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THE IMPACTS OF POLITICAL EVENTS ON STOCK RETURN AND VOLATILITY:
CASE OF THAILAND

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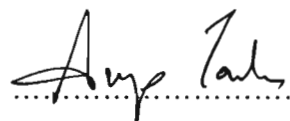
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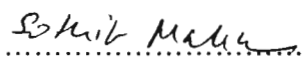By   Miss Nanthaporn Chitchai

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นางสาว นันทาภรณ์ จิตชัย: ผลกระทบของเหตุการณ์ทางการเมืองต่อผลตอบแทน และความผันผวนในตลาดหุ้นไทย (THE IMPACTS OF POLITICAL EVENTS ON STOCK RETURN AND VOLATILITY: CASE OF THAILAND) อ.ที่ปรึกษา: รศ.ดร. สันติ ถิรพัฒน์, 70 หน้า.

วิทยานิพนธ์ฉบับนี้ศึกษาผลกระทบของข่าวการเมืองไทยต่อผลตอบแทน และความผันผวนของหุ้นกลุ่มต่างๆตามลักษณะดังนี้ การถือครองหุ้นส่วนของต่างชาติ ค่าทางบัญชีที่แสดงการเติบโต จำนวนบทวิเคราะห์ และ สถานะทางการเงิน ตัวอย่างการศึกษาใช้ข้อมูลรายวันของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย ตั้งแต่ปีพ.ศ. 2539 -2550 ผลการศึกษาพบว่าบริษัทประเภทต่างๆไม่ได้มีผลกระทบในรูปแบบเดียวกันต่อข่าวการเมือง อีกทั้งแต่ละประเภทของข่าวก็ให้ผลที่แตกต่างกันด้วย โดยข่าวที่เกี่ยวกับการเปลี่ยนแปลงผู้บริหารของรัฐบาล มีความเกี่ยวเนื่องกับอัตราผลตอบแทนในเชิงบวก ในขณะที่ข่าวเกี่ยวกับความขัดแย้งภายในประเทศให้ผลตอบแทนในเชิงลบเป็นอย่างมาก เมื่อศึกษาในระดับบริษัทแล้ว พบว่าหุ้นที่มีค่าทางบัญชีที่แสดงถึงการเติบโตสูง และหุ้นที่มีจำนวนบทวิเคราะห์มากนั้น ตอบรับในเชิงบวกต่อข่าวที่ส่งผลต่อระดับความไม่แน่นอนทางการเมืองน้อยลง เช่นข่าวเกี่ยวกับการเปลี่ยนแปลงผู้บริหารของรัฐบาล อย่างไรก็ตามการสนองตอบในเชิงลบของหุ้นสองประเภทนี้ต่อข่าวเกี่ยวกับความขัดแย้งภายในประเทศนั้นเห็นได้ชัดเจนมากกว่าหุ้นที่มีค่าทางบัญชีแสดงออกถึงการเติบโตต่ำและหุ้นที่มีจำนวนบทวิเคราะห์น้อย นอกจากนี้เมื่อเปรียบเทียบหุ้นในกลุ่มต่างๆ พบว่าหุ้นที่มีสถานะทางการเงินไม่ดีนั้นได้รับผลกระทบมากที่สุดจากข่าวเกี่ยวกับความขัดแย้งภายในประเทศ จากผลการศึกษาต่างๆเหล่านี้แสดงให้เห็นในเชิงลึกถึงความเกี่ยวข้องจากเหตุการณ์ทางการเมืองไทยที่มีต่อหุ้นประเภทต่างๆ และผลกระทบที่แตกต่างกันออกไป

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This study investigates the stock return and volatility impact of various Thai political events on different group of firms based on four characteristics, which are foreign ownership structure, growth options, analyst coverage and financial status. The sample period covers 1996 to 2006 using daily data of all Thai listed firms. The results suggest that political news does not affect all firms identically, also the impact is better observed when political news are separately studied by their type. Political news related to government changes of authority is correlated to positive returns, while, domestic- conflict related news is correlated to large negative returns. At firm level, the study finds positive response from high growth stocks and high analyst recommended stocks towards news representing less degree of uncertainty, i.e., the government changes of authority. However, their negative response on domestic-conflict events was even worse than low growth stocks and low analyst recommended stocks. Financially weak firms are the least favorable among all groups of firms on the event date with domestic conflicts. Volatility impact is observed in some portfolios for specific type of news. The study, therefore, gives insight into the forces of Thai political events that varies from firm to firm.

