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The Informational Content of Annual General Meetings: The Case of Spanish Small Capitalization Companies

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The Annual General Meeting (AGM) constitutes one of the main instruments that companies have to release information to stockholders and financial markets. Previous literature analysing AGM informational content is basically based on two Anglo-Saxon countries: the U.K. and the U.S., even more, research taking into account the possible firm's size effect on the information released during the AGM is scarce. Due to the importance of countries legal origin in corporate governance, no identical results for companies in different legal tradition environments should be expected. Moreover, the value of the information released for the most followed companies should not be expected to be the same as for smaller companies. In this paper, stock returns, returns volatility, and trading volume around the AGM dates for small capitalization companies that belong to a non-Anglo-Saxon country stock market index, the Spanish IBEX Small Caps index, are investigated. The main purpose consists in evaluating the informational content released for small companies in a civil-law country. We propose the classical approach to event study methodology to test for abnormal behaviour around AGM days. The results will allow discussing about the relevance of the information released during the shareholders meeting. Additionally, the possible differences in the total risk that could cause abnormal returns depending on the stock market cycle have been analyzed.

Keywords: annual general meetings, stock market reaction, small capitalization companies, event studies, financial cycle

Introduction

This paper investigates the informational content of AGM in the Spanish small capitalization companies. This study is confined within a wide range of research in financial economics that attempts to determine the

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informational content of certain corporate events, and how financial markets react to that information. Kalay and Loewestein (1985) state that event studies are a comprehensive part in the investigation of financial economics. The authors conclude that corporate events provide information to the market, and therefore, the risk per unit of time, and consequently the required rate of return of a share, are higher than usual during an event whose date has been previously established. Since then, a great number of articles have analyzed the informational content and the impact in the financial markets of the economic events that are relevant in the future of the companies. There is an extensive list of events whose impact has been largely studied, as for example earnings announcements, that have been analyzed by Ball and Brown (1968), Beaver (1968), Aharony and Swary (1980), Firth (1981), Morse (1981), Bamber (1986), Ball and Kothary (1991), and more recently Landsman and Maydew (2002) and Landsman, Wayne, and Maydew (2002).

Another strongly investigated company event is dividend announcements, and some of the most important ones could be Pettit (1972), Watts (1973), Eades, Hess, and Kim (1985), J. Denis, D. Denis, and Sarin (1994) and Michaely, Thaler, and Womack (1995). There have been other company events with important attention in the financial literature as for example stock splits (Lamoureux & Poon, 1987; Ikenberry, Rankine, & Stice, 1996), securities recommendations (Bjerring, Lakonishok, & Vermaelen, 1983; Liu, Smith, & Syed, 1990; Beneish, 1991), corporate news (Bhattacharya, Daouk, Jorgenson, & Kehr, 1999; Chan, 2003; Frazzini, 2006; Kothary et al., 2008) and compensation plans for executives (Tehranian & Waegclein, 1985; J. Gaver, K. Gaver, & Battistel, 1992).

Despite the large amount of research to measure the impact of corporate events on the value of the company, perhaps one of the most important events that companies are facing each year, the AGM, has attracted little attention to researchers. At that annual meeting, the shareholders of the companies have the opportunity to demand accountability to the president of the company for his management, thus becoming this way an important tool of corporate governance. The AGM take place mandatorily in Spain once a year, before the end of the first semester. During the meeting the president requests to shareholders the approval of management reports and the consent to certain business decisions beyond their power, providing this way information to the financial market about the strategies that the board intends to follow. An AGM makes available to analysts and investors a lot of qualitative and quantitative information to which the market is expected to react by changing the price and trading volume of the shares of the company in question (Kim & Verrecchia, 1991).

