



TRADING FREQUENCY AND ASSET PRICING ON THE STOCK EXCHANGE OF THAILAND: EVIDENCE FROM A NEW PRICE IMPACT RATIO

YADAPHAH OANAN

5402042526

Master of Science Program in Finance (International Program)

Faculty of Commerce and Accountancy, Thammasat University, Bangkok, Thailand

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ABSTRACT

Using daily data from stocks listed on the Stock Exchange of Thailand over the period January 2003-December 2011, this paper estimates a new price impact ratio (PI) of Return-to-Turnover ratio (RtoTR) described in Florackis, Gregoriou, and Kostakis (2011). This ratio is free of size bias and controls for both trading costs and trading frequency. The new price impact ratio does not explain illiquidity premium in cross-sectional of stocks returns for the period 2003 to 2011. The study finds stocks' cross-sectional asset pricing tests can capture the liquidity risk premium through the SMB factor and HML factor only in Fama-French & Price Impact model. The augmented Fama-French model does not have a good explanatory power over the cross-sectional of these Return-to-Volume (RtoV) and Return-to-Turnover (RtoTR) portfolios' returns in Thailand.

Keywords: New Price Impact Ratio, Trading Frequency, Asset Pricing