

# **The Liquidity Effect of Introduction of TDEX on SET50 Constituents**

## **ABSTRACT**

This paper examines the liquidity effect of underlying stocks after introduction of the first ETF in Thailand. The study uses intraday data to compute bid-ask spread and depth to be proxies of liquidity measurement. Previous researches provide two hypotheses related to this study, arbitrage hypothesis suggested that liquidity should be increased through arbitrage process, in contrast, adverse selection hypothesis predicts uninformed trader will move away from the individual underlying stock to this new basket security. The regression analysis in this study shows that the introduction of TDEX has no significant impact on bid-ask spread but results in an increase in quoted depth.