Regarding the empirical investigation, only few articles that have studied this event have been found and almost all of them have focused their studies on companies listed in Anglo-Saxon indexes. Firth (1981) conducts its research with a sample of 120 companies listed on the U.K. stock market using weekly data without being able to spot prices or abnormal trading volumes, concluding that the AGM do not seem to provide a higher level of information than average. Brickley (1985) conducted his investigation with a random sample of 100 firms listed in CRSP for the period 1978-1982 to analyze the profitability during the days around the event. The author finds positive abnormal returns around the shareholder meetings, and therefore the results are consistent with the ones obtained years earlier by Kalay and Loewenstein. Ten years later, Rippington and Taffler (1995) perform an analysis of the impact of the information provided by four types of corporate events relevant, being one of them the AGM and using daily market data from 337 U.K. companies listed on London Stock Exchange. In their analysis, the authors take into account the size of the companies, separating from its original sample all the

companies with a capitalization of less than 10 million pounds. The authors conclude that the AGM seem to convey little information to the market, even for smaller companies.

Olibe (2002) investigates around the British companies traded in the NYSE and Amex indexes between 1994 and 1998 analyzing the returns and negotiated volumes around the AGM dates. In this case, abnormal volumes and abnormal returns were found on the days of the AGM, however the total magnitude of the negotiated volumes was significantly low, what suggests that only a few U.S. investors find the AGM informative. Olibe (2002) concludes his article stating that a possible limitation of the results is given by the fact that they are focused only on the U.S. stock market so the results cannot be generalized. In this regard, La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998) argue that the legal basis-governing shareholders' rights are central for the corporate governance mechanisms and that these are not the same in all countries. As the authors conclude, the degree of shareholder protection is much higher in Anglo-Saxon countries than in countries governed by civil law, as in the case of Spain, so it cannot be assumed that AGM have the same effect depending on the legal family to which those countries belong. The approach of the issue in a civil-law country are found in Garcia-Blandon, Martinez-Blasco, and Argiles-Bosch (2011) and Garcia-Blandon, Martinez-Blasco, and Gonzalez-Sabate (2012) where the authors uses daily data for the biggest companies in Spain and two different methodologies to assess the informative content of AGM. Both methodologies show that AGM in Spain has no significant effects either in returns, volatility or trading volume indicating that no relevant information is released to the financial market during these meetings.

If there is little research regarding the impact of AGM in general, it is even more rare when focused on small capitalization companies. As a matter of fact, only Rippington and Taffler (1995) made an approach in the context of a more general investigation. The capacity to transmit new information to financial markets that has an AGM will depend on the information already available to the market. Following this explanation, it is conceivable that large market capitalization companies, which are followed closely not only by analysts from the same country as the companies, but also internationally and whose reporting requirements are very high, are less able to transmit new information during an AGM (Atiase, 1985). The opposite will happen with the companies that have a lower adherence, understanding that the risk per unit of time in these businesses for a predictable event will be higher and therefore the market will require these companies a higher yield per share. Many studies have shown that small-cap companies generally have a higher adjustment for risk than large-cap firms (Banz, 1981; Reinganum, 1981).

The purpose of this paper is to analyze the informational content of AGM for small capitalization companies, having selected specifically Spanish firms. The behavior of the returns, volatilities and trading volume of the stocks around the dates on which are held the general meetings of shareholders will be analyzed, using the Brown and Warner (1985) event studies methodology. The work extends the explanation of Kalay and Loewestein (1985) of the increase in the risk premium of the shares during an event whose dates are known to the *Annual General Meetings*. It also analyzes the informational content of the AGM specifically for small businesses and non-Anglo-Saxon legal context, providing new evidence in Continental European countries governed by civil law.

The remaining of the paper is as follows: Next section details all the analyzed firms and the number of events selected for the sample. Then, the results obtained are shown and its possible interpretations are discussed.

Finally, last section summarizes the work as conclusions.

Methodology and Data

Brown and Warner (1985) event study methodology is followed to assess the impact of the AGM for small capitalization firms on their returns, returns volatility and trading volume. This methodology, which is described in the next paragraph, has been applied to the constituent companies of the IBEX Small Caps in late June 2009.

The AGM dates for the 20 companies belonging to the index were hand collected through Madrid Stock Exchange web page for years 2002-2009. In some specific cases when the information could not be found in this primary source, the corporate web pages of the companies were used. The total number of events is 170. Regarding the daily financial information, trading values of shares and negotiated volumes were obtained from Thompson-Reuters 3000Xtra database.

As it is mentioned in previous paragraphs, the classical Brown and Warner (1985) event study methodology is followed for data sampled at a daily interval being the AGM date the studied event.

