



**THE EFFECT OF POLITICAL RISK ON THE VOLATILITY
OF STOCK RETURN: EVIDENCE FROM THAILAND**

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ABSTRACT

In this paper I study the effect of political risk on the volatility of stock return in Thailand. The political risk is measured through the political news (headlines) during recent unstable political situation during 2006 – 2011. The results from GARCH-M technique demonstrate that the political news significantly impacts to the volatility of stock returns. Moreover, taking the leverage effect into consideration, the results from EGARCH-M technique show that the negative shock from unfavorable news does more effect to the stock volatility than positive shock from favorable news.

Keywords: political news, volatility, GARCH-M, EGARCH-M