

Dividend Payments and Price Pressure: Evidence from Global Markets

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Abstract

This study offers the large-scale global evidence of dividend-induced price pressure, spanning 48 stock markets from 1990 to 2024. We show that a one-standard-deviation increase in the two-day dividend yield predicts a 1.2 basis point rise in market returns. Cross-sectional analysis indicates that this effect is weaker in markets with a larger share of older investors or higher systemic risk, but stronger in environments with sharp declines in interest rates. We further find that the effect is most pronounced for firms that have historically paid dividends but are not distributing them on the event days. The study also presents novel evidence of cross-market spillovers, demonstrating that dividend payments in one market generate significant price effects in economically connected markets abroad. Overall, our findings enhance the understanding of dividend-induced price pressure in global equity markets and identify dividend reinvestment as a new mechanism for the international transmission of price movements.

Keywords: International studies; dividend payments, behavior finance, demand-based asset pricing

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1 Introduction

A large body of literature has examined the relationship between dividends and stock returns, which is one of the most enduring and debated topics in financial economics. Since the seminal work of Miller and Modigliani (1961), who posited the irrelevance of dividends in perfect markets, academic inquiry has evolved to identify significant channels through which dividends influence firm value and market dynamics. Traditional explanations have centered on the informational content of dividends, where dividends serve as signals of managerial confidence in future cash flows (e.g., Aharony and Swary, 1980; Charest, 1978; Kwan, 1981). Subsequent studies investigate how investors use dividend income.

While many scholars argue that the majority of dividends are consumed (e.g., Baker, Nagel and Wurgler, 2007; Di Maggio, Kermani and Majlesi, 2020), recent research provides a more nuanced picture. For instance, Lin (2026) finds that a substantial portion of corporate payouts enters the banking system as deposits, which are then intermediated to bank borrowers. Similarly, Müller-Dethard, Reinhardt and Weber (2025) document that roughly 80 percent of dividends are reinvested in Germany. Importantly, a more recent and compelling strand of literature emphasizes a mechanistic channel of dividend reinvestment: predictable price pressure arising from the reinvestment of cash dividends (Berkman and Koch, 2017; Hartzmark and Solomon, 2025; Kvamvold and Lindset, 2018). This research demonstrates that as investors receive and reinvest dividends, their collective actions create systematic demand shocks that elevate stock returns, a phenomenon particularly pronounced around dividend payment dates.

Despite these significant advances, a critical limitation persists: empirical evidence

supporting the dividend price pressure hypothesis remains predominantly derived from single-market studies, most notably the U.S. market. Although Hartzmark and Solomon (2025) provide preliminary evidence of dividend-induced price effects across international settings, their analysis does not systematically explore how these effects vary with market-specific characteristics, such as investor behavior, interest rate environments, or local risk conditions, leaving open important questions about the economic mechanisms and cross-market heterogeneity of dividend reinvestment effects.

Moreover, in today's interconnected world, characterized by substantial cross-border capital flows and deep financial linkages (Rey, 2015; Lane and Milesi-Ferretti, 2007), an investor's decision upon receiving a dividend is not confined to the domestic equity market. They face a global portfolio choice—whether to reinvest domestically or allocate capital to international markets.

Against this backdrop, several fundamental questions arise that prior studies have yet to adequately address: Does dividend-induced price pressure exist across a broad spectrum of global markets controlling for known determinants of returns? How do these effects vary with structural market features? Can dividend payments in one market transmit price effects to economically linked markets abroad? The answers to these questions are crucial for a complete understanding of how dividend payments propagate through the global financial system and influence international asset pricing.

Based on Hartzmark and Solomon (2025), our study extends the investigation of dividend-induced price shocks to a global context. We construct a novel dataset encompassing 48 global equity markets from 1990 to 2024 to test whether the price pressure documented in

the U.S. constitutes a widespread international phenomenon and to explore how this effect varies with market-specific characteristics. Furthermore, we pioneer the analysis of cross-market dividend effects, examining if dividends paid in one economy generate demand shock in other closely connected markets, thereby shedding light on the role of dividend flows in international financial integration.

Our baseline findings confirm a significant positive relationship between dividend payouts and value-weighted market return across our international sample. A one-standard-deviation increase in the two-day dividend yield predicts a 1.2 basis point increase in market returns, an effect that remains economically and statistically significant after controlling for a comprehensive set of market characteristics, global risk factors, and fixed effects.

The findings demonstrate robust resilience to a comprehensive set of sensitivity analyses, including alternative fixed effects specifications (e.g., market-by-year-month fixed effect and date fixed effects), different measures of market returns (equal-weighted and primary index returns), and an alternative construction of the dividend yield variable to mitigate concerns about high-frequency noise in the denominator.

Next, we conduct a series of cross-sectional analyses to examine whether the dividend price pressure effect varies with investor characteristics and market conditions. First, we test whether the age structure of investors influences the dividend effect. Consistent with the behavioral life-cycle hypothesis, prior studies show that older investors exhibit a stronger preference for dividend-paying stocks (Becker, Ivković and Weisbenner, 2011; Graham and Kumar, 2006), as they rely on dividend income to finance regular consumption. Consistent with prior research, we find that the price pressure effect is significantly weaker in markets

with a higher proportion of older investors. Second, we explore whether the effect differs with the level of market risk. Given that dividend-paying stocks often attract more risk-averse investors, and heightened risk aversion may dampen reinvestment enthusiasm, we find that the price effect is less pronounced in markets with higher systematic risk. Third, the “reaching for yield” phenomenon suggests that investors shift allocations toward risky assets when interest rates decline (Drechsler et al., 2018; Campbell and Sigalov, 2022; Gomes et al., 2025). In line with this narrative, we show that the dividend effect is more pronounced in environments where interest rates fall rapidly.

Furthermore, we investigate the destination of dividend reinvestment. In support of the findings in Hartzmark and Solomon (2025), we document that investors tend to reinvest dividend proceeds into stocks that are not distributing dividends on the event days. Importantly, this effect is strongest for firms that are past payers, indicating that investors prefer to reinvest new cash into stocks with a dividend history, yet avoid those currently adjusting for their own dividend distributions.

Finally, and most critically, we provide pioneering evidence of a cross-market dividend effect. By defining peer markets based on equity investment linkages, geographical proximity, and broad global exposure, we show that dividend payments in a focal market’s peers exert significant positive pressure on the focal market’s returns. This spillover effect is robust to controlling for the focal market’s own dividend yield and persists across alternative definitions of peer relationships. In addition, we demonstrate that dividend yields from key international markets, particularly the United Kingdom, have a statistically significant predictive power for returns in the U.S. equity market. This finding establishes dividend payments as a novel

channel for the international transmission of price movements, operating alongside previously documented channels such as monetary policy shocks and real economic linkages (e.g., Di Giovanni and Hale, 2022; Forbes, 2012; Griffin and Stulz, 2001).

This paper makes the following contributions. First, our research enriches the studies in dividend reinvestment. Early studies focus on the impact of the implementation of corporate-initiated *Dividend Reinvestment Plans* (DRIPs) on financial markets (e.g., Dhillon, Lasser, and Ramirez, 1992; Peterson et al., 1987; Scholes and Wolfson, 1989). Subsequent research shifted attention toward identifying short-term price pressure around dividend payment dates (Berkman and Koch, 2017; Hartzmark and Solomon, 2025; Kvamvold and Lindset, 2018), as well as analyzing the role of dividend payment methods and account structures in shaping reinvestment patterns (Müller-Dethard, Reinhardt and Weber, 2025). However, most studies focus on a single market, with limited research examining the dividend reinvestment effect in an international context. Our research fills this gap by analyzing dividend reinvestment effects across global markets.

Second, this paper contributes to the literature on the impact of dividends on equity returns. Existing research suggests that dividends affect stock returns through two channels: informational signaling about future cash flows and transient demand shocks from reinvestment. While the signaling effect has been extensively studied (e.g., Charest, 1978; Kwan, 1981; Ham, Kaplan, and Leary, 2020), the price effect has only recently attracted scholarly attention. Specifically, prior studies document that dividend payments generate price pressure at the individual stock level (Berkman and Koch, 2017; Kvamvold and Lindset, 2018), whereas Hartzmark and Solomon (2025) argue that this effect operates at the market-wide level.

Building on these findings, we further uncover the cross-sectional heterogeneity in this price effect across international markets.

Third, this study advances the field of cross-market analysis. Prior research documents significant comovements in stock returns across markets (Griffin and Stulz, 2001; Karolyi and Stulz, 1996; Kumagai and Yuan, 2006), and the critical role of international capital flows in generating and transmitting these effects is well established (Forbes, 2012; Rey, 2015). Our study is the first to identify and document a cross-market dividend effect, showing that the impact of dividend payments is not confined within national borders but can spill over to affect asset prices in closely linked markets.

The remainder of this paper is structured as follows: Section 2 provides a detailed literature review. Section 3 outlines the research design, including data sources, sample selection, and methodology. Section 4 presents empirical results, including baseline regression results, cross-sectional analysis, cross-market effects and robustness tests. Finally, Section 5 concludes the study.

2 Literature Review

2.1 Dividend reinvestment studies

Early studies on dividend reinvestment primarily focused on *Dividend Reinvestment Plans* (DRIPs), which provide shareholders an opportunity to acquire additional equity in the firm by reinvesting their cash dividends at a discounted or non-discount price. Peterson et al. (1987) characterize DRIPs as a form of issuing new equity. Drawing on the theoretical framework of Myers and Majluf (1984), they argue that such offerings could convey negative

information regarding the firm's future prospects. In contrast, Scholes and Wolfson (1989) argue that DRIPs reduce information asymmetry by conveying managerial confidence, thereby serving as a positive signal. This view was supported by Dhillon, Lasser, and Ramirez (1992), who demonstrate that DRIPs function as an effective alternative to traditional equity financing, significantly attenuating negative market reactions. Further evidence from Berkman and Koch (2017) indicates that firms implementing DRIPs exhibit significantly positive abnormal returns on dividend payment dates, reinforcing the value of such programs.

