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Free Float, Liquidity, and Float Adjusted Return Model:

Evidence from Stock Exchange of Thailand

ABSTRACT

This paper applies the empirical test of Float-Adjusted Return Model (FARM) with Thailand data. The results show that FARM alone is not enough to pricing stocks in Thailand because other variables such as book-to-market significantly explain cross-sectional variation in stock returns in Thailand. This study also finds that free-float information of Thai stocks is still applicable. The empirical result shows that adjusted size or dollar free float should be used instead of size or market capitalization.

Keywords: Float-Adjusted Return Model, FARM, Free float, DCC-MGARCH, Liquidity, Thailand