URN etd-0407109-183703-152
Author Tsai Tsai Mai
Author's Email Address No Public.
Statistics This thesis had been viewed 55 times. Download 0 times.
Department
Year 2008
Semester 2
Degree Master
Type of Document Master's Thesis
Language zh-TW.Big5 Chinese
Title The effect of daily price limits on upper limit-hitting days:A Study of the Taiwan Stock Market
Date of Defense 0000-00-00
Page Count 50

Keyword
price limits
upper limit-hitting effect
volatility spillover
liquidity
overreaction

Abstract

This research examines the effect of daily price limits on upper limit-hitting days in the Taiwan Stock Market, and analyzes the determinants of which effect. First, we found that when stocks hit their upper price limits, the probabilities of upper limit-hitting during the next day will increase, and if traders buy those stocks at the upper price limits, they can earn the abnormal return on the next day. This is showing that there are upper limit-hitting effects in the Taiwan Stock Market as the Shanghai Stock Market (Seasholes and Wu, 2004). Then we proceed to test the determinants of that effects, the volatility spillover hypothesis, the liquidity provision hypothesis and the attention-based hypothesis were tested. Among them, the volatility spillover hypothesis and the liquidity provision hypothesis suppose that the Taiwan Stock Market was a rational market which investors can earn abnormal return from buying stocks hitting their upper price limits by bearing higher risk, providing liquidity to the market. But the attention-based hypothesis suppose that investors which traded at the Taiwan Stock Market were not rational, they would like to buy stocks which had lots of trade volume or abnormal return before. The following behaviors can create the overreaction after stocks hit their upper price limits. The results showed that investors can earn abnormal return from buying stocks hitting their upper price limits by bearing higher risk and providing liquidity to the market, but the trading volume of those stocks are not higher. So, the Taiwan Stock Market was more rational than the Shanghai Stock Market.

Advisory Committee
I-Chun Tsai - advisor
Files No Any Full Text File.
Date of Submission 2008-06-18