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Volume 9, 1999 - [Issue 2](#)

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The price behaviour of initial public offerings on the Taiwan Stock Exchange

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Pages 201-208 | Published online: 07 Oct 2010

[Cite this article](#) <https://doi.org/10.1080/096031099332465>

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Abstract

The paper examines the stock price behaviour of 311 initial public offerings (IPOs) on the Taiwan Stock Exchange for the period 1971-95. The IPOs are significantly underpriced. The initial risk-adjusted excess return is 42.6% from the listed day until the first non-limit trading day. The initial risk-adjusted return is positively related to the oversubscription ratio, which is consistent with Rock's model. The aftermarket performance is consistent with the efficient market hypothesis. The cumulative abnormal return estimated by the market model is not statistically significant after the initial trading. Further, the long-run performance of IPOs is not related to the initial risk-adjusted return.

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