



IS USING VWAP BETTER THAN CLOSING PRICE?

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ABSTRACT

This paper examines the daily volume-weighted average price (VWAP) and daily closing price of SET50 stocks from 2003-2012. We investigate whether VWAP is a less noisy measure of the efficient price than the closing price. Following the methodology by Ting (2006), we found that the variance of the daily returns computed using VWAP is less noisy than that of closing price. The difference between these two variances is statistically significant. Given that VWAP is closer to the efficient price, we study the intraday volatility pattern using prices and VWAP from January 2, 2013 to February 28, 2013.

Keywords: VWAP, efficient price, volatility, variance ratio, SET50