

**The Impact of Derivative Warrant Issuance and Expiration on The Price and Trading  
Volume of The Underlying Stock: The Case of Thailand**

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**ABSTRACT**

This paper examine impact of derivative warrant issuance and expiration on price and trading volume of underlying stock in the stock exchange of Thailand during the year 2009 to the year 2011. The results indicate negative abnormal return on underlying stock before and on the announcement date derived from the substitution effects. Derivative warrants will increase supply of the underlying stocks and then leads to lower equilibrium price of the underlying stocks. In period of first trading day, there is no abnormal return. For last trading day, abnormal return become positive due to the substitution effect declines when close to last trading day and then lead to the average increase in price of the underlying stocks. After last trading day, negative abnormal return is found and the implication is unwinding hedging related-position by derivative warrants issuers. For the maturity day, positive in the abnormal return after the maturity day is found. This came from the substitution effect were disappear. In terms trading volume, the announcement day and first trading day encourage higher trading activity of the underlying stock before announcement day and after the first trading day. And around the last trading day and maturity day, the results show decreasing in trading activity of the underlying stocks around those days.

*Keywords:* Abnormal Return; Abnormal Trading Volume; Derivative Warrant; Hedging Effect; Substitution Effect; Stock Exchange of Thailand