The abnormal return for stock i on day t will be expressed as:

$$AR_{it} = R_{it} - ER_{it} \tag{1}$$

where AR_{it} is the abnormal return of stock i in day t, R_{it} is its actual return, and ER_{it} is its expected return for day t.

Expected or normal returns are computed by using the market model then is assumed that normal return is given by a linear relationship between the stock return and the market return.

$$E\left(R_{it}\left|X_t\right.\right)_{it} = a_i + b_i R_{mt} \tag{2}$$

$$R_{mt} = \ln\left(\frac{IGBM_t}{IGBM_{t-1}}\right) \tag{3}$$

a and b estimated parameters

In this study, the unbiased estimate of the security expected returns have been estimated through a pre-event period starting on day -90 to day -20 being AGM date day 0. Given the nature of the information examined, there exists the possibility that the market reacts on dates prior to the AGM, so the event window chosen includes five days before and five days after the announcement.

After estimating daily average abnormal returns for each firm, the average abnormal return (AAR) for the whole sample in the day t is defined as:

$$AAR_t = \frac{1}{N}\sum_{i=1}^{N} AR_{it} \tag{4}$$

To test the significance of daily abnormal return the standard deviation of the samples (170 observations) over the period [-90, -20] is estimated. The t-statistic for any day in the event period is given by:

$$t - statistic = \frac{AAR_t}{S_p} \tag{5}$$

where S_p is the standard deviation of the abnormal returns over the pre-event period.

Additionally, the cumulative abnormal returns were calculated:

$$CAAR = \sum_{t=a}^{b} AAR_t \tag{6}$$

The first null hypothesis states as follows: The abnormal return on the AGM day for a small capitalization company that is listed in the IBEX Small Caps index is zero or not significant.

Given the fact that a large number of events from different firms are studied, it is possible that positive and negative abnormal returns cancel each other out. This is why this study is also interested about stock price volatility around AGM. The absolute value of excess returns (AAAR) is used to calculate the volatility returns.

The second null hypothesis states as follows: The returns volatility on the AGM day for a small capitalization company that is listed in the Ibex SMALL CAPS index is zero or not significant.

Finally, in order to reinforce the results trading volume behaviour around AGM is also analysed. Abnormal trading volume, for stock *i* on day *t* is defined as:

$$AV_{it} = \frac{V_{it}}{\left(\sum_{t=-35}^{-20} V_{it} + \sum_{t=30}^{45} V_{it} \right) \times \frac{1}{32}} \tag{7}$$

where, V_{it} is the traded volume in Euros of stock *i* on day *t*. Once abnormal daily volumes have been computed for each firm, the average abnormal volume on day *t* (AAV) is calculated for the two samples as:

$$AAV_i = \frac{1}{N} \sum_{i=1}^{N} AV_{it} \tag{8}$$

The third and last null hypothesis states: The trading volume on the AGM day for a small capitalization company that is listed in the IBEX Small Caps index is zero or not significant.

Once the study for the entire period was performed, the sample was analyzed by taking into account the economic circle in two periods; on one side the events that belong to years of growth of the Spanish stock market (2003-2007, 95 events) and on the other side, the events that belong to years of decrease (2002, 2008 and 2009, 75 events). Both subsamples were analyzed following the same methodology described for the total sample.

This division of the sample in two periods will allow to analyze not only the market reaction to the celebration of AGM, but also if this effect, if it exists, is different depending on the financial cycle.

Results

In this section the effects of the AGM on returns, trading volume and volatilities are discussed following the Brown and Warner (1985) methodology and Corrado (1989) non-parametric test. First of all, a discussion of the effects of the AGM considering the whole period studied (2002-2009) is found. Later, these results are compared with those obtained with the two samples that came up from the distinction between growth decrease periods.

Total Results

Table 1 presents the results of abnormal returns, trading volume and volatilities for the IBEX Small Caps companies around the AGM date. The parametric *t*-test and Corrado (1989) statistics are also shown to test their significance for the event window [-5, +5], being the AGM day $t = 0$.

