

Suttapa Kittiwangchai 2014: Arbitrage from Inconsistency between Stock Price and Warrant Price in the Stock Exchange of Thailand. Master of Economics (Business Economics), Major Filed: Business Economics, Faculty of Economics at Sriracha. Thesis Advisor: Mr. Bhisanuwat Thaweewat, D.A. 71 pages.

The study of arbitrage from inconsistency between stock price and warrant price aimed to (1) examine evaluation concept of the stock warrant (2) analyse the rate of return from short sell of common stock with warrant buying before cost of stock borrowing and (3) find arbitrage opportunity and equilibrium price – adjusting mechanism in the Stock Exchange of Thailand. The study utilized primary data from in-depth interviews and secondary data from concerned academic documents specifically closing price at the end of the day of the common stock (BLAND) and the warrant (BLAND-W2), of Bangkok Land pcl, from the Stock Exchange of Thailand 15 may 2012 to 2 may 2013 total of 236 days. Faultcification technique was employed to identify the arbitrage opportunity.

The study results showed that when warrant price and exercise price, including all fees, were less than common stock price, then the investor could gain on investment from such margin of those two portfolios. In addition, when the return had higher value than cost of stock borrowing, the investor would be able to arbitrage by short sale from securities company or other investors to sell as well as buying the stock warrant of that common stock in order to wait for converting and then brought that common stock to repay the securities company or other investors. Based on secondary data of closing price at the end of the day of common stock and stock warrant, of Bangkok Land pcl., there was difference between those two portfolios prices under studied before cost of short sale over 30 percent for several day. This showed that the investors could make arbitrage However those two portfolios were not be able to adjust to equilibrium in short period of time because of the difficulty and the limit of short sale.

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