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Convertible bond announcement effects: Why is Japan different?

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Abstract

U.S. and Japanese firms dominate global convertible bond issuance. Previous research documents more favorable convertible bond announcement effects in Japan than in the U.S. and other developed countries. Using a global sample of convertible bonds issued from 1982 to 2012, we find that the more favorable announcement effects of Japanese convertibles are driven by their stated uses of proceeds. Japanese convertibles more often include capital expenditure as an intended use, while U.S. firms tend to mention general purposes to motivate their offering. Our findings illustrate the value to firms of being more explicit when disclosing the intended use of proceeds of security offerings.

Keywords: Convertible bonds; capital expenditure; disclosure standards; Japan; stated use of proceeds

JEL codes: G15, G32

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