At first sight, it is observed that on the AGM day there is no significant average abnormal return, trading volume or return volatility. Consequently, the three null hypotheses cannot be rejected. However, there are

unusual variations that could be emphasized on considering the whole event window. For instance, a positive and significant abnormal return is found on day t - 1 at a 1% level when using Corrado's rank test. Also on day t + 1 the average abnormal volatility is significant for both parametric and non-parametric tests.

Table 1

Daily Average Abnormal Return, Trading Volume and Volatility (2002-2009)

Day	Abnormal return			Abnormal volume			Abnormal volatility		
	AAR	*t*-statistic	Corrado	AAV	*t*-statistic	Corrado	AAAR	*t*-statistic	Corrado
-5	-0.0001	-0.0532	0.4663	1.2615	1.4282	0.0456	0.0148	-0.8857	-0.1982
-4	0.0002	0.0985	-0.3931	1.1074	0.5868	0.1469	0.0157	-0.2176	0.0119
-3	0.0006	0.2822	1.0034	1.1582	0.8642	-0.2727	0.0136	-1.7727*	-0.8024
-2	0.0020	0.9825	1.2548	1.2006	1.0959	-0.5708	0.0135	-1.8461*	-0.9648
-1	0.0038	1.9047*	3.163***	1.3525	1.9256*	0.4594	0.0167	0.5109	1.0866
0	0.0014	0.6912	1.1428	1.2173	1.1869	0.5691	0.0158	-0.1382	-0.3702
1	-0.0015	-0.7640	-0.6537	1.3271	1.7869*	1.2050	0.0201	3.114***	2.259**
2	-0.0017	-0.8498	-0.1760	1.3322	1.8147*	0.8951	0.0172	0.8990	-0.5731
3	-0.0021	-1.0411	-1.0834	1.1447	0.7901	0.7127	0.0164	0.2995	1.2370
4	-0.0023	-1.1354	-1.0103	1.0120	0.0653	-0.6130	0.0138	-1.5757	-0.9457
5	-0.0018	-0.8761	-0.3223	1.1702	0.9295	0.5235	0.0154	-0.4138	-0.0645

Notes. * Significant at the 10% level; ** Significant at the 5% level; *** Significant at the 1% level.

All the results differentiating among returns, volumes and volatilities will be now analyzed. The results obtained by splitting the total period in periods of stock market growth and periods of stock market decrease will also be added in order to see the relation among them.

Returns

As it can be seen in Table 2 (panel 1), non-significant abnormal returns are shown on the AGM day. Therefore, the null hypothesis that states that abnormal return on the AGM day was zero cannot be rejected. The AGM day is not different to normal days according to abnormal returns. However, a positive and significant abnormal return is observed on the day prior to the AGM date. It is significant at a 10% level using the parametric *t*-test and at a 1% level using Corrado's non-parametric statistic. The results defer pretty much with the previous investigation. Brickley (1985) reports positive and significant returns on AGM dates, according to the *t*-test. However, the same results are not considered significant when using the non-parametric Wilcoxon signed rank test. No significant abnormal return is shown after the AGM date but there are negative abnormal returns on the five consecutive days after the AGM (see Figure 1).

Looking at panels 2 and 3, comparing the results for the periods of stock market growth and stock market decrease there are no great differences. In periods of stock market growth the results are similar to those obtained in the total period. The only remarkable difference is that the abnormal negative returns starting after the AGM are significant on the two first days according to the *t*-test (5% level on t + 1 and 10% level on t + 2). In periods of decrease there are no significant abnormal returns in the whole window at the standard level of 5% or 1% significance, and there is only a weak reaction at 10% level at t - 2. The presumptions made using Kalay and Lowenstein's (1985) opinion, which stated that risk-averse investors could require higher compensation to hold the asset over a riskier period, do not apply in this study. Figure 2 shows the cumulative average abnormal returns for each period.

