

Wanwipa Kantachan 2009: Liquidity of the Agricultural Futures Exchange of Thailand. Master of Science (Agricultural Economics), Major Field: Agricultural Economics, Department of Agricultural and Resource Economics. Thesis Advisor: Assistant Professor Chamnien Boonma, Ph.D. 119 pages.

This study is aimed at exploring the general situation of trading liquidity of two underlying assets namely, Ribbed Smoked Rubber Sheet No.3 (RSS3) and White Rice 5% (WR5) traded in the Agricultural Futures Exchange of Thailand (AFET) and to study the relationship between trade volume of the two underlying assets and their liquidity indices. In addition, this study also examined the comparison of trade liquidity regarding the modification of contract specification of White Rice 5%. This study is using data during the three year period of B.E. 2548-2550.

The result of the study showed that trade liquidity of RSS3 was more than those of WR5 due to the reason that the entrepreneurs in rubber business were experiencing the futures rubber trading in foreign country and hence had accessed to information for their decision making in their futures trading. It was quite different for the case of WR5 because there was no such experiences. In addition, in case of WR5 there has been market intervention by the Government. With regard to the relationship between trade volume of both underlying assets and 3 liquidity indices, namely, Bid-Ask Spread, Value, and Open Interest, it was found that the value of those two products were highly correlated with trade volumes. Hence, the study concluded that the best of liquidity index of the Agricultural Futures Exchange of Thailand was the value. This corresponded with previous studies which found that value was the key factor of liquidity index. Regarding comparison of liquidity in connection with modification of contract specification of WR5, it was found that such modification in 2006 and 2007 had not affected the trade liquidity.

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Thesis Advisor's signature

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