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# Evidence on the issuer effect in warrant overpricing

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The authors thank the Securities Industry Research Centre of Asia-Pacific and the Australian Stock Exchange for making available the data used in this research.

## Notes

<sup>1</sup> Institutional details described in this section about warrants and options traded on the ASX are taken from ASX ([2000](#)).

<sup>2</sup> Their other two proxies relate to whether trading was floor- or electronic-based and to whether options traders were obliged to make a market. Neither of these distinctions remain relevant in the prices tested in this study.

<sup>3</sup> Results are not sensitive to using the standard deviation over the past 30 days as an alternative measure of volatility. Both volatility measures are similar having a correlation of 0.91. The exponentially-weighted moving average model was chosen as it places higher weight on more recent observations and is therefore likely to be a better measure of current volatility.

<sup>4</sup>  $F = (S - d)(1 + r)^T$ , where  $S$  is underlying price,  $d$  is present value of cash dividends,  $r$  is interest rate and  $T$  is time to maturity.

<sup>5</sup> Volume of trading in the warrant is measured as the daily trading volume of the warrant adjusted to the volume of trading in the underlying stock. The volume of trading in the underlying stock is measured as the daily trading volume of the underlying stock divided by the number of trading days in the sample. The volume of trading in the warrant is measured as the daily trading volume of the warrant divided by the number of trading days in the sample.

<sup>6</sup> These results are based on daily data. Since daily data are not available for all warrants, the number of observations is equal to five.



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