

Did you know? By making a gift to AgEcon Search, you are helping ensure that our small non-profit continues to provide free full-text access to 15,000 visitors a day from 170+ countries. Give to AgEcon Search (https://makingagift.umn.edu/give/yourgift.html?&cart=2313&desc_source=UWXXFANAESBN)



AgEcon SEARCH (/?)
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

In=en)

A Study of Market-Wide Short-Selling Restrictions

 Charoenrook, Anchada (/search?f1=author&as=1&sf=title&so=a&rm=&m1=e&p1=Charoenrook%2C%20A...

 2009



Download

(https://ageconsearch.umn.edu/record/51180/files/WP%20Daouk%202009-21%20Charoenrook%20_%20Daouk.pdf)



Add to Basket (/yourbaskets/add?recid=51180)



Formats

Cite

Files



Abstract



This paper contributes empirical evidence to the on-going debate on short sales. Our examination of how market-wide short-sale restrictions affect aggregate market returns focuses on two main questions: What is the effect of short-sale restrictions on skewness, volatility, the probability of market crashes, and liquidity? What is the effect on the market expected return or cost of capital? We report new data on the history of short-selling and put option trading regulations and practices from 111 countries, and create a short-selling feasibility indicator for the analysis of stock market indices around the world. We find that when short-selling is possible, aggregate stock returns are less volatile and there is greater liquidity. When countries start to permit short-selling, aggregate stock price increases, implying lower a cost of capital. There is no evidence that short-sale restrictions affect either the level of skewness of returns or the probability of a market crash. Collectively, our empirical evidence suggests that allowing short-selling enhances market quality.

Details



Title	A Study of Market-Wide Short-Selling Restrictions
Keywords	Short-sale constraints (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=Short-sale%20constraints&ln=en); Stock returns (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=Stock%20returns&ln=en); Cost of capital (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=Cost%20of%20capital&ln=en); International finance (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=International%20finance&ln=en)
Author(s)	Charoenrook, Anchada (/search?f1=author&as=1&sf=title&so=a&rm=&m1=e&p1=Charoenrook%2C%20Anchada&ln=en) Daouk, Hazem (/search?f1=author&as=1&sf=title&so=a&rm=&m1=e&p1=Daouk%2C%20Hazem&ln=en)
Subject(s)	Financial Economics (https://ageconsearch.umn.edu/search?f1=subject&as=1&sf=title&so=a&rm=&m1=p&p1=Financial%20Economics&ln=en)
Issue Date	6/16/2009
Publication Type	Working or Discussion Paper
Digital Object Identifier	https://doi.org/10.22004/ag.econ.51180 (https://doi.org/10.22004/ag.econ.51180)
Record Identifier	https://ageconsearch.umn.edu/record/51180
PURL Identifier	http://purl.umn.edu/51180
Total Pages	43
JEL Codes	G15 G12
Series Statement	Working Paper WP 2009-21
Record Appears in	Cornell University (/collection/53?ln=en) > Department of Applied Economics and Management (/collection/638?ln=en) > Working Papers (/collection/642?ln=en)

PDF ^

Statistics ^

Downloads ▼

from

to

By Months ▼

Update

Export

 [Download Full History \(/tindstats/bibdoc_downloads_dl?recid=51180&download=csv\)](/tindstats/bibdoc_downloads_dl?recid=51180&download=csv)