
Pace of share buybacks, a plus for equity prices, slows

By Editorial Staff Thu, May 26, 2016

In a research note, TrimTabs reports that stock buyback announcements have totaled \$261.5 billion this year through Thursday, May 19. This volume is down 35% from \$399.4 billion in the same period last year.

Corporate America is committing much less cash to repurchase shares this year, reports TrimTabs Investment Research.

“Buybacks in earnings season were disappointing,” said David Santschi, chief executive officer of TrimTabs. “While the volume of \$91 billion was respectable, buybacks for just two companies accounted for half of the volume.”

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“Not only has the volume declined, but the number of companies rolling out big repurchases has fallen sharply,” said Santschi. “By this time last year, 45 companies had announced buybacks of at least \$2 billion, but only 23 have done so this year.”

TrimTabs explained that the decline in buyback activity does not augur well for U.S. equities in the longer term.

“Stock buybacks—many of them funded with borrowed money—have been a key source of fuel for the bull market,” said Santschi. “This source of support for stock prices is likely to be weaker than in the past.”

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