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CHAPTER I

INTRODUCTION

1.1 Background and Problem

For stock market to be efficient, prices should be adjusted based on both economic and non-economic information that may be relevant. Previous studies generally concluded that stock prices are affected by new information including macroeconomic news, earning announcements and political news. Supported by a number of studies, political events influence stock market movement. One of the interesting results by Kim & Mei (2001), finds that the largest market movements are associated with political news and unexpected return jump also closely related with political news. Other studies find a similar conclusion emphasizing the relationship between political events and stock market in different countries mostly in emerging stock markets, e.g., Bailey & Chung (1995), Chan & Wei (2001), Chen, Bin & Chen (2005) and Zach (2003). According to Bilson, Brailford & Hooper (2002), unlike other developed markets, emerging markets require political risk premium and political events have significant implications to the market. This is because these markets tend to be located in developing countries, which are considered to be political risky countries.

In the stock exchange of Thailand, there is an evidence of increasing stock return volatility on the political event dates (Rimdusit, 2001). Thailand's political events in the past 30 years that involve SET index movement are, for example, military coups, elections, dissolutions of parliament, violence caused from the May's strike in 1995, or

the opposition of privatization of a state enterprise EGAT. In addition, Bilson et al. (2002) has shown that stock market of Thailand has significant return increases as political risk decreases. This implies that Thailand's equity market may be suffering from the increase in political risk.

While, the existing literatures mostly focus on the impact of political event on the overall market, few literatures (for example, Phillips-Patrick, 1989; Chen et al., 2005) have studied in-depth details of how the impact has occurred at micro-level or firm-specific. Those studies discover that political risk does not affect all firms in the same manner, but rather varies substantially from firm to firm. This may help answering why some previous studies find no significant on direction of how political risk could impact the market.

The purpose of this study, therefore, is to investigate the returns and volatility impact of political events on stocks based on four characteristics, including foreign ownership structure, growth options, analyst coverage and financial status.

Firstly, the impact is expected to be observable considering the level of foreign ownerships in a firm. Due to the fact that there is an increasing number of foreign trading in the Stock Exchange of Thailand or SET, and their trading behavior could have a strong impact. Many have been arguing on the role of foreign investors that could exert destabilization impact in emerging market under unforeseen events, in this case, political shocks or turmoil. Chen et al. (2005) raised an interesting question whether these foreign

investors use herding instinct following the political shocks. As a result, firms with high- and low- foreign holdings should have opposite reactions to political events.

Besides the foreign ownership structure, Phillips-Patrick (1989) and Beaulieu, Cosset & Essaddam (2002) argued that company's future growth opportunities can effectively reduce risk exposed to political events. The reason is that growth firms can simply relocate their operations to another country or region without incurring excessive costs. On the other hand, firms with low growth options or high asset in place certainly have higher costs of moving assets, thus, having greater impact from political risk.

To provide more angles at firm-level in studying the impact of political risk, this research further investigates whether number of analysts covering a firm and firm's financial status also matter under political uncertainties. Analyst can be viewed as an agent who carries information to investors. Many investors rely only on the information produced by analyst in form of recommendation to buy/sell the particular stocks. Therefore, analysts are also play an important role in the stock market. This study will test how firms with different proportions (high and low) of analyst coverage could have different impact from political risk.

It is also interesting to examine the impact on firms that have strong and weak financial status. A weak financial condition of a firm may imply an overreaction of investors towards political events. On the other hand, we might expect no correlation between political events and stock prices of financially strong firms. Because of investors

holding these firms can be very confident on the firm's performance, and disregard of the market conditions.

1.2 Statement of Problem / Research Question

This research's questions are to find:

- Whether there is "abnormal return" and "return volatility" increases/decreases at and surrounding the political-event dates.

- Whether these impacts vary from firm to firm according to firm's characteristics determined by foreign ownership structure, growth options, analyst coverage, and financial status.

1.3 Objective of the Study

The objective is to investigate the impact of political risk events on stock return and volatility in the stock exchange of Thailand. This research further examines the impact that may vary from firm to firm by exploring four different characteristics of firms: foreign ownership structure, growth options, analyst coverage and financial status.

1.4 Contributions

In general, this study will shed some lights on the forces of Thai political events in the Stock Exchange of Thailand. Besides economic factors, political risk might also be the factor that moves the stock market in Thailand. Thus, this research should help solving this puzzle in previous studies about excess volatility. If political risk news can

potentially impact Thailand's stock market, then they should be considered when modeling stock market volatility.

