Motivation

- Corporate decisions depend on economic conditions (cost of capital, growth rate, liquidity, uncertainty)
- Corporate payout policy events occur in procyclical waves as response to economic stimulus (GDP growth) (Ettmayer and Dmitra (2000))
- Close relationship of corporate events with funding liquidity variables (Kau and Stura (2016))

Research Questions

1. Influence of monetary policy on repurchase activity
   - Importance of leveraged buybacks (Farre-Mensa et al. (2020), Elgouacem and Zago (2018), Acharya and Pianta (2009))
   - Increasing shareholder distributions due to ECB’s monetary policy (Schmalz et al. (2010))

2. Influence of monetary policy uncertainty (MPU) on repurchase activity
   - Negative relationship of MPU with real economy
   - Negative influence of uncertainty on share repurchases (Cohen et al. (2019))

Data and Method

- 12 Euro countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain
- Open market share repurchase announcements (2000-2020): SDC Mergers and Acquisitions database
- Market data and accounting data: Eikon

Results

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<thead>
<tr>
<th>MPU</th>
<th>lnCash</th>
<th>leverage</th>
<th>lnMcap</th>
<th>Spread</th>
<th>ΔECBrate</th>
<th>ΔM3</th>
<th>Time FE</th>
<th>Firm FE</th>
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Table 1: Full sample (2000-2020)

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Table 2: Pre-QE (2000-2009) and QE sample (2010-2020)

Conclusion

- Negative relationship between MPU and share repurchase activity: Precautionary demand for cash
- Uncertainty on ECB’s unconventional monetary policy influences payout policies
- Pre-QE sample shows low influence
- QE sample shows highly significant influence of MPU and funding liquidity

Uncertainty contributes to waves of share repurchases, with monetary policy uncertainty playing a key role in influencing payout policy.