

## Impact of warrant introductions on the behaviour of underlying stocks: Australian evidence

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### Abstract

The present study examines the impact of first-time introduction of warrants by third party issuers on the trading behaviour of a sample of underlying stocks listed on the Australian Stock Exchange. We investigate the price, liquidity and volatility impact of underlying stocks after warrant issuance and find considerable differences to those found for option listings. Significant negative abnormal returns on both the announcement and listing date of derivative warrants are reported, followed by a negative price drift. Relative trading volume and price volatility of underlying stocks are found to be significantly higher post-warrant listing. Interestingly, we find that warrant holders are unable to realize gains for the majority of trading days when they are alive, consistent with the view that banks trade profitability from their issue.

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