Research Article

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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