

Independent Study Title	OPENING THE BLACK BOX OF BID-ASK SPREAD COMPONENTS IN THAI CURRENCY FORWARD
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## **ABSTRACT**

This paper discovers the component of bid-ask spread in Thai FX forward market. The result indicates the overwhelming of order processing cost and inventory holding cost in market maker pricing. Small bank tends to quote wider spread comparing to bigger ones derived by the higher inventory management component. I extend the investigation to test whether market maker adjust the component during certain economic events; Thai and US monetary policy meeting, US's non-farm payroll and inflation announcement. This article finds the evidence of market maker's component adjusting around the interest rate decision events, especially adverse selection component. Also, I found the variation of spread and component during certain THB movement.<sup>1</sup>

**Keywords:** Transaction Data, FX Forward, Market Microstructure, bid-ask spread

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