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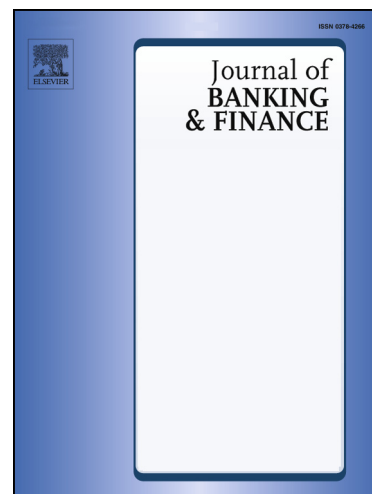
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# Sensitivity to investor sentiment and stock performance of open market share repurchases

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## Abstract

This paper finds that stocks of repurchasers with high sensitivity to investor sentiment are more likely to be mispriced. Thus, such repurchases are followed by superior post-buyback stock performance. This abnormal return associated with sensitivity to sentiment cannot be explained by other undervaluation factors: book-to-market or prior return effects. My results are robust with factor model analysis and controls for contamination effects. I conclude that this sentiment-driven undervaluation may result from the difficulty to value and/or limits to arbitrage rather than investor overreaction.

*JEL classification:* G30; G35

*Keywords:* Repurchases; Investor sentiment; Undervaluation; Mispricing

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