

ABSTRACT

This study aims at determining the appropriate variables that represent the two of the three factors (Liquidity and Return Factors) the SET uses in imposing the net settlement and/or margin trading prohibition as the data on concentration of trades, the remaining factor, is not publicly available and at examining whether the empirical tests are aligned with the regulation of the SET.

This paper may be summarized, coherently based on the results from the Univariate and Wilcoxon tests, Logit model, and graphs, that standard deviation vaguely explains the event while the focus of this paper, return and liquidity are much more effective in explaining the events through abnormal weekly returns and both types of abnormal weekly turnover respectively. However, the highest percentage of accurate prediction on warrant tests may be a result of the smallest number of samples. Mostly, return factor and liquidity factor represented by abnormal weekly volume turnover are significant in all tested scenarios. We may conclude that in conformity with the SET's regulation, both factors do have an effect on the net settlement and/or margin trading prohibition.

After the net settlement and/or margin trading prohibition, it is obvious that the magnitude of most quantitative variables is declined from the previous period although magnitude of some variables may start to decline prior to the announcement. Therefore, this may suggest that the abnormal trading is highly relevant to trades that are dependent on the net settlement and margin loan allowance. The result also suggests that the announcement of the SET does have an effect on cooling down the trading behavior of the investors.

The result from this study may not be generalized for the forecast of the Thai capital market until there is a future study which takes into account the examination of a larger number of abnormally traded sample securities.