CHAPTER 7

CONCLUSION

7.1 Conclusion

From the study, we found all type of investors such as local investors, institution investors and foreign investors had a different trading strategy in Thailand stock market. Local investors had negative coefficient correlation to SET Index. They would sell their stock when the SET index went up and would follow buy their stock when the market declined. Most of retail investors were short-term investors, who reacted promptly to the market movement in reverse relationship. Institutional investors also had negative coefficient correlation. They preferred buying stocks when the market went down and sell their stocks to other investors when the market turned around. These institution investors stabilized the market to equilibrium point as a result of institution investors has a higher coefficient correlation with SET index compared to other investors. For foreign investors, we found they moved along to SET index by follow buy and sell for keeping their portfolio to closely to SET index.

We found Energy stock had a highest volatility than the other sector. Then followed by Banking, Communication, Financial and Electronic stocks. As we knew the volatility of those kind of stock sectors, we found local investors preferred to buy Communication stocks and Banking stocks. They avoided investing Energy sector. Institution investors had a positive coefficient correlation in Banking stocks sector, we concluded that institution investors could move the market up or down by dumping their trading volume in Banking sector. Foreign investors had positive coefficients correlation to all business sectors. Foreign investors, however, mainly focussed in financial stock.

From the regression, Financial stocks had a highest correlation to SET index, then followed by Banking and Communication sector. The main reason was foreign investor could influence their market by buying in Financial, Banking, Communication stocks. And when they want to dump the market they would sell their stock as much as in Financial, Banking, and Communication stocks to make the other investors to be scare.

When foreign investors heavily sold their stock in Financial, Banking and Communication stock, the panic would come immediately. Foreign investors returned to collect some of stocks that they sold (short cover). After they complete accumulate their stock, then they pushed the market

again by buying in stocks that had a high correlation to SET index, and make amount of money by selling some of stocks that they had had collected. For example, they already completed collecting in Banking stocks then they would buy some more stocks in Financial sector to wake the market up and then foreign investors would sell stocks that is Banking stock to take amount of money from a capital gain.

7.2 Limitations of this study

For our study, we saw the problem that holiday of each country is difference. One country might be a holiday while the other countries were working day. So the data that we collected from DJIA, Nikkei 225, Hang Seng had a difference holiday. So we need to cut out some of data that did not match to the other holiday out. In additional the lag time of data would effect to our study.

As mentioned in Chapter 3 those stockbrokers can trade for their own portfolio. Those trading volume numbers do not appear to public. So we might miss some of volume that were not included to the market information. Insider trading is the one who use private information to buy or sell his or her stock before the information will come out to the market, there are not data for insider trading. So we would miss some the data that made the market to be more error.

For institution investors, we found these investors are the market supporters who might be influenced by the government in order to maintain the market out look.

7.3 Further study

Our study selected variables that had correlation to SET index and other sector index such as Dow Jone, Hang Seng, Nikkei 225, Net local buy/sell volume, Net institution buy/sell volume, Net foreign buy/sell volume, market volume, as well as Baht/Dollar US. If someone who wants to further study, he or she may try to use the other variables such as T-bill, Fed Fund Rate, GDP, Money Flow, P/E of the market and so on.

This study used OLS and GARCH model. For the further study, one might try to use Dummy variable model, VaR model, or even use technical analysis, to predict foreign investors trading pattern buying or selling, as moving average, RSI, Momentum analysis. Elliott wave and so on

7.4 Recommendations

We recommend, Securities Exchange of Thailand (SET) to support more public more information such as short-sell that only foreign and institution investors can do. We think it is not fair for local investors. Because when institution and foreign investor do this transaction, the information of this transaction do not come out to the market.

SET should provide program to improve the knowledge for trading in stock market to investors or students who are nearly graduate. In additional SET should have more products such as option index, stock option, future index, and other financial instruments to help investors to hedge their risk.

The last one, government should have fund that will support the market for helping investors. This fund should be independent from any organization. As we see today institution investors come into the market but their policy not to help or support investor. They come to buy stock for making the image for Thailand economy.