

Independent Study Title	THE VARIABILITY OF IPO INITIAL RETURNS: EVIDENCE FROM THAILAND
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ABSTRACT

Most Initial Public Offerings (IPOs) are underpriced. There are various theories and factors that explain this phenomenon. This research paper examines six factors that impact on initial returns with regard to information-asymmetry theory and the investment-bank-reputation hypothesis. With 291 observations during the 2001–2014 study period, this paper captures IPOs listed on both the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI). Abnormal initial returns, the dependent variables, are separated into three levels – daily, bi-weekly and monthly – in order to focus on market conditions. The empirical results indicate that underpricing in the Thai market does exist and there is evidence of price stabilization in the first trading period. Most underpricing relates to MAI IPOs. Three factors explain underpricing, including value size of offering, volume size of offering and firm age. The impact of the two former factors is consistent with theory, but not the latter. A robustness test result suggests that these factors only influence MAI IPOs.

Keywords: Underpriced, Information Asymmetry, Investment Bank Reputation, MAI