

Independent study title	THE IMPACT OF BLOCK TRADE ON UNDERLYING STOCK VOLATILITY
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ABSTRACT

The block trade transaction was launched in 2010 as a mechanism to increase liquidity. Most transactions in block trade involve single stock futures. Thus, it is interesting to study how block trade affect underlying stocks in the spot market. This paper examines the impact of block trade on underlying stocks volatility. Moreover, the relationship between liquidity and volatility after introduction of block trade transaction are studied in this paper. The stock volatility models such as GARCH, EGARCH and TGARCH are used to detect change before and after block trade. Overall results suggest that block trade does not reduce stock volatility and there is a negative and significant relationship between liquidity and volatility.

Keywords: Block trade, underlying stocks volatility, liquidity and GARCH