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Yaovi Sélom Agbetonyo, Yaovi Sélom Agbetonyo, Emmanuelle Fromont,  
Jean-Laurent Viviani

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# Asymmetric Responses to Dividend Announcements: A Case for Ambiguity

Séлом AGBETONYO ([yaovi-selom.agbetonyo@univ-rennes1.fr](mailto:yaovi-selom.agbetonyo@univ-rennes1.fr)),

Emmanuelle FROMONT ([emmanuelle.fromont@univ-rennes1.fr](mailto:emmanuelle.fromont@univ-rennes1.fr)),

Jean-Laurent VIVIANI ([Jean-laurent.viviani@univ-rennes1.fr](mailto:Jean-laurent.viviani@univ-rennes1.fr)),

CREM, IGR – IAE Rennes

IGR-IAE Rennes, 11 rue Jean Macé,

35708 Rennes CEDEX 07 FRANCE

**Abstract:** This paper investigates how changes in the macro-financial environment impact the way in which capital market prices react to dividend announcements. Using a sample of 841 dividend announcements by French companies belonging to the SBF 120 Index, we examined the role of changes in ambiguity (Knightian uncertainty) level around the announcement date (implied volatility [VCAC] is used as an empirical proxy for ambiguity) on the response of investors to dividend information release. Based on the global sample and applying the interaction methodology we found that, consistent with ambiguity theory, an increase in VCAC leads investors to place more weight on bad dividend news than on good dividend news. When the sample is split, depending on the VCAC sign, results are more complex. We actually obtained a larger asymmetric impact between good and bad news for the larger window [-15; +15] but not for the smaller one [-1, +1]. Nevertheless, in this last case, we observed that, consistent with the ambiguity explanation, the reaction to good (bad) news decreases (increases) dramatically when ambiguity increases, compared to when ambiguity decreases.

**Keywords:** Ambiguity, Dividends announcements, Financial crisis, French capital market, Knightian uncertainty.

**JEL code:** G14, G35