Abstract—This study examines the short term performance of initial public offering (IPO) in capital market of Thailand from 2003-2013. The daily price data is used in this study to identify the short term returns of IPO of the first trading day until the day that abnormal return cannot be earned. The results confirm the abnormal returns of the first trading day of IPO and also identify that their outperformance returns remain until day 246 after the market. IPO of four industries which are financial, service, resources, and technology outperform the market, while the other four industries which are agro and food, consumer products, industrials, and property and construction do not provide significant abnormal returns.

Index Terms—Abnormal returns, first trading day return, IPO, stock exchange of Thailand (SET).

I. INTRODUCTION

Issuing stocks is an importance source of funds for corporations in their expansion. A pricing process rewards the well-managed firms to have greater allocation of new investment resources.

Stock exchange of Thailand (SET), the equity market in Thailand has become an important tool for raising funds for private companies after the Asian financial crisis in 1997. Since 1997, market capitalization increased from 1,200 billion baht to about 10,000 billion baht in 2012 in which the major issuers of equities are in the eight diversified business sectors [1].

Thailand is also a part of Asian economic community (AEC) which has ASEAN Exchanges plan. ASEAN Exchange is the collaboration from Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. The collaboration aims to promote the growth of the ASEAN capital market by streamlining ASEAN access, introducing cross-border harmonization and creating ASEAN centric products. The ASEAN Exchanges collaboration will bring greater investment opportunities to more people as well as bring greater liquidity to collaboration members. This collaboration aims to expand opportunities for fund raising channel [1]. SET is considered as a growing emerging capital market. In 2013, the market capitalization of initial public offerings in SET reached the highest level in ASEAN [2].

There are different studies on initial public offering (IPO) returns in both long term and short term prospect. The studies in developed markets indicate that IPO outperform the market in short term but underperform the market in long term. There are limited numbers of this study in Thailand especially for short term performance of IPO.

This study is interested in measuring the first trading day returns and also short term performance of IPO stocks in Thailand’s equity market. The returns of all IPO stocks in the whole market, and also of each industry are studied. While most research to date studied the monthly return up to the long term returns of IPO, this paper will examine the abnormal return of IPO over the short time horizon using daily data.

It is hypothesized that the abnormal returns of IPO are significantly higher than zero for short time horizon. This study examines the return of IPO relative to the market return to represent its abnormal return. The holding period after the listing since the first trading day up to 360 days are indicated. Then t-test statistic is used to test if the abnormal return is higher than zero significantly. The study covers 153 listing stocks from 2003-2013.

This study aims to provide useful insights of IPO performance in Thailand’s equity market, and also to identify the efficiency of SET in terms of price movement aftermarket. The results will benefit both individual and institutional investor to manage their portfolio returns.

Author also expects the result to increase the numbers of listing in capital market to be the important sources of funds for private sector.

II. STOCK EXCHANGE OF THAILAND

From the information of the stock exchange of Thailand (SET), it has been started the operations on April 30, 1975. It operates mandatory to be a market or center for the trading of listed securities, and promoting of financial planning, as well as providing related services connected to such activities, without providing any profits to members. The main operations of SET include listing of securities, supervising of listed companies and disclosing of information, trading, and supervising members, disseminating information, and educating investor [1].

SET Index is a composite index representing the price movement for all common stocks trading on the SET. The market capitalization-weight index method is applied which the base day of April 30, 1975. SET Index is calculated from the prices of all common stocks on the main trading board. The SET also provides industry group indexes and sectoral indexes. There are eight industries in the Stock Exchange of Thailand including agro and food, consumer products, financials, industrials, resources, services, property and construction, and technology [1].

The stock market in Thailand has become an important source of funds for private firms after the Asian financial crisis in 1997. Since 1997, market capitalization increased