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Managerial optimism and post-financing stock performance in Taiwan: A comparison of debt and equity financing

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Highlights

- We identify post-financing return for debt and equity financing firms in Taiwan.
- The underperformance for a debt-issuing firm is larger than an equity-issuing firm.
- The corporate financing decisions are mostly driven by managerial optimism.

Abstract

We compare post-financing stock performance for debt-issuing portfolio with equity-issuing one in Taiwan to identify whether firms' financing decisions were driven by managerial optimism or market timing. Our result supports corporate financing decisions in Taiwan are driven by managerial optimism.

JEL classification

G02; G32

Keywords

Managerial optimism; Market timing; Financing decisions

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