

Stock Market Reaction to MoU Announcement in Taiwan Financial listed Stocks

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This paper examines the daily response of stock prices to 10 announcements about the Memorandum of Understanding (MoU) between Taiwan and China from April 2009 to January 2010. We employ event study measure suggested by Zibart (1985) and the empirical results suggest that there are seven MoU event dates to show significant abnormal return. However, the signing and effective dates of MoU have shown no significantly positive abnormal return. The possible reason can be explained by the prior positive cumulative response of Taiwan financial listed stock prices.

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