

ABSTRACT

This paper investigates the hedging effectiveness of SET50 Index Futures against SET50 Index and simulated portfolios. Equally weighted portfolios are formed from randomly selected stocks in the SET100 universe. Daily and weekly frequency rebalancing are compared. The results show that weekly rebalanced portfolios provide better hedging effectiveness than daily rebalancing. Four different hedging models are used, a naïve and minimum variance approach from a static OLS model, a dynamic OLS model and a EWMA model. We find no significant difference in hedging performance between the dynamic OLS and EWMA. However, the Naïve approach slightly underperformed the others.