In specific, there has been no study about the impact of political events on groups of firms determined by number of analyst coverage and financial status, therefore, this study adds more understandings or angles considering the impact of political risk to different type of firms. Moreover, this research, unlike other previous studies, separately investigates different types of political events. Therefore, this study should be able to tell which kind of political events that firms are likely to be affected most.

Finally, this study should help foreign/local stockholders to better understand and evaluate the political risk for investing in Thailand's stock market, as one of the emerging markets, more objectively and less passionately.

1.5 Organization of the Study

The remaining of this paper is organized as following. Chapter 2 discusses the literature review, the theoretical background of the study. It reviews many evidences found to prove the impact of political events on stock returns and volatility. Chapter 3 describes data and methodology. It also elaborates the process to collect political news as well as criteria used to distinguish news into three categories. Chapter 4 provides the results from 2 approaches, GARCH (1,1) and Event Study.

CHAPTER II

LITERATURE REVIEW

2.1 Political Impact at Market Level

The issue of political risk and its impact on stock market was first investigated by Cutler, Poterba & Summers (1989). This paper studies market reactions following 49 selected events and finds that returns on the event dates are more volatile than stock returns on non-event dates. They argue that the result can not explain the missing variation in stock prices. Also, the paper concludes that significant market movements in S&P 500 during 1946 to 1987 are not associated with major political news.

In contrast with Cutler's result, Kim & Mei (1994) find a strong association between political risk, and stock returns and volatility. They employ an event-study approach to examine a short-window impact of political events in Hong Kong. Besides other economic influences, they find a significant and measurable impact of political events on daily stock returns. On the volatility side, developing a components-jump model, they find the unexpected return jumps in the market are occurred on the dates with political news.

Chan & Wei (1996) evaluate the impact of political news on volatility of Hong Kong's stock prices. This paper investigates the impact in two indices, which are Hang Seng Index including well-known stocks or blue-chip shares, and Red-Chip Index including China-related stocks. Political news selected in this paper was related directly

to the Sino-British handling of Hong Kong. The result showed that political news increases both indices' stock volatility. It is observable that favorable news lead to positive returns, while, unfavorable news lead to negative returns.

Rimdusit (2000) studies the volatility of stock market returns in Thailand by comparing the impact between the event- and non-event dates. From the Wilcoxon test, the evidence supports that the SET50 index returns are more volatile in the days with political news than the days with no political news. Meanwhile, there is no obvious result shown if the whole stock market returns were used.

By applying GARCH (1,1), the author further shows that there is higher Thailand's stock market returns in response to good news, while lower returns for bad news. Similarly, this method also confirms that only the impact on volatility in SET 50 index can be observed but not for the whole market. There are many possible explanations to this result. The reasons could be that market at that period of time being inactive and trading volumes only cluster in the specific types of stocks.

2.2 Political Impact at Firm Level

Unlike most of the existing literatures that are likely to focus on the impact of political risk on the overall market, this group of literatures studies the impact of political risk at firm-specific level on the basis that firms are not equally exposed to the political risk. Beaulieu et al. (2002) investigates the impact of political risk to the volatility of stock returns. To represent the political risk events the authors, thereby, select political

events that relate to a possible separation of Quebec from Canada to examine the volatility of stock returns. This paper examines the impact at microeconomic level. The authors distinguish the firm's exposure to political risk based on firm's structure of asset and degree of foreign involvement. Firm's structure of asset is mainly divided into two sub-portfolios, which are firms that either have assets in place or growth options. Firms are categorized into two portfolios determined by their degree of foreign involvement, foreign and local firms.

There is an evidence showed in this paper that political risk as represented by news that relate to a possible independence of Quebec can affect the conditional volatility of stock returns. Firms with higher growth options or higher degree of foreign activities involvement are less volatile than firms that has more asset in place or purely domestic. This is explained by the benefits of international investment diversification for foreign investors, and lower expected costs of moving assets for growth firms. In addition, unfavorable news has greater significant volatility impact comparing with favorable news.

Phillips-Patrick (1989) performs empirical tests of the cross-sectional variation in political risk. The author thus tests the cross-sections of the effect of firm's asset structure, which are high-growth options and asset in place, and firm's ownership structure. The results show that foreign firms with higher future growth options are less volatile from the impact of political risk than foreign firms with lower growth options or local firms with either low or high growth options.

However, there is a weak point in this paper that may mislead the empirical results. Since the author uses a single political event, a Mitterrand's election in France, to test the impact of political risk, thus generalizing the results of this study must be used with cautions.

