ABSTRACT

In recent years, the tests of various asset-pricing models have disclosed a variety of anomalies or regularities in data. The fact that small companies have higher average stock returns than large companies has been long established. This fact is referred to as "small firm effect". Many financial researchers try to find out the explanation of this small firm effect during January month. The dealer spread has brought into financial research as a possible explanation of this small firm effect. So, several recent empirical studies in bid/ask spreads focus on the role that spreads play in asset pricing and also propose that these bid/ask spreads, as a part of transaction costs, may have a seasonal component.

This study examines the seasonal behavior of proportional dealer spreads for SET (Stock Exchange of Thailand) common stocks during the period 1996-2000. This research also focuses on the behavior of dealer spreads during tun-of-the-year period and the relationship between dealer spreads and firm size in these 5-year periods (1996-2000). The study uses statistical tests based on the sample data collected from 5-year SET database and two versions I-SIMS CDs.

The results of analysis indicate that there is no seasonal pattern in SET bid/ask spreads during the period of 1996 to 2000. Also, the turn-of-the-year period has no significant effect on SET bid/ask spreads during these five-year periods. However, the firm size factor has a significant effect on SET dealer spreads during this period.