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ASSOCIATE PROFESSOR SUNTI TIRAPAT, Ph.D., 134 pp.

This dissertation consists of two interrelated essays. The first essay focuses on the evidence of information-based trading classified by trader type. We study the component of the bid-ask spread which is decomposed into the order processing cost and information asymmetric cost. We augment the MRR model (1997) to incorporate the trader type component and try to identify the evidence of asymmetric information component of the bid-ask spread. Unique Trade Data from the Stock Exchange of Thailand provides transactional data on tick by tick classified by each trader type including retail customers, foreign investors, local institutional investors and broker own portfolio. The evidence indicates that the foreign investors exhibit greater degree of the asymmetric information and is related to the market capitalization of the stocks. The results also show a significant increase in the information content of the bid-ask spread following the earning announcement and before the dividend announcement which ascertain that the public information announcement enhances the information role in the stocks. The informational role is strongest among the foreign investors and the stocks with large market capitalization. The second essay examines the price whether the foreign investors are informed traders by investigating the degree of the contribution to price discovery classified by the size of the stocks. Our results show that the foreign investors account for a majority of price discovery in spite of less number of deal volume and deal value traded by the foreign investors. The information share estimates for foreign investors range from 30 percent to 68 percent which is higher than the information share of the local customers. After controlling for the volume traded and the number of transactions traded, the information share exhibits higher degree of price discovery from the foreign investors.

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