

Applied Financial Economics Letters >

Volume 4, 2008 - [Issue 5](#)

69 Views | 1 CrossRef citations to date | 0 Altmetric

Original Articles

A threshold model for the Hong Kong warrant prices

Kin Ming Wong & Terence Tai-Leung Chong 

Pages 337-339 | Published online: 27 Sep 2008

🗨️ Cite this article [🔗 https://doi.org/10.1080/17446540701720600](https://doi.org/10.1080/17446540701720600)

Sample our
Economics, Finance,
Business & Industry Journals
>> **Sign in here** to start your access
to the latest two volumes for 14 days

 Full Article  Figures & data  References  Citations  Metrics

 Reprints & Permissions

Read this article

 Share

Abstract

This article examines the factors that are not considered in the Black-Scholes model in determining the price of warrants. Using the outstanding percentage as a threshold variable, we test for the existence of threshold effect in warrant prices. It is shown that for warrants with a low outstanding percentage, an increase in the outstanding percentage will lower the call price. On the other hand, for warrants with high outstanding percentage, the call price is less affected by the outstanding percentage.

[◀ Previous article](#)

[View issue table of contents](#)

[Next article ▶](#)

Acknowledgement

We thank Ying Foon Chow for helpful comments. All errors are ours.

Notes

¹A warrant is a listed option. Readers may refer to McGuinness ([1999](#)) for details of difference between stock options and derivative warrant.

²HKEx Securities and Derivatives Markets Quarterly Report.

³See, for example, Chan and Wei ([2001](#)), Chen and Wu ([2001](#)), Chow et al. ([2003](#)), Draper et al. ([2001](#)).

⁴According to Chapter 15A.52 of Listing Rules, issuer may issue additional options once outstanding quantity of the options is more than 50%.

⁵A Healthy Market for Informed Investors – A Report on derivative warrants market in Hong Kong, Securities and Futures Commission, November 2005.

⁶The outstanding percentage of a warrant is the percentage of that issue held by the general public, while the rest is held by the issuer.

⁷Sources of data: Warrant Supermarket, Hang Seng Bank (<http://www.hangseng.com>); Hong Kong Exchanges and Clearing Ltd. (<http://www.hkex.com.hk/dwrc/download/dnfile.asp>); Yahoo!Finance (<http://hk.finance.yahoo.com>).

⁸The sample date is 11 October 2006.

⁹In obtaining the Black-Scholes model price, volatility of the underlying stock is estimated from the daily volatility in past 90 days. A 5% risk-free rate is used.

¹⁰Using 20% or 30% outstanding percentage as thresholds provide similar a conclusion.

Table 1. F-test for threshold

Download CSV

Display Table



The causal relationship between domestic and outward foreign investment: evidence for Italy >

Dierk Herzer

Applied Financial Economics Letters

Published online: 26 Sep 2008

Disaggregating 'accounting earnings' to better explain UK dividends >

Abdallah Atieh et al.

Applied Financial Economics Letters

Published online: 17 Oct 2008

The dynamic relationships between gold futures markets: evidence from COMEX and TOCOM >

Hui-Na Lin et al.

Applied Financial Economics Letters

Published online: 25 Jan 2008

[View more](#)

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG



Taylor & Francis
by informa