

Independent study title	ARBITRAGE IN GOLD SPOT (XAU/USD) & GOLD FUTURE (COMEX) BY USING PAIR TRADING STRATEGY FROM THRESHOLD CO-INTEGRATION MODEL
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## **ABSTRACT**

Since the original concept of pair trading strategy that is choosing pair of asset base on similar fundamental, could not be applied on this day because company structural changes caused by M&A. Nowadays, pair trading strategy are used for pair of future and spot that they have exactly same fundamental. This study applies pair trading strategy with pair of gold spot and gold future in COMEX market that is global equity traded by international investors. TVECM method applied base on the assumption of asymmetric behavior of mispricing between two markets. In order to find the performance of pair trading strategy by using TVECM as a trading signal, 1 minute, 5 minute and 30-minute frequency data during 1 August 2018 to 30 October 2018 are collected and transaction cost would be included. Result shows that asymmetric behavior occurs in every frequency series. The trading simulation result shows the best arbitrage profit is 5-Minute Series. For the trading signal method, TVECM performs better than traditional strategy (Two-Standard-deviation Rule).

Keywords: Threshold Co-Integration Model, Pair Trading, Two-Standard-Deviation Rule, Asymmetric Behavior