Chen, Bin & Chen, 2005 studies the impact of major political events on 2 sub-portfolio returns which are high-foreign institutional ownership firm and low-foreign institutional ownership firm. This paper compares the results from applying two different methods, which are event study and multivariate regression model (MVRM) employing GARCH-SUR techniques.

By conducting event study, they find evidence of significant abnormal returns surrounding the event dates for either high- or low- foreign institution holding portfolio. While, applying a more robust methodology, MVRM that also employing GARCH and SUR techniques allows them to minimize statistical problems. From this method, there is no apparent pattern of how the events might affect the two portfolios differently.

Thereby, focusing the impact of political risk to particular types of firms may help resolve the problem and explain in-depth analysis of the impact of political risk in Stock Exchange of Thailand.

CHAPTER III

DATA AND METHODOLOGY

3.1 Data

This study contains data of all listed firms in the Stock Exchange of Thailand. The sample period covers from 1996 to 2006. Political events will be selected with specific criteria to represent the political risk of Thailand during the sample period. Following variables are data employed in this research:

- Ownerships structure from I-SIM or SETSMART

- Growth Options using market to book value ratio as well as other general information of stocks, such as daily prices, retrieved from I/B/E/S

- Number of analysts coverage for each firm in one-year period acquired from I/B/E/S

- Debt/equity ratio, Net profit, Net worth, Interest expense and Income before interest and tax for determining financial status obtained from I/B/E/S

3.2 Research Hypotheses

Hypothesis 1: Firms with high foreign holdings will be less affected by Thailand's political events than firms with low foreign holdings.

International investment can help diversifying risk more efficiently. Studies, such as Goldberg and Heflin (1995), suggested that political risk can be diversified away. Considering that political uncertainty is an unsystematic risk for foreign investors, they

will not be affected from political events. On the other hand, political risk is undiversifiable for local investors who invest only in their own country and unable to avoid any political risk incurred. From the premise that firm's valuation is determined by expected future cashflows and investor's required rate of return. Stock prices should directly be affected from the undiversifiable political risk that increase local investor' required political risk premium. Consequently, firms with low foreign holdings are expected to have a wider range of expected future cashflows and required rate of returns, or increasing volatility. As a result, we should observe different impact between high-foreign owned portfolio and low-foreign owned portfolio. The evidence supported by Chen et al. (2005) finds significant abnormal returns surrounding Taiwan's political events where the portfolio of low-foreign holding firms on average experiences a more observable price reaction than portfolio of high-foreign holding firms. On the volatility side, Beaulieu et al. (2000) finds that portfolio of multinational firms likely to be less volatile to political news than portfolio of purely domestic firms.

Hypothesis 2: Firms with high growth options will be more affected by Thailand's political events than firms with low growth options.

An opportunity for growth will determine the value of growth firms and its future earnings that may be directly affected from the variation of economic conditions such as credit conditions or regulations/deregulations. These factors increase an impact on acquiring external funds for future investments. Once the funds are difficult to obtain, the expected future earnings can not be met, investors recognizing the risk might react

accordingly to the political events that can potentially slowdown the economy. Moreover, with political uncertainty where it is difficult to predict the direction of stock market, investors instead of expecting to earn premium from growth stock, they better off investing in the stocks that pay regular dividend.

Hypothesis 3: Firms with high analyst coverage will be less affected by Thailand's political events than firms with low analyst coverage.

Basically, firms having many financial analysts covered should be the firms that have better access to information and have large market capitalization. When the cost of information is cheap, stock prices of these firms are less fluctuated. Thus, we should expect the variation of analyst coverage to have different impact on the level of future earnings information reflected in the prices. Ayers & Freeman (2001) and Piotroski & Roulstone (2004) find that higher analyst coverage is correlated with increased informativeness. Analysts may have inside political information leading them to react prior to the events. As a result, under circumstances of political uncertainty, prices of the analysts' covered firms should be less volatile.

Hypothesis 4: Firms with strong financial status will be less affected by Thailand's political events than firms with weak financial status.

Firms that have weak financial status can be very sensitive to any political shocks or depressed economy. Since financial conditions are determined from firms' ability to pay

current and future debts, therefore, financially weak firms are obviously considered to be very risky. As investors realize this fact, political events that lead to market uncertainty will no longer acceptable for investors holding financially weak stocks and thus selling them out. As a result, it is expected to be more volatility impact on firms with weak financial status than strong financial status.