Table 2

Daily Average Abnormal Return for 2002-2009, Growth and Decrease Periods

Day	Abnormal return			Abnormal return in growth periods			Abnormal return in decrease periods		
	AAR	*t*-statistic	Corrado	AAR	*t*-statistic	Corrado	AAR	*t*-statistic	Corrado
-5	-0.0001	-0.0532	0.4663	0.0013	0.6092	1.2749	-0.0019	-0.5817	-0.6393
-4	0.0002	0.0985	-0.3931	0.0029	1.3271	0.9784	-0.0032	-0.9727	-1.5875
-3	0.0006	0.2822	1.0034	0.0009	0.4121	1.0880	0.0001	0.0433	0.3389
-2	0.0020	0.9825	1.2548	-0.0009	-0.3953	0.1112	0.0056	1.6789*	1.7177*
-1	0.0038	1.9047*	3.163***	0.0037	1.7126*	2.948***	0.0039	1.1851	1.5674
0	0.0014	0.6912	1.1428	0.0013	0.6079	0.8430	0.0015	0.4413	0.7962
1	-0.0015	-0.7640	-0.6537	-0.0049	-2.252**	-1.3104	0.0028	0.8320	0.4023
2	-0.0017	-0.8498	-0.1760	-0.0039	-1.7749*	-0.8462	0.0010	0.3153	0.6193
3	-0.0021	-1.0411	-1.0834	-0.0012	-0.5530	-1.0138	-0.0032	-0.9676	-0.5325
4	-0.0023	-1.1354	-1.0103	-0.0019	-0.8849	-0.3079	-0.0027	-0.8200	-1.1568
5	-0.0018	-0.8761	-0.3223	-0.0016	-0.7389	0.4207	-0.0019	-0.5858	-0.9064

Notes. * Significant at the 10% level; ** Significant at the 5% level; *** Significant at the 1% level.

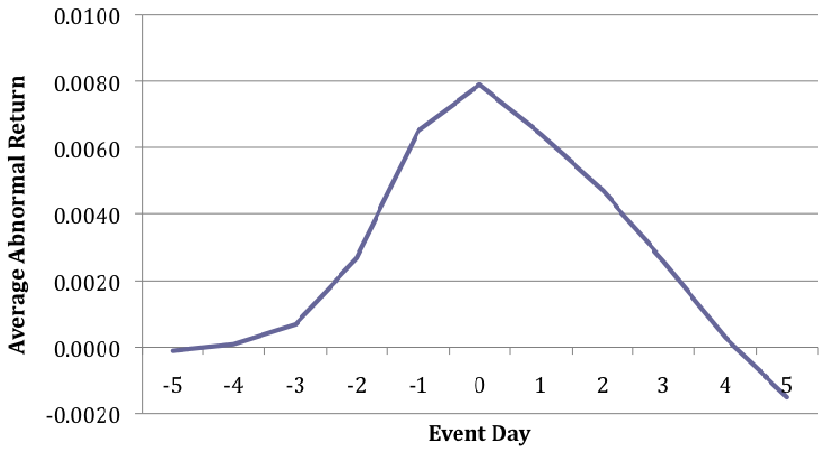

Figure 1. Average abnormal return.

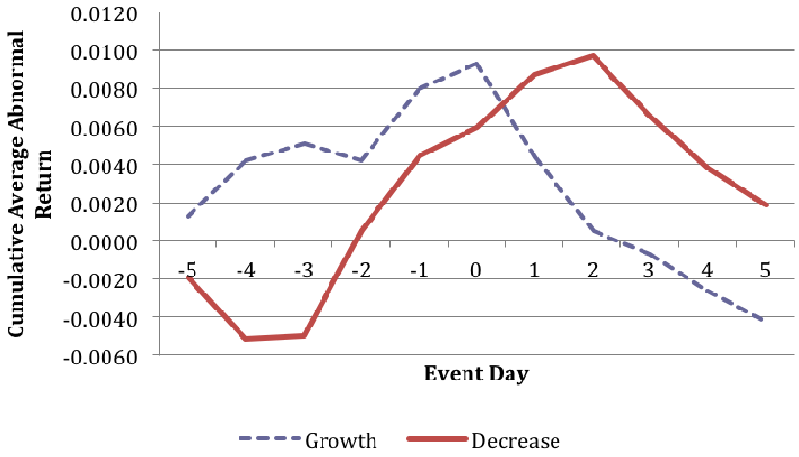

Figure 2. Cumulated average abnormal return for stock market growth and decrease periods.

