

Independent Study Title	FEAR AND THE FAMA-FRENCH FACTORS: EVIDENCE FROM THAI EQUITY MARKET
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ABSTRACT

This paper aims to examine whether VIX can serve as an investor fear gauge in Thai stock market or not, and if it does, how it affects Thai stock returns. Our results observe that VIX does not only serve as an investor fear gauge in the United States, but it also serves as an investor fear gauge in Thai stock market. Then, we study the effect of investors' fear, captured by the CBOE volatility index (VIX), on risk premiums of Fama-French three-factor model augmented with momentum factor in Thai stock market. Our paper suggests that the change in VIX drives the change in returns of market risk premium, size premium and momentum premium. We use the concept of behavioral finance (representative heuristic, affect heuristic and extrapolation bias) to explain these changes.

Keywords: VIX; Fear gauge; Fama-French; Market risk premium; Size premium; Value premium; Momentum premium; Behavioral finance