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Call Warrant Listing and the Behavior of its Underlying Spot Market: Some Evidence from Bursa Malaysia

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Abstract

This study investigates the call warrant listing impact on its underlying stock based on Malaysian stock market. The study indicates that call warrant listing has no significant impact on the return, volatility, and bid-ask spread of its underlying stock. However, its trading volume tends to be higher in the post event period. The results suggest that (1) the diversion of trade from spot to warrant market is nonexistent, (2) call warrant does not expand the opportunity set for investors, (3) it is fair to use historical data in volatility estimation for the purpose of asset pricing based on Malaysian context.

Keywords:

Bursa Malaysia | derivatives | warrants

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