

Tick sizes and relative rates of price discovery in stock, futures, and options markets: Evidence from the Taiwan stock exchange

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Abstract

This study examines the competition in price discovery among stock index, index futures, and index options in Taiwan. The price-discovery ability of the Taiwan Top 50 Tracker Fund, an exchange-traded fund based on the Taiwan 50 index is examined. The authors find that, after the minimum tick size in the stock market decreases, the bid-ask spreads of the component stocks of the stock index and the Taiwan Top 50 Tracker Fund get lower, and the contribution of the spot market to price discovery increases. © 2008 Wiley Periodicals, Inc. *Jrl Fut Mark* 29:74–93, 2009

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