results show seasonality both in repurchases and resales performance.

Keywords:

Repurchases, Reselling, Own Stock, Opportunistic Behavior, Market Timing, Own Stock Transaction Performance, Repurchase, Resale

JEL Classification: G14, G15