Subsequent literature has shifted focus to investor-initiated dividend reinvestment behaviors and their return implications. Studies such as Kvamvold and Lindset (2018) and Hartzmark and Solomon (2025) have found that investors often reinvest dividends into markets, generating detectable price pressure and excess returns. Recent work emphasizes the role of investor account structures in shaping these behaviors. For instance, Müller-Dethard, Reinhardt and Weber (2025) analyze brokerage data from a major German bank, revealing that approximately 80% of dividends are reinvested, while only 12% are consumed. Their findings indicate that dividend payment methods and account design—such as direct deposits into brokerage cash accounts—significantly influence investor behavior by creating a default bias toward reinvestment.

2.2 Dividend payments and equity return

The relationship between dividend payments and stock returns has evolved significantly in financial literature. Early theoretical work, notably Miller and Modigliani (1961), posited dividend irrelevance in perfect markets, arguing that firm value depends solely on investment policy. This view was extended by Black and Scholes (1974) and Miller and

Scholes (1978), who suggested that tax-arbitrage strategies could neutralize dividend tax disadvantages, further supporting irrelevance.

However, subsequent empirical research challenged this paradigm, revealing that dividends convey critical information about firm fundamentals. Dividend changes—particularly increases—signal management’s confidence in future earnings sustainability, eliciting positive market reactions, while decreases trigger negative responses (Aharony and Swary, 1980; Charest, 1978; Kwan, 1981). This informational perspective received further support from Ham, Kaplan and Leary (2020), who systematically examined whether dividends convey information about future earnings, reinforcing the signaling hypothesis through contemporary empirical evidence.

A more recent strand of literature emphasizes price pressure as a mechanism linking dividends to returns. Hartzmark and Solomon (2013) identified a “dividend month premium,” where predictable dividend inflows create systematic demand shocks, elevating returns in payment months. Hartzmark and Solomon (2025) later expanded this work by demonstrating market-wide predictable price pressure effects, establishing that dividend-induced demand shocks have broader cross-sectional implications. This demand-driven effect extends beyond dividend-paying stocks: mutual funds receiving dividends or merger payments reinvest capital across holdings, generating spillover price pressure in non-paying stocks (Chen, 2024; Kvamvold and Lindset, 2018). Such evidence suggests that mechanical reinvestment behaviors, rather than solely information, contribute to return patterns.

2.3 Cross-market effects on stock returns

A substantial body of research documents significant comovements in stock returns

across markets. The foundational work by Karolyi and Stulz (1996) revealed that U.S.-Japan stock return covariation stems primarily from global shocks affecting both market indices rather than macroeconomic announcements or interest rate shock. Griffin and Stulz (2001) further demonstrated that such cross-country industry return correlations are driven more by common global shocks than competitive effects from exchange rate movements. Subsequent research identified specific transmission channels. Boyer, Kumagai and Yuan (2006) showed that crises spread internationally primarily through investor behavior affecting accessible stocks held by foreigners, rather than fundamental linkages. More recently, Di Giovanni and Hale (2022) emphasized the critical role of global production networks, finding that real economic supply chain connections transmit a substantial portion of U.S. monetary policy shocks to international equity markets.

The critical role of international capital flows in generating these transnational equity linkages has emerged as a central theme in contemporary research. Rey (2015) argues that a *Global Financial Cycle*, driven by center countries' monetary policies and proxied by indicators like the VIX, synchronizes asset prices and capital flows worldwide, undermining monetary policy independence even under flexible exchange rates. Forbes (2012) identifies international capital flows – particularly through banking systems and portfolio investors – as key conduits for contagion during crises. The measurement framework provided by Lane and Milesi-Ferretti (2007), tracking the dramatic expansion of countries' external assets and liabilities, underscores the deepening financial integration that facilitates these capital flow-driven spillovers. Collectively, this literature highlights international capital mobility as a fundamental force shaping the transnational transmission of stock returns.

In summary, existing literature posits that dividends influence stock returns through dual channels: informational signaling about future cash flows and transient demand shocks from reinvestment. However, the vast majority of this evidence is derived from single-market studies, with few research investigating the price pressure of dividend payments in a global context. Furthermore, the potential for cross-market transmission of dividend payments remains critically underexplored. To fill this gap, our study extends the dividend reinvestment research into an international context by examining the price pressure effect across global markets and pioneering the investigation of cross-market dividend effects.

3 Research Design

3.1 Data and sample

We obtain global security data (including stock returns, dividend amounts, payment dates, ex-dates, and announcement dates) from the Compustat Global database. Macroeconomic variables, such as interest rates and inflation, are acquired from the World Bank and International Monetary Fund (IMF). Country-level financial literacy metrics come from the S&P Global FinLit Survey. Global factor data is obtained from Jensen, Kelly, and Pedersen (2023). The subsequent content contains further discussion of the data and variable construction.

While the Compustat Global database provides international daily stock data since 1984, the data coverage in the initial years (prior to 1990) is relatively sparse. To ensure the robustness of our empirical analysis, we restrict our sample period to 1990 - 2024. Following Hartzmark and Solomon (2025), we require that for any given market on a given trading day, there must

be at least 100 stocks with prices. Observations with missing values are excluded. After applying these filters, our final sample consists of data from 48 markets³, selected from the 125 markets available in the database over the sample period.

We explore the price pressure derived from dividend payment in international stock market. Thus, when we refer to the timing of dividend, we mean the dividend payment date. We only include the dividend announcement date and ex-date in robustness tests.

This study examines the price pressure arising from dividend payments in international stock markets. In our primary analysis, we define dividend timing specifically as the dividend payment date—the point at which cash distributions are actually made to shareholders. We only include the dividend announcement date and ex-date in robustness tests.

3.2 Model Specifications

This study examines the predictive relationship between market dividend yield and market returns. Drawing on the methodological framework established by Hartzmark and Solomon (2025), we account for potential confounding factors by incorporating a comprehensive set of control variables. Our regression specification is as follows:

$$MktRet_{it} = \beta_0 + \beta_1 MktPayYd [t - 1, t]_i + Controls + Market FE + YM FE \quad (1)$$

In this specification, the dependent variable, $MktRet_{it}$, represents the value-weighted market return for market i on day t . The independent variable, $MktPayYd [t - 1, t]_i$, is the dividend payment yield on day t and day $t-1$ for market i , where market dividend payment yield is

³ The 48 markets are: United Kingdom, Brazil, Peru, Japan, Hong Kong (China), Chile, South Africa, Singapore, Kuwait, Australia, Argentina, Sri Lanka, Korea, United Arab Emirates, Taiwan (China), India, Nigeria, Sweden, Turkey, Malaysia, Austria, Denmark, Belgium, Poland, Indonesia, Egypt, Italy, Germany, Finland, Switzerland, Norway, France, Spain, Netherlands, New Zealand, Israel, Vietnam, Saudi Arabia, Russia, Pakistan, Oman, Greece, Philippines, Bangladesh, China, Thailand, Jordan, Mexico.

computed as the daily total dividend amounts scaled by total market capitalization on the previous trading day.

We incorporate a series of control variables to account for factors that may influence both dividend payments and market returns. The first set includes variables related to market conditions and dividend events: turnover (*TurnOver*), Volatility (*Volatility*), return over the previous month (*Return[m-1]*), announcement event (*Announcement*) and ex-day event (*EX*). *TurnOver* is the average daily turnover over the previous month, where daily turnover is total trading volume divided by total shares outstanding in a market in a day. *Volatility* is standard deviation of the daily market return over the previous month. *Return[m-1]* is the cumulative return in a market over the previous month. *Announcement* is the cumulative announcement ratio on day t and day t-1, where the announcement ratio is the number of stocks declaring cash dividend divided by the total number of stocks in the market on the same day. *EX* is the cumulative ex-dividend ratio on day t and day t-1, where the ex-dividend ratio is the number of stocks ex-dividend divided by the total number of stocks in the market on the same day.

Second, we control for five global factors sourcing from Jensen, Kelly, and Pedersen (2023)⁴. These factors include market beta premium (*MKT*), size factor (*SMB*), value factor (*HML*), investment factor (*CMA*), and profitability factor (*RMW*). As defined by the authors, each factor is defined as return difference between the top and bottom terciles, corresponding to the excess return of a long-short zero-net-investment strategy.

The detailed definitions of all variables are provided in Appendix A. The regression incorporates market and year-by-month fixed effects to control for unobserved heterogeneity,

⁴ See the website: <https://jkpfactors.com/>

and standard errors are clustered by market and date. All parameters are estimated via Ordinary Least Squares (OLS) regression.

3.3 Descriptive statistics

The final sample comprises 275,291 market-day observations. Descriptive statistics are reported in Table 1. To mitigate the influence of outliers, all continuous variables are winsorized at the 1st and 99th percentiles. For ease of interpretation and comparability across coefficients, the market return is measured in percentage point, while the market dividend yield is expressed in decimals. The mean (median) of *MktRet* is 0.075 (0.090), corresponding to an average (median) daily market return of 0.075% (0.090%). The mean (median) of *MktPayYd[t, t-1]* is 0.0002 (0), implying an average (median) cumulative dividend payment yield of 0.02% (0) over the two-day window.

----Insert Table 1 here----

Appendix Table B1 presents summary statistics of market return and market dividend yield for each market in the sample. The results indicate that Argentina exhibits the highest daily market return at 0.21%, whereas Sri Lanka shows the lowest at -0.11%. In terms of cumulative dividend payment yield on day *t* and *t-1*, firms in Spain distribute the highest proportion at 0.04%, while firms in Argentina report the lowest payout nearly to 0.

