

ABSTRACT

Information is vital for everyday life. It affects investor's perception of what stock investment to undertake in the stock market. Information includes historical information, public information and private information. Reacting to an announcement depends on how much impact the announcement is meant to have on the market. This research aims to determine the impact of both foreign and domestic key macroeconomic and microeconomic announcements on stock volatility of the Stock Exchange of Thailand. The macroeconomic announcements are GDP announcement, Interest rate announcement, Inflation announcement, Unemployment announcement and Oil price announcement. The microeconomic announcement is Earnings announcement. The foreign announcement is that of the United States of America whereas the domestic announcement is that of Thailand.

This research was conducted on the 8 industries in the stock exchange of Thailand which comprises of 27 sectors and over 500 stocks in these sectors. Stocks with over 2 months of missing information were not used in the analysis. The period of data collected were 2004 – 2007 and 2008 – 2010 which represents the pre – crisis and post – crisis periods of the U.S. financial crisis respectively.

The student- t Egarch model in Eview was used in running the data since it is best suitable in determining the effect of information announcements on stock volatility. Results showed that the percentage number of stocks of the Stock Exchange of Thailand that reacted to the impact of both foreign and domestic macroeconomic and microeconomic announcements was below 40% and this is considered a small impact on the stock volatility of the Thai stock market. The Thai stock market can be described as a weak Semi- strong form of market. In the sector level, the percentage number of stocks impacted by the information announcements ranged from 0% to 100% while in the industry level, it ranged from 0% to 70%.

The impact on stock volatility from the Thai announcements did not differ much from the impact of the U.S. announcements on stock volatility. The relationships of the information announcements and stock volatility were seen to depend on the perception of market participants on the state of the economy.