3.3 Methodology

3.3.1 Political Events

The definition of political events in this research follows Chen et al. (2005) and International Country Risk Guide (ICRG) where the following three criteria are established to screen major political events:

- Elections or Changes of the Government:

  - Election announcement;

  - Dissolved of parliament;

  - Cabinet Reshuffle;

  - Prime Minister resignation; and

  - Military coup

- Government Instability:

  - Lack of government unity;

  - Accuse of government corruption; and

  - Skeptical actions by government, e.g., interference of Government to other authorities of suspiciously close ties between politics and business

- Domestic/International Conflicts:

  - Protest against government;

  - Pressure from people or organizations to the government; and

  - Terrorist attack or the Southern insurgency

This research will be selecting political events that are related to the above criteria in form of news reported in Bangkok Post Newspaper, KrungThep Thurakitj Newspaper and Manager Daily Newspaper starting from January 1st, 1996 to December 31st, 2006. These three newspapers are selected based on the fact that they are most read daily business newspaper as well as each of these three is not counterparts.

NewsCenter is the primary source in this research for collecting news where news headlines and details can be obtained during the sample. Keywords for searching news of Criteria 1 are 'Cabinet Reshuffle', 'Elections', 'House Dissolution', 'Resignation', and 'Coup'. Criteria 2's keywords are 'Censure Debate', and 'Fraud'. Criteria 3's keywords are 'Southern Insurgency', 'Protest', 'Rally', and 'Bomb Attack'. One critical problem considering news selection is that sometimes major news can be difficult to be distinguished from ordinary news. Therefore, in this study, major news will be selected only if the news was published in the front page of at least two out of the three assigned newspapers.

After collecting political news, I will then convert calendar event days to trading event days, where the events that occur on weekends or holidays will be accounted in the first following trading day. For example, a political event occurs on Saturday, the

specified dummy event date is Monday. Furthermore, sometimes newspapers continue to publish the same issue on consecutive days. Therefore, to minimizing ambiguity, news will be collected only on the first day of the issue, assuming investors react to the new information of the first day already.

3.3.2 Measuring Firm's Characteristics

Foreign Ownership Structure

From I-SIM, ownership data that will be used here are the percentage owned by foreigner, both individual and institution, and the percentage owned by retail investor including corporations and individual. Firms may report their ownership structure yearly or at most four times a year. In each year, only the last reported percentage owned by foreigners will be used. In order to construct portfolio of high- and low- foreign ownership, I first rank firms for the highest foreign owned firms to the lowest. The top 50 firms with highest foreign share outstanding are categorized in a high-foreign ownership portfolio. For the low-foreign ownership portfolio, the percentages owned by local were ranked. The top 50 firms with highest percentage owned by local will be counted in the LFO portfolio

Growth Options

Firms with high growth options, or less asset in place, will have market to book value larger than the median in the market. For portfolio with low growth option, or more of asset in place, the market to book value will be less than the median value.

Analyst Coverage

For the whole sample period, firms are ranked in quintile based on average number of analysts' recommendations made for a firm within a year. The highest quintile belongs to high analyst coverage portfolio, while the lowest quintile belongs to low analyst coverage portfolio.

Financial Status

According to SEC's criteria, firms' financial condition can be determined as follows:

- Strong financial status firms portfolio consists of firms that have:
    - Debt/Equity ratio from 0 to 3,
    - Interest coverage of at least 1 for three consecutive periods, and
    - Net profit growth
- Weak financial status firms portfolio consists of firms that have:
    - Negative net worth,
    - debt/equity ratio from 10 or above, and
    - interest coverage below 1 for two consecutive period

3.3.3 Hypothesis Testing

Event Study

This research first performs event study to investigate the impact of political event dates on daily abnormal returns and abnormal volume in each of the eight portfolios. The

daily stock returns and daily abnormal returns in form of mean adjusted returns are measured as follows:

$$R_{it} = (P_{it} - P_{it-1}) / P_{it-1}$$

$$AR_{it} = R_{it} - \overline{R}_i$$

where:

P_{it} is the closing price of stock i on day t

R_{it} is arithmetic return for stock i on day t

AR_{it} is the abnormal return of stock i on day t

$\overline{R}_i$ is average return for portfolio j from day -60 to -6

Daily trading abnormal volumes are measure as follows:

$$AV_{it} = V_{it} - \overline{V}_i$$

where:

V_{it} is the trading volume of stock i on day t

$\overline{V}_i$ is the average trading volume of stock i from day -60 to -6

AV_{it} is the abnormal trading volume of stock i on day t

Normalized daily trading abnormal volumes are then calculated:

$$NAV_{it} = \frac{AV_{it}}{S(AV_i)}$$

where:

$S(AV_i)$ is the standard deviation of abnormal volume of stock i computed on a 60 days pre-event window period.

