SET50 CALENDAR SPREAD COMPARATIVE TRADING STUDY ON COST OF CARRY MODEL AND STATISTICAL VARABILITY SPREAD PROCESS

Chatwich Chatchaiwatkul
ID 5502042053

Master of Science Program in Finance (International Program)
Faculty of Commerce and Accountancy, Thammasat University, Bangkok, Thailand
May 2014

ABSTRACT

This paper applies cost of carry model to price SET50 Calendar spread fair value and uses in trading study by taking into account transaction cost of retailed investor, institutional investor, and market maker and also compares with statistical variability spread process, new non-parametric method, proposed by Bogomolov (2013). There is an excess return before transaction cost in cost of carry model and statistical variability spread process at 97.5 per cent confident level. However, after taking into account transaction cost, only market maker could earn excess return at 97.5 per cent confident level. Cost of carry model and statistical variability spread process could not be able to generate consistent positive return in SET50 Calendar spread.

Key word: Pairs trading, Calendar Spread, Cost of Carry, Statistical Variability Spread Process