



FOREIGN EQUITY TRADING AND EMERGING MARKET VOLATILITY: EVIDENCE FROM ASIAN MARKETS

Paktida Khamtong
ID 5502042228

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

ABSTRACT

This study investigate the impact of foreign trading on local market volatility in five Asian emerging markets; Thailand, Korea, Taiwan, Philippines and Indonesia. We estimate results on the separate of purchase and sale, aggregate trading, and net purchase trading by using three different volatility measurements; range base, squared return, and Garman-Klass volatility. We found that purchase of foreign has negative relationship with the volatility and foreign trading has dominant effect on local market volatility except KRX and TWSE where the dominant impact groups are individual and securities investment trust trading respectively. The asymmetric effect between net purchases versus sales which is captured by the net purchase appears in all markets. Last, we found that market capitalizations that use to capture size of equity market have a negative relationship with the volatility in all market but Philippines.

Key word: volatility, emerging market volatility, foreign flow, OLS