4 Empirical Results

4.1 Baseline results

Panel A of Table 2 presents the univariate results of the effect of global daily dividend

payment yield on market returns. Colum (1) reports the baseline specification without control variables. The coefficient on $MktPayYd[t, t-1]$ is 18.323 and statistically significant at the 1% level ($t=3.38$), indicating a positive association between market returns and the cumulative dividend payment yield over days t and $t-1$. To account for unobserved heterogeneity, we incorporate the market and year-by-month fixed effects in Column (2), the result remains robust ($\beta=17.415$, $t=3.89$). Economically, a one-standard-deviation increase in the two-day payout yield (0.000691) predicts an increase in market returns of 1.2 basis points. This finding aligns with the evidence reported by Hartzmark and Solomon (2025). In Columns (3) and (4), we examine the effects of dividend payments on day t and day $t-1$ separately. The results show that the coefficients on $MktPayYd[t]$ is 24.776 and significant at the 1% level ($t=3.86$), while coefficient on $MktPayYd[t-1]$ is 16.509 and significant at the 5% level ($t=2.11$). This indicates that dividend payments on both days exhibit independent predictive power for market returns

----Insert Table 2 here----

A potential concern is whether the two-day cumulative payment yield window is the most appropriate specification for capturing dividend predictability in global markets. While Hartzmark and Solomon (2025) establish that predictability is concentrated on days t and $t-1$ in U.S. stock market, the dynamics in a broader international context could differ, potentially exhibiting a longer predictive window. To address this, we extend our analysis to include dividend payments at further lags, from day $t-2$ to $t-4$. The results, presented in Columns (5) to (7) of Panel A, Table 2, show that the predictive power diminishes significantly beyond the initial two-day window. The coefficients on $MktPayYd[t-2]$ and $MktPayYd[t-3]$ are smaller and only marginally significant. Furthermore, the coefficient on $MktPayYd[t-4]$ is smaller and

insignificant. This pattern indicates that the return predictability in global markets is primarily driven by dividend payments on the contemporaneous and immediately preceding day (t and $t-1$), thereby validating the use of our two-day cumulative yield measure.

In Panel B, we incorporate additional control variables that may correlate with market returns to mitigate potential omitted variable bias. In Column (1), we include turnover (*TurnOver*), Volatility (*Volatility*), the cumulative market return over the prior month (*Return[m-1]*), announcement event (*Announcement*) and ex-dividend event (*EX*). The coefficient on $MktPayYd[t, t-1]$ is 15.322 and significant at the 1% level, indicating a strong positive association even after accounting for these market-specific factors. In Column (2), we further control for global factors corresponding to each market. The results show that the coefficient on $MktPayYd[t, t-1]$ remains positive and significant ($\beta=12.487$, $t=3.96$). These findings suggest that the cumulative dividend payment yield on day t and day $t-1$ exhibits significant predictive power for market returns on day t .

Appendix Table B2 reports the results of the dividend predictability effect across individual markets. Among the 48 markets examined, 10 display statistically significant positive coefficients. The United Kingdom, Brazil, and Peru show the most substantial effects, with coefficients of 87.59 ($t = 2.47$), 71.55 ($t = 2.22$), and 69.96 ($t = 3.62$), respectively.

In summary, our baseline results indicate that dividend payments create significant price pressure in equity markets, a phenomenon primarily driven by the reinvestment of cash dividends by investors.

4.2 Cross-sectional analyses

4.2.1 Investor characteristics

Prior research on dividend reinvestment primarily focuses on institutional investors (Chen, 2024; Kvamvold and Lindset, 2018). Hartzmark and Solomon (2025) argue that the dividend payment effects on market returns are largely driven by institutional investors. However, individual investors may also play a critical role in shaping dividend reinvestment patterns. On the one hand, institutional ownership varies significantly across markets (i.e. institutional ownership averages approximately 80% in Japan but only 20% in China). In markets where retail investors constitute a larger share of participation, their reinvestment behavior can exert a significant influence on aggregate market returns. On the other hand, since a substantial portion of institutional funds ultimately originates from individual investors, the preferences and characteristics of retail investors may indirectly affect institutional decision-making. Therefore, we expect that individual investor characteristics could have impact on the dividend payment effects.

Age is an important factor influencing investors' investment style. Prior studies document that older investors prefer dividend-paying stocks (Becker, Ivković and Weisbenner, 2011; Graham and Kumar, 2006), as they rely on cash dividends to finance regular consumption in line with the behavioral life-cycle model proposed by Shefrin and Thaler (1988). Accordingly, we predict that the dividend reinvestment effect will be less pronounced in markets with a higher proportion of older investors. To examine this hypothesis, we construct a dummy variable, *Age60*, to capture the degree of aging in a country or region. *Age60* equals 1 if the proportion of individuals older than 60 falls within the top quintile of the sample and 0 otherwise. The results, presented in Column (1) of Table 3, demonstrate that the coefficient on

$MktPayYd[t-1, t] * Age60$ is negative and significant at the 5% level, indicating that the dividend payment effect is weaker in markets with a higher proportion of older investors.

----Insert Table 3 here----

Another factor influencing investment preference is investors' financial literacy. The *free dividends fallacy* posits that investors mistakenly treat dividends as a separate source of “free income”, largely disconnecting them from the corresponding decline in share price, which can lead to suboptimal reinvestment decisions. Supporting this, Van, Lusardi, and Alessie (2011) demonstrate that lower levels of financial literacy are associated with reduced stock market participation, as individuals with limited financial knowledge are less equipped to evaluate investment opportunities. A field experiment conducted by Hackethal et al. (2025) provides causal evidence: educating investors about the benefits of dividend reinvestment and costs of misperceiving dividends as free lead to a significant behavioral change, with participants reinvesting approximately 50 cents more for every euro of dividends received. Therefore, we expect the price effect to be more pronounced in markets with higher levels of financial literacy.

In the 2014 S&P Global FinLit Survey, financial literacy (*FinLit*) is measured using questions assessing four fundamental concepts in financial decision-making: interest rates, interest compounding, inflation, and risk diversification. An individual is considered financially literate if he or she correctly answers at least three of the four questions. We define a market's financial literacy as the percentage of financially literate individuals. A higher percentage indicates a greater overall competency in financial knowledge among investors in that market. To examine the role of high financial literacy, we construct an indicator variable, *HighFinlit*, which equals 1 if a market's financial literacy ranks in the top quintile of the full

sample and 0 otherwise. The results are presented in Column (1) of Appendix Table B3. The coefficient on the interaction term $MktPayYd*HighFinlit$ is positive but only marginal significant at the 10% level. This suggests that the price sensitivity of a market to dividend payments may be somewhat stronger in environments with a more financially literate investor base, though the statistical evidence is not particularly strong.

4.2.2 Market risk

Market risk is a fundamental determinant of equity market dynamics. Prior literature posits that in environments with higher market risk, investors demand higher expected returns as compensation (e.g., Fama and French, 1993; Markowitz, 1952; Sharpe, W.F., 1964). This risk-return trade-off would intuitively suggest that price effects induced by dividend payments could be amplified in high-risk settings. However, some studies suggest that investors are less likely to participate in equity market when they are more risk-averse or when the market risk is higher (Allen and Gale, 1994; Vissing-Jørgensen and Attanasio, 2003). Dividend-paying stocks often attract a distinct, more conservative investor clientele. These investors typically exhibit greater risk aversion, prioritizing income stability and capital preservation over high-risk, high-return strategies. When market risk is elevated, these investors may become even more reluctant to reinvest dividend income into equities. Instead of channeling dividends back into the equity market, they may opt for safer, non-equity alternatives. This behavioral response suggests a competing hypothesis that higher market risk may mitigate the price effect of dividend reinvestment.

To test these contrasting predictions, we incorporate an interaction term between the market dividend yield and a proxy for market risk into our baseline regression. We proxy for

market risk using the equity market premium (*MKT*). Results on Column (2) of Table 3 show a significantly negative coefficient on the interaction term, indicating that the predictive power of dividend payments for market returns is weaker in markets with higher levels of systemic risk. The evidence supports the behavioral hypothesis that investor risk aversion and participation constraints dampen the dividend reinvestment channel during periods of high market uncertainty.

4.2.3 Macroeconomic factors

Macroeconomic factors significantly influence investor behavior by altering risk-return trade-offs and capital allocation decisions. Prior literature documents the “reaching for yield” phenomenon, wherein investors increase allocations to risky assets following declines in interest rates (Drechsler et al., 2018; Campbell and Sigalov, 2022; Gomes et al., 2025). This behavior arises as lower interest rates reduce the opportunity cost of holding risky assets, compelling investors to seek higher returns in equity markets. Therefore, we expect that the price effect of dividend payments will be more pronounced in markets experiencing faster-declining interest rates.

We obtain quarterly interest rate data from the IMF database. The interest rate change is calculated as the difference between the current and previous quarter’s rate for each market. We define *LowInterest* as an indicator that equals 1 if a market’s interest rate change falls within the bottom quintile (indicating the most substantial declines) and 0 otherwise. Due to data availability in IMF for certain markets and periods, the sample size for this test is reduced to 117,225 observations. The results, presented in Column (3) of Table 3, show that the coefficient on $MktPayYd[t-1, t] * LowInterest$ is positive and significant. This supports the hypothesis that

market reactions to dividend payments are stronger in environments where interest rates are falling sharply, consistent with investors “reaching for yield” by shifting into dividend-paying stocks when returns on traditional interest-bearing assets decline.

