

Abstract

This paper investigates the intra-industry effect of acquisition announcements in Taiwan. We find that, on average, both the announcing firms and rivals experience significantly negative market reactions upon the acquisition announcements. The evidence suggests that the intra-industry contagious effect dominates competitive effect. In addition, cross-sectional tests indicate that the contagious effect is more pronounced for rival firms exhibiting stronger stock returns with the acquirers. The evidence also indicates the competitive effect is stronger in industries characterized by a lower degree of competition and leverage.

Keywords: Rivals; Acquisitions; Contagion Effect; Competitive Effect; Event Study.