Trading Volume

The abnormal trading volume is presented for the event window period [-5, +5] taking into account that average value equals 1. Volume results higher than 1 indicates trading volume activity higher than the average and vice versa. Considering the source of the sample data reliable it has to be said that in small companies excessively high volume activity in short periods of time have been found. In many cases the 15 days of pre-event and post-event do not represent unbiased periods of time with which the event period could be compared. In our opinion, the methodology used to calculate abnormal volumes should be reconsidered for small capitalization companies. Once this anomaly has been notified the volume results will be analyzed.

Looking at Table 3, total volume panel shows no significant abnormal volume on the AGM date at the standard 5% level of significance. However abnormal trading volume on days t - 1, and t + 1 and t + 2 at a 10% level of significance using the *t*-test can be pointed out. It can be observed that on periods of growth there are abnormal trading volumes the two days before AGM while in the periods of decrease similar anomalies are observed two days after. These results could be explained considering investors behaviour. In periods of stock market growth the investors are more confident and tend to anticipate the information that will be given in the AGM, which is reflected with abnormal trading volume on days t - 1 and t - 2. On the other hand, during periods of decrease investors tend to be more cautious and wait until the information is publicly revealed to realize the trades. However, the null hypothesis of non-significant volumes on AGM dates could not be rejected using Corrado's rank test, as there are no abnormal volumes in the whole window.

Table 3

Daily Average Abnormal Trading Volume for 2002-2009, Growth and Decrease Periods

Day	Abnormal volume			Abnormal volume in growth periods			Abnormal volume in decrease periods		
	AAV	*t*-statistic	Corrado	AAV	*t*-statistic	Corrado	AAV	*t*-statistic	Corrado
-5	1.2615	1.4282	0.0456	1.4047	2.174**	0.2889	1.0795	0.3680	-0.2178
-4	1.1074	0.5868	0.1469	1.1644	0.8834	0.2144	1.0350	0.1621	0.0594
-3	1.1582	0.8642	-0.2727	1.0758	0.4073	-0.3620	1.2629	1.2163	-0.1485
-2	1.2006	1.0959	-0.5708	1.3300	1.7730*	-0.5282	1.0363	0.1681	-0.5543
-1	1.3525	1.9256*	0.4594	1.4974	2.672***	0.5095	1.1686	0.7799	0.3563
0	1.2173	1.1869	0.5691	1.1453	0.7806	0.6400	1.3088	1.4286	0.4322
1	1.3271	1.7869*	1.2050	1.1773	0.9523	0.7161	1.5175	2.394**	1.5936
2	1.3322	1.8147	0.8951	1.2575	1.3836	0.2423	1.4271	1.976**	1.4913
3	1.1447	0.7901	0.7127	1.1650	0.8862	0.7301	1.1189	0.5500	0.6170
4	1.0120	0.0653	-0.6130	0.9826	-0.0933	-0.8389	1.0492	0.2277	-0.3068
5	1.1702	0.9295	0.5235	1.1752	0.9410	0.1429	1.1639	0.7581	0.8710

Notes. * Significant at the 10% level; ** Significant at the 5% level; *** Significant at the 1% level.

Returns Volatility

As it has been commented in the methodology section, the returns volatility will be useful to eliminate the possible counteract effect of positive and negative returns. Contrarily to Olibe (2002), no higher levels of volatility in stock returns before the event neither on AGM days are observed. This result is confirmed by the two statistics that are being used in this paper. However, some important facts should be considered: (1) given the

nature of the studied companies (small capitalization) there could be a delay of the information transmitted in the AGM; (2) the AGM are held sometimes during the week-end, when the stock markets are closed; and (3) the time of the AGM changes depending on the company. Even though it is usually in the morning and investors have time to react on the same day it does not always happen this way. Knowing this the event day as $t = 0$, 1 can be considered, and in this case the results change. On day $t + 1$ abnormal volatilities significant at a 1% level according to the *t*-test and a 5% level when considering Corrado's rank test are observed. Other less significant values can be reported: on days $t - 3$ and $t - 4$, according to the *t*-test but not confirmed by Corrado's rank test, there are significant negative volatilities at a 10% level.