Inflation significantly influences investment incentives by eroding the real value of cash holdings. According to the Fisher hypothesis, stocks may serve as a long-term hedge against inflation, as nominal returns theoretically adjust to compensate for rising price levels. However, empirical evidence presents a more nuanced picture. Short-run studies consistently document a negative relationship between stock returns and inflation, contradicting the Fisher hypothesis. (Bodie, 1976; Fama and Schwert, 1977; Jaffe and Mandelker, 1976; Nelson, 1976). In contrast, long-run analyses suggest that equities can effectively hedge against inflation over extended periods (Anari and Kolari, 2001; Luintel and Paudyal, 2006). To evaluate the mediating role of inflation in our context, we construct a dummy variable, *HighInflation*, which equals 1 for markets whose inflation rates rank in the top quintile of the sample distribution and 0 otherwise. Results in Column (2) of Appendix Table B3 present an insignificant coefficient on $MktPayYd[t-1, t] * HighInflation$, indicating that the price effect of dividend payments is not significantly moderated by high inflation environments within our sample.

U.S. monetary policy, given the dollar’s central role in the global financial system, exerts a significant influence on international markets. This influence is particularly pronounced during Federal Open Market Committee (FOMC) announcement windows. Research by Hofmann, Li, and Wu (2024) confirms that a substantial portion of cross-country interest rate co-movement is attributable to U.S. policy shifts, with approximately 70% of persistent declines occurring on FOMC days. During these windows, heightened policy

uncertainty can dampen investor confidence and willingness to act, potentially leading to a reduction in market activities such as dividend reinvestment compared to periods following the announcement when uncertainty is resolved. To test this pattern, we examine dividend payments effect around FOMC meetings. Our event window encompasses the two days preceding and following FOMC meetings. Results are presented in Appendix Table B4. The coefficients on $MktPayYd[t-1, t]$ is statistically insignificant both during the FOMC window itself and the pre-FOMC period. In contrast, the coefficient is strongest and most significant in the two-day post-FOMC window ($\beta = 30.682$, $t = 3.40$). This pattern indicates that investor response to dividend payments is significantly subdued during periods of peak policy uncertainty and strengthens markedly once the FOMC's decision is communicated and uncertainty is alleviated.

4.2.4 Dividend payers and non-payers

Hartzmark and Solomon (2019) suggest that mutual funds and institutions rarely reinvest dividends into the stocks that they came from. Moreover, Hartzmark and Solomon (2025) document a stronger dividend effect for firms that do not pay dividends on day t or $t-1$. We extend this analysis to an international context by examining whether this pattern holds globally. Additionally, for firms that do not pay dividends on day t or $t-1$, they could be further divided into past payers and non-payers (e.g., whether firms paid dividend over the prior 1 year). This allows us to test if investors exhibit a preference for reinvesting into firms with a history of dividend payments, even if they are not distributing on the specific event days.

To do so, we categorize all stocks into three groups based on their dividend payment status: (1) firms that paid a dividend on either day t or $t-1$; (2) firms that paid a dividend in the

prior year but did not pay on day t or $t-1$; (3) firms that paid no dividend on days t or $t-1$ and also had no dividend payment in the prior year. The results are presented in Table 4. Column (1) shows an insignificant coefficient on $MktPayYd[t-1, t]$ for Group 1 stocks, indicating the absence of a price effect for firms that are concurrently distributing dividends. In contrast, Column (2) demonstrates that the dividend effect is most pronounced for firms in Group 2 (past payers), with a coefficient of 14.65 significant at the 1% level ($t = 2.88$). The effect for Group 3 firms (non-payers) is marginally significant but substantially smaller in magnitude ($\beta=7.566$, $t=1.79$). These findings are consistent with Hartzmark and Solomon (2025) that investors are more inclined to reinvest cash dividends into stocks that are not making a current payment on the event days. Furthermore, among the firms that did not pay on day t or $t-1$, investors show a clear preference for reinvesting in past payers over non-payers.

----Insert Table 4 here----

4.2.5 Weekday effects

A well-documented anomaly in finance is the day-of-the-week effect, wherein stock returns exhibit systematic patterns based on the trading day. A foundational finding is the negative average return on Mondays in the U.S. market, first documented by French (1980). Subsequent research has demonstrated that this Monday effect exists not only in the U.S. stock market, but also appears in various forms across international markets and other security types (e.g., Jaffe et al., 1989; Flannery and Protopapadakis, 1988). The explanations for this anomaly are diverse. For example, Lakonishok and Levi (1982) attribute to the effect to the delay between trading and settlements in stocks and in clearing checks, while Damodaran (1989) suggests that firms tend to release bad news on Fridays leads to negative price adjustments on

the following Monday. Behavioral explanations, such as the increased selling activity by individual investors on Mondays documented by Lakonishok and Maberly (1990), have also been proposed. If the Monday effect is indeed a pervasive international phenomenon, we would expect the price effect to be weakest on that day.

To test this prediction, we examine the day-of-the-week heterogeneity in the dividend payment effect. As shown in Appendix Table B5, we decompose the cumulative dividend payment yield, $MktPayYd[t-1, t]$, by interacting it with a set of five weekday dummy variables. The results show that there is no significant effect of dividend payment on market returns for Monday and Tuesday. In contrast, the coefficients for the last three weekdays are positive and significant. This pattern aligns with the prior literature on the day-of-the-week effect.

4.3 Cross-market effects

4.3.1 Dividend effect from peer markets

International capital flows foster cross-border market linkages, as documented in the literature on financial globalization (e.g., Rey, 2015). When investors receive dividends, they face not only domestic reinvestment options but also opportunities to allocate capital to foreign markets. This raises the question of whether price pressure originating from dividend payments in one market transmitted across borders, affecting returns in other markets.

To investigate this potential cross-market effect, we identify peer markets for each focal market. Peer markets are defined as those with strong financial connections to the focal market, characterized by unimpeded investment channels. We employ three distinct definitions of peer markets to ensure robustness:

1. *Equity Investment-Based Peers*: Using data from the IMF's Coordinated Portfolio Investment Survey (CPIS), which reports bilateral portfolio investment positions, we identify the top three economies holding the largest equity portfolio investments in the focal market. The average cumulative dividend payment yield (over day t and $t-1$) for these economies is denoted as $PeerDivYd1[t-1, t]$.
2. *Regional Peers*: Given that geographical proximity and shared regional characteristics (e.g., political and cultural similarities) can facilitate capital mobility, we define peer markets as all other markets located within the same continent as the focal market. The corresponding dividend yield variable is $PeerDivYd2[t-1, t]$. A limitation of this approach is the unequal number of peers across focal markets, depending on the total number of markets within a continent.
3. *Global Peers*: For a comprehensive robustness check, we define all other markets in the global sample (excluding the focal market itself) as peers. The resulting variable is $PeerDivYd3[t-1, t]$.

We then regress the focal market's return on the peer market dividend yield variables. A significantly positive coefficient would indicate the presence of cross-border price pressure emanating from peer market dividend payments.

Table 5 presents the results. Column (1) shows that the coefficient on $PeerDivYd1[t-1, t]$ is 33.775 and statistically significant at the 1% level ($t = 3.35$). This suggests that dividend payments in a market's key equity-investment partners exert significant price pressure on the focal market. To address the concern that this result might be driven by concurrent dividend payments in the focal market itself, Column (2) controls for the focal market's own dividend

yield. The coefficient on the peer dividend variable remains stable in both magnitude and significance, reinforcing the interpretation of a genuine cross-border effect. The findings are further corroborated when using alternative peer definitions: the coefficients for continent-based peers (*PeerDivYd2*[$t-1, t$], Columns 3-4) and global peers (*PeerDivYd3*[$t-1, t$], Columns 5-6) are also positive and significant. For additional robustness, we replace the value-weighted market return with the equal-weighted return to mitigate potential large-cap bias. As shown in Appendix Table B6, the results remain qualitatively unchanged. Collectively, these results indicate that dividend-induced price pressure transmits across borders, highlighting the role of financial linkages in international market integration.

----Insert Table 5 here----

4.3.2 International dividend effect on U.S. market

The United States boasts the world's most developed financial markets, characterized by relatively stable returns over recent decades. From 1990 to 2024, the U.S. stock market registered positive returns in 25 out of 35 years. During this period, the S&P 500 index surged from 353.4 to 5,881.6, marking an increase of more than fifteenfold. This sustained growth and stability have made the U.S. equity market a preferred destination for international investors, particularly during periods of heightened global uncertainty. For instance, Chen et al. (2025) documents a flight-to-U.S. phenomenon in the global equity market when global volatility soars. Given the documented cross-market effects of dividend payments in international samples, we examine whether dividend payments from other markets can predict returns in the U.S. stock market. To test this hypothesis, we select four major economies and financial centers—the United Kingdom, China, Japan, and Hong Kong—as representative source

markets. We then examine whether aggregate dividend yields in these regions generate measurable price pressure within the U.S. equity market.

The results are presented in Table 6. Columns (1) to (4) show the price effects to U.S. market from the four foreign markets respectively. The coefficient on $MktPayYd[t-1, t]_{UK}$ is positive and statistically significant, indicating that dividend payments in UK market exhibit predictive power to U.S. market return. In contrast, Columns (2) to (4) presents insignificant price effect. In Column (5), we regress the dividend payment yields in all the four markets in a specification, the results still hold. Overall, these findings indicate that dividend payments in some market like UK do influence U.S. market returns.

The results are reported in Table 6. Columns (1) to (4) present the price effects from four foreign markets on the U.S. equity market, respectively. The coefficient on $MktPayYd[t-1, t]_{UK}$ is positive and statistically significant, indicating that dividend payments in the UK market possess significant price pressure for U.S. equity market. By contrast, the coefficients corresponding to the other three markets, as shown in Columns (2) to (4), are statistically insignificant. Furthermore, in Column (5), we include the dividend payment yields of all four markets simultaneously in a unified regression specification. The coefficient on the UK dividend yield remains positive and significant. Overall, these findings suggest that dividend-induced price pressure transmits across borders, with the UK market exhibiting a particularly pronounced influence on U.S. equity returns.