The average values of the abnormal returns and normalized abnormal volumes are then computed for each portfolio. Cumulative abnormal returns and volume are sum of across time series of abnormal return and volume over the window; (-2, -1), (-1, 0), and (0, +2). Primarily the values will be tested whether they are significantly different from zero. The period of estimation will cover sixty trading days surrounding the event window, which are five days prior and after the event date. The purpose of this methodology is to investigate the impact of political events on each of the eight portfolios in ten-day period surrounding the events. Moreover, this study separately performs event study by the types of news that are categorized into three criteria as mentioned in the earlier section.

GARCH (1, 1)

The traditional Generalized Autoregressive Conditional Heteroscedasticity (1,1) model, or GARCH (1,1), is applied to estimate the mean stock returns together with variance (Engle, 1982,1993; and Chen et al., 2005). The traditional form of model is as follows:

$$R_t = a_0 + a_1\varepsilon_{t-1} + \varepsilon_t,$$

where $h_t \mid \Phi_{t-1} \sim N(0, h_t)$

$$h_t = b_0 + b_1\varepsilon_{t-1} + b_2 h_{t-1} \quad ; b_0 > 0, \quad b_1, b2 > 0, \quad and \ b1 + b2 < 1 \tag{1b}$$

where:

    Rt   is stock market index return in period t

    Φ_{t-1} is set of all information available at t-1

ε_t is error term which is distributed as conditionally normal with

time-varying h_t

In order to investigate the impact of political events, Dummy variables (D) representing political event dates as well as lead- and lag- event dummy variables are added as below:

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}D_{t-1} + a_{j3}D_t + a_{j4}D_{t+1} + \varepsilon_{jt},$$

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

where

R_{jt} is value-weighted portfolio return j on day t, including eight portfolios (i.e., high- or low- foreign holding stock portfolio, high- or low- growth options stock portfolio, high- or low- analyst covered stock portfolio, and strong- or weak- financial stock portfolio)

D   is news dummy variable; D equals 1 for news event-date, and 0 for non event-date

ε_t is error term for time t and for portfolio j, which is distributed as conditionally normal with time-varying variance, .

This study further examines the impact of political events, which is sub-divided into three categories: Election and change of government (DE); Government instability (DI); and Domestic conflict (DC). When the news dummy variable (D) are adjusted into three variables, GARCH (1,1) describes as below:

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}DE_{t-1} + a_{j3}DE_t + a_{j4}DE_{t+1} +$$
$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

where $\varepsilon_{jt} \sim N(0, h_{jt})$,

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

where

R_{jt} is value-weighted portfolio return j on day t, including eight portfolios (i.e., high- or low- foreign holding stock portfolio, high- or low- growth options stock portfolio, high- or low- analyst covered stock portfolio, and strong- or weak- financial stock portfolio

DE   is news dummy variable that refers to Election and change of government; DE equals 1 for news event-date, and 0 for non event-date

DI   is news dummy variable that refers to Government instability ; DI equals 1 for news event-date, and 0 for non event-date

DC   is news dummy variable that refers to Domestic conflict; DC equals 1 for news event-date, and 0 for non event-date

ε_t is error term for time t and for portfolio j, which is distributed as conditionally normal with time-varying variance

According to the hypotheses, the differences between two comparing portfolios will be tested as below:

$$t-stat = \frac{\hat{X} - \hat{Y}}{\sqrt{\dfrac{\hat{S}_1^{\,2}}{n_1} + \dfrac{\hat{S}_2^{\,2}}{n_2}}}$$

$\hat{X}$ is the estimated coefficient of dummy variable in portfolio i

$\hat{Y}$ is the estimated coefficient of dummy variable in portfolio j

$\hat{S}_1$ is the estimated standard deviation of dummy variable in portfolio i

$\hat{S}_2$ is the estimated standard deviation of dummy variable in portfolio j

n_1 is the number of observations for portfolio i

n_2 is the number of observations for portfolio j

CHAPTER IV

RESULTS

4.1 Descriptive statistics

Table 1 presents summary statistics of the daily returns for the 8 constructed portfolios during sample period of 11 years, from the beginning of year 1996 to the end of year 2006. In every year, it can be seen that firms with high market to book ratio are always higher than those firms with low market to book ratio. The number of sample firms is growing up every year since the Stock Exchange of Thailand has been increasing in size. During the time of Asia's Financial Crisis in 1997 to 1998, there are large declines of samples in the analyst recommendations reported. As expected, the crisis has made samples of strong-financial status portfolio to drop by 50 % in year 1997, while samples of weak-financial status portfolio, on the other hand, rise dramatically from 17 sample firms in 1996 to 59 sample firms in 1997. As the market was recovering, the sample firms in strong- financial status portfolio have been increasing year by year.

