Applied Financial Economics ›

Volume 21, 2011 - Issue 13

Original Articles

The impact of stock spams on volatility

Taoufik Bouraoui

Pages 969-977 | Published online: 05 Apr 2011

Cite this article https://doi.org/10.1080/09603107.2011.562159

Abstract

This article is dedicated to study the impact of stock spams through the analysis of the variations of volatility. Our sample contains 110 firms quoted on emerging market, namely the penny stock market. The results, based on event study methodology and Generalized Autoregressive Conditional Heteroscedastic (GARCH) modelling, show positive and significant changes in volatility; a widening of the variation (lowest price–highest price) was noticed following the consignment of messages by the spammers. The sending of stock spams affected the behaviour of investors, thus indicating that the spamming activity is a lucrative business.

Keywords:

stock spam | event studies | GARCH, volatility

JEL Classification::

G14 D84 C12 C13

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Notes

[1] We have daily data.

[2] In previous papers, respectively, relating to the impact of stock spams on volumes and on returns, we have obtained positive and significant variations in volume over the entire period of test. However, returns were affected positively the first day of the event and negatively the following days.

[3] Results are not reported here. Nevertheless, they are available by the author upon request.

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