----Insert Table 6 here----

4.4 Robustness tests

4.4.1 Alternative fixed effects

To further verify the robustness of our main findings, we adjust the fixed effects specifications to rule out potential confounding factors. First, to more precisely control for unobserved heterogeneity that varies across both markets and —such as monthly adjustments to macroeconomic policies or cross-border capital flows— we replace the market fixed effects and year-month fixed effects in the baseline regression with market-by-year-month fixed effects. This specification allows each market to have a unique fixed effect in each year-month, enabling us to isolate confounding factors at a finer granularity. Consequently, any control variables constructed from monthly frequency data (e.g., *TurnOver*, *Volatility*, *Return[m-1]*) are absorbed by these high-dimensional fixed effects and are thus omitted from the regression. As shown in Column (1) of Panel A in Table 7, the coefficient on $MktPayYd[t-1, t]$ is 14.66 and significant at the 1% level ($t=4.60$), confirming the robustness of the main findings under stricter controls.

Second, given that the year-month fixed effects used in the baseline regression may not fully capture contemporaneous common shocks across markets, we refine the baseline specification by introducing date fixed effects. This approach controls for daily common shocks—such as global financial news or synchronized policy announcements—thereby reducing omitted variable bias. The empirical results in Column (2) of Panel A show that the coefficient on $MktPayYd[t-1, t]$ remains statistically significant and economically consistent with our baseline results, verifying the robustness of the main conclusion.

Third, we implement a dual fixed effects specification that combines market-by-year-month and date fixed effects. This approach simultaneously accounts for heterogeneity at the

market-time level and contemporaneous common shocks across markets, forming the most stringent robustness check standard. Results in Column (3) continue to show a significantly positive coefficient on the core explanatory variable, underscoring the reliability of our findings even under the most demanding controls.

These layered robustness checks collectively affirm that the documented relationship between dividend yields and market returns is not driven by unobserved heterogeneity or common temporal shocks.

----Insert Table 7 here----

4.4.2 Alternative dependent or independent variables

To further validate the robustness of our findings, we conduct additional tests using alternative measures of either dependent variables or independent variables.

To address potential selection bias in market returns, we employ two alternative measures of the dependent variable. First, we replace the value-weighted market return with the equal-weighted market return. As reported in Column (1) of Panel B in Table 7, the coefficient on $MktPayYd[t-1, t]$ remains positive and statistically significant at the 1% level ($\beta = 9.133, t = 2.75$). Second, we use the return of each market's primary national index (e.g., the MSCI-UK index for the United Kingdom) from the Compustat Global database. Since Compustat Global provides index data for only 21 markets, the sample size decreases to 199,768 observations. As shown in Column (2) of Panel B, the coefficient on $MktPayYd[t-1, t]$ continues to be positive and significant ($\beta = 9.238, t = 3.05$), affirming that our core conclusion is not sensitive to the choice of market return proxy.

While year-by-month fixed effects control for slow-moving trends in market prices, the

results could still be influenced by daily fluctuations in the denominator of our dividend yield measure. To mitigate this concern, we define the dividend payment yield as dividend payment amount on day t scaled by the average month-end market capitalization over the prior 12 months, rather than by the prior day's market value. This approach smooths short-term volatility in the denominator while preserving the economic interpretation of the yield measure. The resulting variable, denoted $MktPayYd_Alt[t-1, t]$, captures the cumulative market dividend payment yield from day $t-1$ to day t . Results in Column (3) of Panel B show a pattern consistent with our baseline regression, indicating that our findings are not driven by high-frequency fluctuations in the denominator.

5 Conclusion

This study extends the literature on dividend reinvestment by systematically examining its price effects within an international framework. Our central finding is that the price pressure generated by dividend payments is a pervasive global phenomenon, not confined to the U.S. market. Using data from 48 markets spanning 1990 to 2024, we show that dividend payouts significantly predict positive market returns.

The cross-sectional analyses provide further nuance, indicating that the price effect is weaker in markets with a higher proportion of older investors and in markets with higher systemic risk. Furthermore, the effect is more pronounced in markets experiencing sharp declines in interest rates, aligning with the “reaching for yield” narrative. Interestingly, the effect is strongest for firms that are past payers but are not distributing dividends on the event days.

More importantly, we uncover compelling evidence of cross-market dividend effects, indicating that price pressure transmits across borders, with dividend payments in one market positively predicting returns in its closely linked peer markets. This finding introduces dividend flows as a previously underappreciated mechanism driving international stock return comovements.

This study contributes to the broader literature on the market effects of dividend payments and price pressure. While prior research has predominantly focused on individual markets, we extend the analysis to a global setting, examining both the consistency and heterogeneity of price effects across markets. Moreover, we pioneer the identification of cross-market dividend spillovers, thereby filling a critical gap in the literature. Future research could extend this work by exploring the role of specific investor types (e.g., institutional vs. retail traders) in driving these price effects, as well as examining the implications for international portfolio allocation strategies.

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Table 1: Descriptive Statistics

This table presents descriptive statistics for the primary variables. For market i , $MktRet$ is the value-weighted market return. $MktPayYd[t-1, t]$ is the market dividend payment yield, which is measured as the cumulative market dividend payment yields on day $t-1$ and t . Where market dividend yield is defined as total dividend payments on day t divided by the total market capitalization on the prior day. $TurnOver$ is the average daily turnover over the previous month, where turnover is total trading volume divided by total shares outstanding in a market in a day. $Volatility$ is the standard deviation of the daily market return over the previous month. $Return[m-1]$ is the cumulative return in a market over the previous month. $Announcement$ is the cumulative announcement ratio on day t and day $t-1$, where the announcement ratio is the number of stocks declaring cash dividend divided by the total number of stocks in the market on the same day. EX is the cumulative ex-dividend ratio on day t and day $t-1$, where the ex-dividend ratio is the number of stocks ex-dividend divided by the total number of stocks in the market on the same day. MKT , SMB , HML , CMA , RMW are global factors, each factor is defined as return difference between the top and bottom terciles. The detailed definitions of all variables are provided in Appendix A. There are 275,291 observations in our final sample. All continuous variables are winsorized at the top and bottom percentiles.

<i>Variable</i>	<i>N</i>	<i>Mean</i>	<i>Std Dev</i>	<i>25th Pctl</i>	<i>Median</i>	<i>75th Pctl</i>
<i>MktRet (%)</i>	275,291	0.0750	1.227857	-0.4589	0.0902	0.6365
<i>MktPayYd[t-1, t]</i>	275,291	0.0002	0.000691	0.0000	0.0000058	0.0001
<i>TurnOver</i>	275,291	0.0032	0.003776	0.0011	0.0021	0.0039
<i>Volatility</i>	275,291	1.0823	0.779446	0.6250	0.8759	1.2684
<i>Return[m-1]</i>	275,291	1.9285	6.563930	-1.4158	1.7765	4.8590
<i>Announcement</i>	275,291	0.0067	0.059379	0.0000	0.0012	0.0072
<i>EX</i>	275,291	0.0065	0.018347	0.0000	0.0011	0.0072
<i>MKT</i>	275,291	0.0051	1.146420	-0.5394	0.0136	0.5670
<i>SMB</i>	275,291	0.0002	0.864374	-0.4311	0.0180	0.4552
<i>HML</i>	275,291	0.0117	0.966523	-0.4456	0.0019	0.4535
<i>CMA</i>	275,291	0.0051	0.844505	-0.3892	0.0013	0.3957
<i>RMW</i>	275,291	0.0144	0.865827	-0.3916	0.0133	0.4179

Table 2: Dividend Payments and International Market Returns

This table reports the impact of dividend payment yield on stock market returns in an international setting. The unit of analysis is market-day. The dependent variable, *MktRet*, is the value-weighted market return on date *t* for stock market *m*. The key independent variable, *MktPayYd[t-1, t]*, is measured as the cumulative market dividend payment yield on days *t-1* and *t* following Hartzmark and Solomon (2025). Panel A presents the univariate analysis results for dividend yield measured at different dates, where *MktPayYd[t]* (or *MktPayYd[t-n]*) is the total dividend payments on day *t* (*t-n*) divided by the total market capitalization on the prior day. Panel B shows the multiple regression results. Control variables include *TurnOver*, *Volatility*, *Return[m-1]*, *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications, except Column (1) in Panel A, include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

Panel A: Univariate analysis

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>
<i>MktPayYd[t-1, t]</i>	18.323*** (3.38)	17.415*** (3.89)					
<i>MktPayYd[t]</i>			24.776*** (3.86)				
<i>MktPayYd[t-1]</i>				16.509** (2.11)			
<i>MktPayYd[t-2]</i>					10.746* (1.79)		
<i>MktPayYd[t-3]</i>						13.336* (1.69)	
<i>MktPayYd[t-4]</i>							7.890 (1.29)
<i>Constant</i>	0.071*** (8.72)	0.071*** (9.93)	0.072*** (10.14)	0.073*** (9.93)	0.074*** (10.34)	0.073*** (10.26)	0.074*** (10.39)
<i>Market FE</i>	No	Yes	Yes	Yes	Yes	Yes	Yes
<i>YM FE</i>	No	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	275291	275291	275291	275291	275250	275208	275212
<i>adj. R2</i>	0.0001	0.0207	0.0207	0.0003	0.0206	0.0206	0.0206

