Independent study title	LIQUIDITY SHOCK TRANSMISSION FROM ETF ARBITRAGE: EVIDENCE FROM THAILAND
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ABSTRACT

Mounting on the novelized literature from Ben-David (2012), this paper investigates the possible liquidity shock propagation through the arbitrage trading mechanism from ETF to its underlying asset in Thai equity market. The study covers 6 ETFs traded in Stock Exchange of Thailand which are; TDEX, ESET50, BMSCITH, ECOMM, EICT and ENY during the period of 2007-2017. The analysis is separated into 2 steps; 1. The investigation on factor that determines limits of arbitrage, 2. The investigation on liquidity shock propagation from ETF to the underlying asset. I found that the arbitrage cost such as Bid-Ask spread is the important factor that give rises to the limit of arbitrage, the higher ETF turnover and the market performance during the good time diminishes the ETF mispricing and there is flight to big-cap stock ETFs when there is high volatility. In the second study, it is found that the liquidity shock is transmitted from the ETF to their underlying assets whereas the risk-averse arbitrageur hedging demand is the channel for such the transmission.

Keywords: ETF, arbitrage, limit of arbitrage, liquidity shock propagation