

## **ABSTRACT**

In general, initial public offerings (IPO) stocks are underpriced as documented in numerous studies, mostly from the U.S. As documented by Ritter (1984), the average IPO stocks were underpriced at 18.8 percent or higher. This paper discusses the phenomena of ‘underpricing’, namely that stocks which are placed on the market for the first time, or in other words, Initial Public Offerings (IPO) are often incorrectly priced, below the market equilibrium, even after months of research by the underwriters and experts.

This underpricing of IPO is universal practice, occurring frequently in developed as well as developing markets. It is difficult to price IPOs correctly and even more so in developing markets where little may be known about the firm, demand is shaky, and there exists added market risk.

This phenomenon has been investigated, keeping the focus on the Thai market for the period from 2000 to June 2005. To test this phenomenon, the researcher used Saunders A., 1990 – ‘Raw Data Test’ model. As the research shows that out of the total number of firms that issued IPO during 2000 to June 2005, 70 percent of the firms were underpriced. It has been found that, on average, Thai IPOs have been underpriced.

**Keywords:** Underpricing, Overpricing, Fairly Valued, Initial Public Offerings