Panel B: Multiple analysis

<i>Dependent variables=</i>	(1) <i>MktRet</i>	(2) <i>MktRet</i>
<i>MktPayYd[t-1, t]</i>	15.322*** (3.39)	12.487*** (3.96)
<i>TurnOver</i>	2.238*** (3.03)	3.532*** (3.10)
<i>Volatility</i>	0.008 (1.38)	0.005 (0.86)
<i>Return[m-1]</i>	0.002** (2.67)	0.004*** (6.57)
<i>Announcement</i>	-0.032 (-1.60)	-0.028 (-1.44)
<i>EX</i>	0.792*** (3.82)	0.711*** (3.13)
<i>MKT</i>		-0.490*** (-16.17)
<i>SMB</i>		-0.426*** (-9.94)
<i>HML</i>		-0.027 (-1.28)
<i>CMA</i>		-0.086*** (-5.33)
<i>RMW</i>		-0.053** (-2.23)
<i>Constant</i>	0.048*** (5.45)	0.048*** (5.64)
<i>Market FE</i>	Yes	Yes
<i>YM FE</i>	Yes	Yes
<i>N</i>	275291	275291
<i>adj. R2</i>	0.0209	0.4009

Table 3: Dividend Payments and International Market Returns—Cross-sectional Tests

This table presents the cross-sectional results. We employ an interaction design to capture how investor age, market risk and interest rate changes moderate the effect of dividend payment yield on market returns. To measure investor age in a market, we define an indicator variable, *Age60*, which equals 1 if the proportion of population aged 60 and above in the country falls within the top quintile of the sample, and 0 otherwise. For market risk, we use the equity market premium (*MKT*), defined as the difference between the returns of the high-tercile and low-tercile portfolios, sorted by firms' market beta for all non-micro-cap stocks. For interest rate changes, we define an indicator variable, *LowInterest*, which equals 1 if a market's quarterly interest rate change falls within the bottom quintile and 0 otherwise. The dependent variable, *MktRet*, is the value-weighted market return on date *t* in market *m*. The independent variable, *MktPayYd[t-1, t]*, is measured as the cumulative market dividend payment yield on day *t-1* and *t*. Control variables include *TurnOver*, *Volatility*, *Return[m-1]*, *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

<i>Dependent variables=</i>	(1) <i>MktRet</i>	(2) <i>MktRet</i>	(3) <i>MktRet</i>
<i>MktPayYd[t-1, t]*Age60</i>	-13.616** (-2.67)		
<i>Age60</i>	0.023*** (2.83)		
<i>MktPayYd[t-1, t]*MKT</i>		-14.105** (-2.08)	
<i>MktPayYd[t-1, t]*LowInterest</i>			25.256** (2.06)
<i>LowInterest</i>			0.001 (0.12)
<i>Controls</i>	Yes	Yes	Yes
<i>Market FE</i>	Yes	Yes	Yes
<i>YM FE</i>	Yes	Yes	Yes
<i>N</i>	268244	275291	117225
<i>adj. R2</i>	0.404	0.401	0.354

Table 4: Dividend Payments and International Market Returns: Different Dividend Groups

This table presents how the market returns vary across different groups. Stocks in each market are divided into three groups: current payers, past payers and non-payers. Current payers include stocks that paid a dividend on either day t or day $t-1$. Past payers include stocks that paid a dividend in the prior year but did not pay a dividend on day t and day $t-1$. Non-payers include stocks that paid no dividend on day t or day $t-1$ and did not pay a dividend in the prior year. *MktRet_Divcur* is the value-weighted return for stocks in the current payer group. *MktRet_Divpast* is the value-weighted return for stocks in the past payer group. *MktRet_Divnon* is the value-weighted return for stocks in the non-payer group. The independent variable, *MktPayYd[t-1, t]*, is measured as the cumulative market dividend payment yield on day $t-1$ and day t . Control variables include *TurnOver*, *Volatility*, *Return[m-1]*, *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)
<i>Dependent variables=</i>	<i>MktRet_Divcur</i>	<i>MktRet_Divpast</i>	<i>MktRet_Divnon</i>
<i>MktPayYd[t-1, t]</i>	1.463 (0.16)	14.650*** (2.88)	7.566* (1.79)
<i>Controls</i>	Yes	Yes	Yes
<i>Market FE</i>	Yes	Yes	Yes
<i>YM FE</i>	Yes	Yes	Yes
<i>N</i>	153972	153982	153982
<i>adj. R2</i>	0.062	0.394	0.313

Table 5: Across country spillover - Dividend Payment of Peer Countries on Focal Market

This table presents the effect of peers' dividend payment yield on focal market returns. We define three types of peers for each focal market: equity investment-based peers, regional peers and global peers. Equity investment-based peers include the top three economies holding the largest equity portfolio investments in the focal market. Regional peers include markets located within the same continent as the focal market. Global peers include markets in the global sample excluding the focal market itself. $PeerDivYd1[t-1, t]$ is the average market dividend payment yields on day t and day t-1 for equity investment-based peers; $PeerDivYd2[t-1, t]$ the corresponding measure for regional peers; and $PeerDivYd3[t-1, t]$ for global peers. $MktPayYd[t-1, t]$ is the cumulative market dividend payment yield on day t-1 and t for the focal market. The dependent variable, $MktRet$, is the value-weighted returns of the focal market. Control variables include $TurnOver$, $Volatility$, $Return[m-1]$, $Announcement$, EX , MKT , SMB , HML , CMA , RMW . Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

<i>Dependent variables=</i>	(1) <i>MktRet</i>	(2) <i>MktRet</i>	(3) <i>MktRet</i>	(4) <i>MktRet</i>	(5) <i>MktRet</i>	(6) <i>MktRet</i>
<i>PeerDivYd1[t-1, t]</i>	33.775*** (3.35)	32.461*** (3.23)				
<i>PeerDivYd2[t-1, t]</i>			27.394** (2.13)	25.559* (2.01)		
<i>PeerDivYd3[t-1, t]</i>					93.962** (2.63)	92.308** (2.59)
<i>MktPayYd[t-1, t]</i>		12.194*** (4.00)		11.400*** (3.73)		11.867*** (4.00)
<i>Controls</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Market FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>YM FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	217165	217165	264350	264350	275027	275027
<i>adj. R-sq</i>	0.4390	0.4391	0.4051	0.4052	0.4012	0.4012

Table 6: U.S. Market Return Based on Foreign Dividend Payment

This table presents the effect of foreign markets' dividend payment yield on U.S. market returns. The dependent variable, *MktRet*, is the value-weighted returns of the U.S. market. For foreign markets, we focus on four major economies: the United Kingdom, China, Japan, and Hong Kong. *MktPayYd[t-1, t]_i* represents the cumulative market dividend payment yield on day t-1 and t for market i. Detailed definitions of all these variables are available in Appendix A. All specifications include year-month fixed effects. T-statistics based on heteroskedasticity-robust standard errors are in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

<i>Dependent variables=</i>	(1) <i>Mktret_{US}</i>	(2) <i>Mktret_{US}</i>	(3) <i>Mktret_{US}</i>	(4) <i>Mktret_{US}</i>	(5) <i>Mktret_{US}</i>
<i>MktPayYd[t-1, t]_{UK}</i>	76.456** (2.02)				76.111** (2.01)
<i>MktPayYd[t-1, t]_{CN}</i>		-6.862 (-0.13)			-26.936 (-0.49)
<i>MktPayYd[t-1, t]_{JP}</i>			69.104 (1.47)		70.805 (1.50)
<i>MktPayYd[t-1, t]_{HK}</i>				23.247 (0.69)	18.800 (0.56)
<i>Constant</i>	0.017 (1.01)	0.037** (2.33)	0.026 (1.62)	0.030* (1.77)	0.005 (0.25)
<i>YM FE</i>	Yes	Yes	Yes	Yes	Yes
<i>N</i>	6805	6805	6805	6805	6805
<i>adj. R2</i>	-0.0136	-0.0143	-0.0136	-0.0142	-0.0133

Table 7: Robustness Tests

This table presents robustness tests. Panel A examines alternative fixed-effect specifications: Column (1) uses market-by-year-month fixed effects; Column (2) applies market and date fixed effects; and Column (3) combines market-by-year-month and date fixed effects. Panel B explores alternative dependent and independent variables. In Column (1) and Column (2), we use alternative dependent variable i.e., equal-weighted market returns and index returns, respectively. In Column (3), we redefine the market dividend payment yield as the dividend payment amount on day t scaled by the average month-end market capitalization over the prior 12 months, rather than by the prior day's market value, and use the cumulative market dividend payment yields on day t and day $t-1$ ($MktPayYd_Alt[t-1, t]$) as key independent variable to re-estimate the baseline regression. Control variables include *TurnOver*, *Volatility*, *Return[m-1]*, *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

Panel A: Using different fixed effects

	(1)	(2)	(3)
<i>Dependent variables=</i>	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>
<i>MktPayYd[t-1, t]</i>	14.660*** (4.60)	8.588** (2.65)	9.670*** (3.48)
<i>Controls</i>	Yes	Yes	Yes
<i>Market FE</i>	No	Yes	No
<i>Market-by-YM FE</i>	Yes	No	Yes
<i>Date FE</i>	No	Yes	Yes
<i>N</i>	275210	274909	274828
<i>adj. R2</i>	0.4022	0.5119	0.5172

Panel B: Using different dependent or independent variables

	(1)	(2)	(3)
<i>Dependent variables=</i>	<i>EW_MktRet</i>	<i>IndexRet</i>	<i>MktRet</i>
<i>MktPayYd[t-1, t]</i>	9.133*** (2.75)	9.238*** (3.05)	
<i>MktPayYd_Alt[t-1, t]</i>			9.934*** (4.29)
<i>Controls</i>	Yes	Yes	Yes
<i>Market FE</i>	Yes	Yes	Yes
<i>YM FE</i>	Yes	Yes	Yes
<i>N</i>	275291	199768	275291
<i>adj. R2</i>	0.2781	0.4787	0.4009