Table 2 shows, for each of the eight portfolios and the SET index, the mean and standard deviation of daily value-weighted portfolio returns for non-event days, all event days, and event days with news criteria one, two, and three. It is obvious that, among the three criteria, the first criteria presents the highest standard deviation indicating that the impact of political events from news criteria 1 are more varied than the another two criteria. Overall, mean portfolios' returns of news criteria 1 are all positive, meanwhile,

they are negative for news criteria 3. This implies that different news criteria give different impact on stock returns.

The last descriptive table shows a distribution of number of news collected in each year during the sample period 1996-2006, and all of the collected news are grouped into 3 news criteria. The numbers of news collected during the year 2005 to 2006 are seemed to be higher than other previous year due to most of the conflicts and political changes occurred during those times, e.g., elections were held twice during those years, or many huge demonstrations occurred.

4.2 Results from GARCH (1,1)

4.2.1 The impact of political events at market level - SET index

Table 4 reports result of the estimation of GARCH (1,1) model, which is used to test the relationships between political news and stock returns and volatility of the SET index. The coefficients in front of dummies (D_{t-1}, D_0 and D_{t+1}) in mean equation determine the impact of political event in returns, while dummy (D_0) in variance equation determines the impact of political event in volatility of returns.

For market-wide impact, panel A of table 4 shows no significant impact of political events on both returns and volatility. The estimates of ε_{jt-1} and h_{jt-1} are all significant at the 0.01 level suggesting that conditional heteroskedasticity persists in the daily return series of the SET index. Therefore, the GARCH method is considered efficient to model the error terms.

When the GARCH model are adjusted by separating dummy events into three categories (as shown in table 2), DE, DI and DC, the results emphasize the impact of DC or domestic-conflicts related events. In mean equation, the coefficient in front of DC_{t0} shows a negative value of -0.85, significant at the 0.01 level.

For variance equation, panel B of table 4 shows that volatility significantly decreases for news criteria 3, coefficient of DC_0 equals -0.52 (significant at the 0.01 level). These evidences suggest that the SET index have affected, in particular, from political news criteria 3 or domestic-conflicts related events.

4.2.2 The impact of political events on High- and Low- Foreign Ownerships portfolio (HFO and LFO)

From Panel A of Table 5, the impact of political events on returns at the previous day for both HFO and LFO portfolios are similar, as there is no observable difference of political impact between the two portfolios in Panel A. When studying the impact by the types of news (panel B) the significant impact in returns can only be seen from the 'domestic conflicts' related events, or news criteria 3. Both portfolios perform in almost the same way for DC_{t-1} and DC_0. The volatility impact can only be observed in HOS portfolio. As shown in Panel B of Table 2, the news from criteria 1 (DE) increase returns volatility, significant at the 0.1 level. Meanwhile, criteria 3 (DC) significantly decrease returns volatility of HOS portfolio.

4.2.3 The impact of political events on High- and Low- Market to Book Value portfolio (HMB and LMB)

As shown in panel A Table 6, political events on average have a negative effect on firms with high market- to- book value. At the event date, coefficient of HMB portfolio results a significant negative value of -0.4. In opposite, for LMB portfolio, the impact is not on the event date but a day earlier with a significant positive value of 0.35, significant level of 0.01. For panel B, HMB portfolio performs significantly worse than LMB portfolio at day t0 and t+1 of news related to domestic-conflict events.

In the variance equation of Panel B, both portfolios show significant negative impacts on volatility of new criteria 3. Comparing with the market negative impact from DC, the value from LMB portfolio is not much different. While, the volatility impact of DC in HMB portfolio seems not to fall as much as the market.

4.2.4 The impact of political events on High- and Low- Analyst Recommendation portfolio (HAR and LAR)

As shown in panel A of Table 7, HAR or High- Analyst Recommendation portfolio has a significant negative coefficient of -0.42 on the event date, D0. Also, this negative value is highly significant lower than Low- Analyst Recommendation portfolio. In details, from panel B, the impact can only be observed from news criteria 3. LAR portfolio gains on day $t - 1$, and then drops on the political event date. On the other hand, there is no impact for HAR portfolio on the day $t = -1$, but the portfolio shows a significant negative value on day $t = 0$ and $t = +1$. It is interesting to see that portfolio

with low- analyst recommendation has much less effect from DC_0 than HAR portfolio or even the market, while, on a day earlier LAR portfolio performs far more significant and positive than HAR portfolio. On volatility side, only the news criteria 3 or DC_0 that has statistically significant impacts on decreasing volatility of both portfolios. With political events criteria 3 causes volatility to decline more for LAR portfolio than HAR portfolio.