Table 4

Daily Average Absolute Value Abnormal Return for 2002-2009, Growth and Decrease Periods

Day	Absolute value abnormal return			Absolute value abnormal return in growth periods			Absolute value abnormal return in decrease periods		
	AAAR	*t*-statistic	Corrado	AAAR	*t*-statistic	Corrado	AAAR	*t*-statistic	Corrado
-5	0.0148	-0.8857	-0.1982	0.0125	-0.4689	-0.3235	0.0176	-0.7552	0.0729
-4	0.0157	-0.2176	0.0119	0.0151	1.0524	1.3593	0.0164	-1.3199	-1.6620
-3	0.0136	-1.7727	-0.8024	0.0125	-0.4847	-0.2725	0.0149	-1.9523*	-0.9877
-2	0.0135	-1.8461*	-0.9648	0.0106	-1.6135	-1.1808	0.0172	-0.9561	-0.1321
-1	0.0167	0.5109	1.0866	0.0149	0.8954	1.1776	0.0189	-0.1715	0.3371
0	0.0158	-0.1382	-0.3702	0.0135	0.0907	-0.9386	0.0187	-0.2770	0.5500
1	0.0201	3.114***	2.591**	0.0160	1.5691	1.8724*	0.0254	2.733***	1.4135
2	0.0172	0.8990	-0.5731	0.0136	0.1514	-0.2534	0.0217	1.0818	-0.6328
3	0.0164	0.2995	1.2370	0.0141	0.4427	0.8398	0.0192	-0.0206	1.0035
4	0.0138	-1.5757	-0.9457	0.0119	-0.8582	-0.5689	0.0164	-1.3203	-0.8576
5	0.0154	-0.4138	-0.0645	0.0135	0.1096	0.0207	0.0178	-0.6721	-0.1321

Notes. * Significant at the 10% level; ** Significant at the 5% level; *** Significant at the 1% level.

In panel 2, the second hypothesis cannot be rejected on the AGM day. An abnormal volatility at 10% using the rank test can be mentioned on day $t + 1$. In panel 3, the results are similar to the ones of the total period: abnormal volatility on $t + 1$, in this case significant at a 1% level using the parametric test.

When all panels are compared, it can be said that they are all alike, independently of the stock market cycle. In periods of growth, there is a higher number of abnormal volatilities on day $t + 1$ while in periods of decrease their value has more importance. In the total period the abnormal volatility on day $t + 1$ is significant with both the parametric and non-parametric tests.

Conclusions

Event studies are an important line of inquiry in corporate finance. It has been developing during a long period of time and covers a great variety of subjects. It has been surprising that of all the studied subjects, an exceptionally important event as the *Annual General Meetings* has not attracted the attention of the researchers.

In this paper, the reactions of returns, trading volume and returns volatility of the companies on the previous and subsequent days of an AGM have been approached, finding that there are no anomalies on the event day. These results are difficult to interpret due to their diversity and the lack of previous comparable investigations.

Excess returns found the day before the event can be interpreted as an anticipation of the market to the information release, which is value-relevant.

High abnormal trading activity in short periods of time were found for trading volume in small capitalization companies. We believe that the existent methodology should be reconsidered in order to improve the estimation of abnormal volumes and their implications.

We have also extended Kalay and Lowenstein (1985) findings concerning risk and return taking into account the stock market cycle. Considering that an increase of the market risk will affect the total risk, and consequently also investors' required rate of return, positive abnormal returns on the AGM dates could be expected. However the obtained results didn't confirm these assumptions. Returns and returns volatility show the same behaviour regardless of the stock market cycle. Nevertheless traded volumes do present important differences depending on the financial situation. In periods of stock market growth abnormal volumes are found the two days before the event while in periods of decrease abnormal volumes appear on the two days after the AGM. The proposed explanation is based on the investors' behaviour. In periods of growth, investors are more confident and tend to anticipate the information that will be released. On the other hand, in periods of stock market decrease they are more cautious and wait until past the event to react.

Although the results suggest that markets are efficient and the information released during AGM is value-relevant, further research is needed, particularly focused on the explanations of returns behavior around AGM dates.

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