Appendix A: Variable Definitions

Variables	Definitions
<i>Dependent variables</i>	
<i>MktRet</i>	The value-weighted market return.
<i>MktRet_Divcur</i>	The value-weighted return for stocks that paid a dividend on either day t or t-1.
<i>MktRet_Divpast</i>	The value-weighted return for stocks that paid a dividend in the prior year but did not pay a dividend on day t and t-1.
<i>MktRet_Divnon</i>	The value-weighted return for stocks that paid no dividend on day t or t-1, and did not pay a dividend in the prior year.
<i>IndexRet</i>	Daily return of the index representing a market.
<i>EW_MktRet</i>	The equal-weighted market return.
<i>Independent Variables</i>	
<i>MktPayYd[t-n, t]</i>	The cumulative market dividend payment yields from day t-n to day t. Where market dividend yield is defined as total dividend payments on day t divided by the total market capitalization on day t-1.
<i>MktPayYd[t]</i>	The market dividend payment yield on day t.
<i>MktPayYd_Alt[t-1, t]</i>	The cumulative market dividend payment yields on day t and day t-1. Where market dividend yield is defined as total dividend payments on day t divided by the average month-end market capitalization over the prior 12 months.
<i>PeerDivYd1[t-1, t]</i>	The average peers' market dividend payment yields on day t and day t-1. Peers are defined as the top three economies holding domestic equity portfolio investments in the previous fiscal year.
<i>PeerDivYd2[t-1, t]</i>	The average peers' market dividend payment yields on day t and day t-1. Peers are defined as markets located in the same continent as the focal market.
<i>PeerDivYd3[t-1, t]</i>	The average peers' market dividend payment yields on day t and day t-1. Peers are defined as markets in the full sample except the focal market.
<i>Control Variables</i>	
<i>TurnOver</i>	Average daily turnover over the previous month, where turnover is total trading volume divided by total shares outstanding in a market in a day.
<i>Volatility</i>	The standard deviation of the daily market return over the previous month.
<i>Return[m-1]</i>	The cumulative return in the market over the previous month.
<i>Announcement</i>	The cumulative announcement ratio on day t and day t-1, where the announcement ratio is the number of stocks declaring cash dividend divided by the total number of stocks in the market on the same day.
<i>EX</i>	The cumulative ex-dividend ratio on day t and day t-1, where the ex-dividend ratio is the number of stocks ex-dividend divided by the total number of stocks in the market on the same day.
<i>MKT</i>	The market beta premium factor, which is defined as the high-tercile minus low-tercile returns for all non-micro stocks on firms' market beta.
<i>SMB</i>	The size factor, which is defined as the high-tercile minus low-tercile returns for all non-micro stocks sorted on market capitalization.
<i>HML</i>	The value factor, which is defined as the high-tercile minus low-tercile returns for all non-micro stocks sorted on the book-to-market ratio.
<i>CMA</i>	The investment factor, which is defined as the high-tercile minus low-tercile returns for all non-micro stocks sorted on the asset growth rate.
<i>RMW</i>	The profitability factor, which is defined as the high-tercile minus low-tercile returns for all non-micro stocks sorted on operating profitability.

Variables used in cross-sectional analyses

<i>Age60</i>	An indicator equals 1 if the proportion of population aged 60 and above in a market was in the top quintile of the sample and 0 otherwise.
<i>HighFinlit</i>	An indicator equals 1 if the level of financial literacy in a market is in the top quintile of the sample and 0 otherwise. Financial literacy is measured as the percentage of financially literate individuals.
<i>LowInterest</i>	An indicator equals 1 if a market's interest rate change falls within the bottom quintile and 0 otherwise.
<i>HighInflation</i>	An indicator equals 1 if a market's inflation rate ranks in the top quintile and 0 otherwise.
<i>Monday</i>	An indicator equals 1 if the current day is Monday and 0 otherwise
<i>Tuesday</i>	An indicator equals 1 if the current day is Tuesday and 0 otherwise
<i>Wednesday</i>	An indicator equals 1 if the current day is Wednesday and 0 otherwise
<i>Thursday</i>	An indicator equals 1 if the current day is Thursday and 0 otherwise
<i>Friday</i>	An indicator equals 1 if the current day is Friday and 0 otherwise

Appendix B

Table B1: Descriptive Statistics by Market

This table presents descriptive statistics of market return and market dividend payment yield by market. *MktRet* is the value-weighted market return. *MktPayYd*[*t-1*, *t*] is the market dividend payment yield, which is measured as the cumulative market dividend payment yields on day *t-1* and *t*. There are 48 markets in our final sample.

<i>Market</i>	<i>MktRet</i>			<i>MktPayYd</i> [<i>t-1</i> , <i>t</i>]		
	<i>N</i>	<i>Mean</i>	<i>Std Dev</i>	<i>N</i>	<i>Mean</i>	<i>Std Dev</i>
<i>United Arab Emirates</i>	2,204	0.0893	0.7921	2,204	0.0001	0.000500
<i>Argentina</i>	1,264	0.2106	1.0814	1,264	0.0000	0.000027
<i>Australia</i>	8,843	0.0657	0.8458	8,843	0.0003	0.000652
<i>Austria</i>	596	0.1319	1.1002	596	0.0004	0.001240
<i>Belgium</i>	7,403	0.0688	1.2395	7,403	0.0002	0.000648
<i>Bangladesh</i>	1,240	0.0448	1.1787	1,240	0.0002	0.000443
<i>Brazil</i>	5,521	0.1009	1.2950	5,521	0.0002	0.000608
<i>Switzerland</i>	8,356	0.0560	0.9785	8,356	0.0002	0.000574
<i>Chile</i>	4,052	0.0592	0.6928	4,052	0.0002	0.000567
<i>China</i>	6,290	0.0813	1.5393	6,290	0.0001	0.000336
<i>Germany</i>	8,776	0.0654	1.0096	8,776	0.0002	0.000565
<i>Denmark</i>	7,138	0.0865	1.1071	7,138	0.0002	0.000663
<i>Egypt</i>	4,382	0.0899	1.2856	4,382	0.0002	0.000532
<i>Spain</i>	7,977	0.0602	1.2255	7,977	0.0004	0.001117
<i>Finland</i>	6,434	0.0661	1.5919	6,434	0.0003	0.000826
<i>France</i>	8,811	0.0600	1.1381	8,811	0.0002	0.000582
<i>United Kingdom</i>	8,844	0.0925	1.4398	8,844	0.0002	0.000458
<i>Greece</i>	6,492	0.0492	1.6925	6,492	0.0004	0.001618
<i>Hong Kong, China</i>	8,366	0.0809	1.4876	8,366	0.0003	0.000542
<i>Indonesia</i>	7,321	0.0888	1.2223	7,321	0.0002	0.000578
<i>India</i>	5,860	0.1109	1.2847	5,860	0.0001	0.000448
<i>Israel</i>	6,047	0.0802	1.1211	6,047	0.0004	0.001202
<i>Italy</i>	8,765	0.0523	1.2754	8,765	0.0002	0.000875
<i>Jordan</i>	578	- 0.0318	1.3469	578	0.0002	0.000806
<i>Japan</i>	8,590	0.0475	1.2359	8,590	0.0001	0.000460
<i>Korea</i>	7,435	0.0867	1.5813	7,435	0.0001	0.000524
<i>Kuwait</i>	4,427	0.0540	0.9101	4,427	0.0002	0.000686
<i>Sri Lanka</i>	115	- 0.1097	1.5165	115	0.0001	0.000121
<i>Mexico</i>	3,969	0.0593	0.4779	3,969	0.0001	0.000168
<i>Malaysia</i>	8,286	0.0651	1.0886	8,286	0.0003	0.000611
<i>Nigeria</i>	3,699	0.0861	1.0555	3,699	0.0002	0.000627
<i>Netherlands</i>	8,628	0.0631	1.1040	8,628	0.0002	0.000611
<i>Norway</i>	6,969	0.0880	1.2889	6,969	0.0002	0.000705
<i>New Zealand</i>	4,375	0.0536	0.5331	4,375	0.0003	0.000631
<i>Oman</i>	558	0.0449	0.5129	558	0.0001	0.000356
<i>Pakistan</i>	4,192	0.0778	1.0992	4,192	0.0004	0.000703
<i>Peru</i>	3,929	0.0578	0.6261	3,929	0.0002	0.000631

<i>Philippines</i>	5,743	0.0661	1.1469	5,743	0.0002	0.000460
<i>Poland</i>	6,237	0.0641	1.2018	6,237	0.0002	0.000574
<i>Russia</i>	3,103	0.0728	1.1771	3,103	0.0002	0.000604
<i>Saudi Arabia</i>	4,272	0.0434	1.2324	4,272	0.0002	0.000628
<i>Singapore</i>	8,531	0.0624	0.9910	8,531	0.0003	0.000687
<i>Sweden</i>	7,897	0.0886	1.4017	7,897	0.0002	0.000698
<i>Thailand</i>	7,576	0.0744	1.3364	7,576	0.0003	0.000645
<i>Turkey</i>	6,672	0.1695	1.9194	6,672	0.0002	0.000605
<i>Taiwan, China</i>	7,047	0.0753	1.2993	7,047	0.0002	0.000640
<i>Vietnam</i>	3,035	0.0943	1.0099	3,035	0.0002	0.000424
<i>South Africa</i>	8,446	0.0992	1.0496	8,446	0.0003	0.000637

