

Lead-lag Relationship and Price Discovery in KTB Spot and KTB Futures Markets

ABSTRACT

This paper examines the long-run relationship, lead-lag relationship and proportion of price discovery process between Krung Thai Bank's spot price and its single stock futures by using 10-minute data between the periods 1 July 2010 to 31 December 2010. By using VECM, we found that the long-run relationship exists and KTB spot and its futures are interdependent and no lead-lag relationship between them. For price discovery process, we found that KTB futures market contributes to 9% of price discovery even though they account for only 6% of trading value of KTB spot. This finding shows that trading on KTB futures is more informative than what the proportion of trading value shows.