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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

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

² 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.

³ 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.

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

⁵ Volume 1 of the warrant was not adjusted to

⁶These series are quarterly, but since daily data are not available, we use quarterly data and assume that the quarterly data are equal to five.



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