Table B2: Market Returns and Dividend Payments by Market

This table presents the effect of dividend payment yield on market returns for individual market. The dependent variable, *MktRet*, is the value-weighted market return. The independent variable, *MktPayYd[t-1, t]*, is measured as the cumulative market dividend payment yield on day t-1 and t. There are 48 markets in our final sample. Detailed definitions of all variables are available in Appendix A. All specifications include year-month fixed effects. T-statistics based on heteroskedasticity-robust standard errors are in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

<i>Market</i>	<i>MktPayYd[t-1, t]</i>	<i>t-value</i>	<i>N</i>	<i>R</i> ²
United Kingdom	87.59***	(2.84)	8844	0.043
Brazil	71.55**	(2.22)	5521	0.051
Peru	69.96***	(3.62)	3929	0.095
Japan	69.63**	(1.97)	8590	0.042
Hong Kong, China	67.97*	(1.93)	8359	0.053
Chile	60.88***	(2.71)	4036	0.076
South Africa	53.07**	(2.51)	8445	0.048
Singapore	49.00**	(2.43)	8531	0.066
Kuwait	44.46*	(1.74)	4427	0.064
Australia	32.48**	(2.06)	8843	0.040
Argentina	1097.0	(1.03)	1264	0.080
Sri Lanka	627.3	(0.43)	115	0.034
Korea	53.61	(0.99)	7435	0.057
United Arab Emirates	51.63	(0.94)	2204	0.051
Taiwan, China	48.46	(1.59)	7047	0.056
India	47.46	(1.06)	5860	0.062
Nigeria	38.59	(1.16)	3699	0.128
Sweden	34.19	(0.90)	7896	0.039
Turkey	31.79	(0.76)	6672	0.071
Malaysia	28.20	(0.94)	8281	0.077
Austria	21.50	(0.51)	584	0.071
Denmark	20.04	(0.99)	7138	0.041
Belgium	19.27	(0.82)	7401	0.045
Poland	15.55	(0.60)	6237	0.050
Indonesia	15.21	(0.51)	7319	0.082
Egypt	13.54	(0.28)	4382	0.077
Italy	11.44	(0.76)	8765	0.049
Germany	11.32	(0.53)	8776	0.050
Finland	11.20	(0.27)	6426	0.039
Switzerland	10.71	(0.47)	8356	0.038
Norway	10.12	(0.44)	6969	0.040
France	9.233	(0.36)	8811	0.038
Spain	8.462	(0.52)	7977	0.042
Netherlands	8.264	(0.39)	8628	0.038
New Zealand	8.221	(0.62)	4363	0.063
Israel	7.499	(0.38)	6044	0.061
Vietnam	7.451	(0.17)	3035	0.069
Saudi Arabia	-0.207	(-0.00)	4272	0.053
Russia	-8.571	(-0.24)	3103	0.037
Pakistan	-10.13	(-0.30)	4191	0.118
Oman	-10.45	(-0.09)	558	0.107
Greece	-12.52	(-0.64)	6492	0.052

Philippines	-27.74	(-0.71)	5738	0.069
Bangladesh	-32.45	(-0.71)	1240	0.081
China	-33.80	(-0.38)	6290	0.057
Thailand	-34.69	(-1.08)	7576	0.073
Jordan	-35.07	(-0.53)	578	0.062
Mexico	-67.65	(-1.44)	3963	0.080

Table B3: Cross-sectional Tests of Financial Literacy and Inflation

This table presents the cross-sectional results for financial literacy and inflation. To examine the moderating role of financial literacy, we define an indicator variable, *HighFinlit*, which equals 1 if the level of financial literacy in a market is in the top quintile of the sample and 0 otherwise. To explore the moderating role of inflation, we define an indicator variable, *HighInflation*, which equals 1 if a market's inflation rate ranks in the top quintile and 0 otherwise. The dependent variable, *MktRet*, is the value-weighted market return. The independent variable, *MktPayYd[t-1, t]*, is measured as the cumulative market dividend payment yield on day t-1 and t. Control variables include *TurnOver*, *Volatility*, *Return[m-1]*, *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

	(1)	(2)
<i>Dependent variables=</i>	<i>MktRet</i>	<i>MktRet</i>
<i>MktPayYd[t-1, t]*HighFinlit</i>	9.616*	
	(1.77)	
<i>MktPayYd[t-1, t]*HighInflation</i>		8.181
		(0.81)
<i>HighInflation</i>		0.005
		(0.43)
<i>MktPayYd[t-1, t]</i>	9.560**	10.151***
	(2.59)	(2.72)
<i>Controls</i>	Yes	Yes
<i>Market FE</i>	Yes	Yes
<i>YM FE</i>	Yes	Yes
<i>N</i>	274733	246484
<i>adj. R2</i>	0.401	0.396

Table B4: Dividend Payments and International Market Returns around FOMC Meetings

This table presents effect of dividend payment yield on market returns around FOMC meetings. We restrict the sample to periods surrounding FOMC meetings and divide it into three windows: the two-day window preceding the meeting (Pre-FOMC), the meeting period (FOMC), and the two-day window following the meeting (Post-FOMC). The dependent variable, *MktRet*, is the value-weighted market return. The independent variable, *MktPayYd*[*t-1, t*], is measured as the cumulative market dividend payment yield on day *t-1* and *t*. Control variables include *TurnOver*, *Volatility*, *Return*[*m-1*], *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

	Pre-FOMC	FOMC	Post-FOMC
	(1)	(2)	(4)
<i>Dependent variables=</i>	<i>MktRet</i>	<i>MktRet</i>	<i>MktRet</i>
<i>MktPayYd</i> [<i>t-1, t</i>]	5.703	-7.272	30.682***
	(0.57)	(-0.48)	(3.40)
<i>Controls</i>	Yes	Yes	(2.82)
<i>Market FE</i>	Yes	Yes	Yes
<i>YM FE</i>	Yes	Yes	Yes
<i>N</i>	17491	13221	17009
<i>adj. R2</i>	0.472	0.449	0.490

Table B5: Dividend Payments and International Market Returns by Weekday

This table shows how the market return varies with the dividend payment yield across weekdays. *MktRet* is the value-weighted market return. *MktPayYd*[*t-1*, *t*] is the cumulative market dividend payment yield on day *t-1* and *t*. Market return (*MktRet*) is regressed on market dividend payment yield (*MktPayYd*[*t-1*, *t*]) interacted with weekday dummy variables. Column (1) shows results without control variables, while Column (2) includes controls and market and year-month fixed effects. Control variables include *TurnOver*, *Volatility*, *Return*[*m-1*], *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

	(1)	(2)
<i>Dependent variables=</i>	<i>MktRet</i>	<i>MktRet</i>
<i>MktPayYd</i> [<i>t-1</i> , <i>t</i>]* <i>Monday</i>	-6.177 (-0.41)	-8.216 (-0.62)
<i>MktPayYd</i> [<i>t-1</i> , <i>t</i>]* <i>Tuesday</i>	-3.278 (-0.30)	-6.646 (-0.99)
<i>MktPayYd</i> [<i>t-1</i> , <i>t</i>]* <i>Wednesday</i>	31.118** (2.62)	26.399*** (3.39)
<i>MktPayYd</i> [<i>t-1</i> , <i>t</i>]* <i>Thursday</i>	34.728*** (2.82)	25.466*** (3.00)
<i>MktPayYd</i> [<i>t-1</i> , <i>t</i>]* <i>Friday</i>	40.549*** (3.37)	35.043*** (4.67)
<i>Controls</i>	No	Yes
<i>Market FE</i>	No	Yes
<i>YM FE</i>	No	Yes
<i>N</i>	275291	275291
<i>adj. R2</i>	0.0208	0.4010

Table B6: Robustness Tests for Cross-market Effects

This table presents robustness tests for cross-market effects in Table 5. We replace value-weighted returns in the regression with equal-weighted market returns. We define three types of peers for each focal market: equity investment-based peers, regional peers and global peers. Equity investment-based peers include the top three economies holding the largest equity portfolio investments in the focal market. Regional peers include markets located within the same continent as the focal market. Global peers include markets in the global sample excluding the focal market itself. $PeerDivYd1[t-1, t]$ is the average market dividend payment yields on day t and day $t-1$ for equity investment-based peers; $PeerDivYd2[t-1, t]$ the corresponding measure for regional peers; and $PeerDivYd3[t-1, t]$ for global peers. $MktPayYd[t-1, t]$ is the cumulative market dividend payment yield on day $t-1$ and t for the focal market. The dependent variable, $MktRet$, is the value-weighted returns of the focal market. Control variables include *TurnOver*, *Volatility*, *Return[m-1]*, *Announcement*, *EX*, *MKT*, *SMB*, *HML*, *CMA*, *RMW*. Detailed definitions of these variables are available in Appendix A. All specifications include market and year-month fixed effects. Standard errors are clustered by date and market, and t-statistics are reported in parentheses. ***, ** and * represent significance levels at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
<i>Dependent variables=</i>	<i>EW_MktRet</i>	<i>EW_MktRet</i>	<i>EW_MktRet</i>	<i>EW_MktRet</i>	<i>EW_MktRet</i>	<i>EW_MktRet</i>
<i>PeerDivYd1[t-1, t]</i>	31.494*** (3.50)	30.371*** (3.38)				
<i>PeerDivYd2[t-1, t]</i>			30.488** (2.66)	29.275** (2.58)		
<i>PeerDivYd3[t-1, t]</i>					102.822*** (2.96)	101.638*** (2.94)
<i>MktPayYd[t-1, t]</i>		10.420*** (3.07)		7.542** (2.51)		8.490** (2.67)
<i>Controls</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Market FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>YM FE</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	217165	217165	264350	264350	275027	275027
<i>adj. R-sq</i>	0.3017	0.3017	0.2824	0.2825	0.2783	0.2783