4.2.5 The impact of political events on Strong- and Weak- Financial Status portfolio (SF and WF)

Panel A of Table 8, there is evidence of a significant negative effect for strong financial status portfolio on day $t = 0$, while, weak financial status portfolio has a positively significant impact on the previous day. As shown in panel B, firms with weak financial status yield a significant coefficient on day $t = -1$ of news criteria 2, DI_{t-1}. Obviously, Weak- Financial Status portfolio is affected more than Strong- Financial Status portfolio, with a significant negative value of the coefficient of -1.3 for WF portfolio. However, there is no evidence of significant volatility impact at all from both portfolios.

4.3 Results from Event Study for Stock Returns

4.3.1 The impact of political events at market level - SET index

Table 9 shows the results of event study performed to examine the impact of political events on the SET index where political events were separately examined for 3 different news criteria, and 'all-criteria' section.

First of all, for all-criteria section, the political impact on market abnormal return is significantly positive for 0.479% on a day prior to political event date. On the political event day t = 0, the market has a significant negative abnormal return of -0.427%. Note that there is a significant CAR value of 0.842% during the period t = -3 to -1.

For news criteria 1, on average, investors react positively to this type of news. Significant positive abnormal returns of 0.641% and 0.777% are observed on day t=0 and t=+1, consecutively. The result is similar to earlier study by Nantiya (2001) finding insignificant increase in Thailand's stock market returns at the election weeks. When event study was performed for news criteria2, there is no significant impact observed. Thus, it might be said that political uncertainties occurred from news criteria 2 do not have a significant role moving the market.

Lastly, the results show that out of the three criteria, the third criteria affects the market mostly, AR equals -1.397% on day t = 0 and -0.619% on day t = +1. Also, CAR (0, +2) is highly significant for -2.299%.

4.3.2 The impact of political events on High- and Low- Foreign Ownerships portfolio (HFO and LFO)

Table 10 presents evidences of the impact of political events on returns of two portfolios, high- foreign ownership portfolio (HFO) and low- foreign ownership portfolio (LFO). The first section named 'all criteria' studies the impact of all political events as shown in the Appendix A. For each portfolio, political events are separately investigated

for news criteria 1, 2 and 3, as shown in the table. For each event study performed, there are average daily ARs and their t-statistics over an 11-day window period from day -5 to +5. Also, average CAR values are provided of four event periods, namely (-3, -1), (-1, 0), (-1, +1), (0, +2).

The results in the first section appear that, for 'all-criteria' political events, High-Foreign Ownerships portfolio or HFO gains for 0.394% at day t = -1, and then suffers a value loss of -0.41% on the next day. When study the impact for different news criteria, the decrease mainly comes from the impact of news criteria 3. Similarly to the market's result, value of CAR (0,+2) is significant at -2.022% for HFO portfolio. For LFO, it shows negative impact of news criteria 3 on the political event date t = 0, -1.148%, however the value of CAR(0,+2) is insignificant. .

4.3.3 The impact of political events on High- and Low- Market to Book Value portfolio (HMB and LMB)

In Table 11, the hypothesis 2 is tested with event-study methodology for High- and Low- Market to Book Value (HMB and LMB). Under news criteria 1, firms with high- market to book value react more positively than firms with low- market to book value. It shows that daily abnormal returns of HMB portfolio are significant and positive, 0.697% and 0.706% on day t=0 and -1, consecutively.

For news criteria 3, both portfolios have the most negative impact on the political event date. HMB portfolio reveals up to -1.489% of daily AR, and the impact is greater

than LMB. In addition, the HMB continues a negative daily AR for -0.640% after the event date. The impact on HMB portfolio that continues for days leads to significant negative results of CAR values, especially CAR (0, +2) is highly significant for -2.429%. Over the 3 day period after the event date, the LMB portfolio has a significant but less negative value of -1.433%. As a result, it can be concluded that HMB portfolio is most affected from political events that related to domestic conflicts, or news criteria 3. On the other hand, political news criteria 1, HMB portfolio reacts positively.

4.3.4 The impact of political events on High- and Low- Analyst Recommendation portfolio (HAR and LAR)

In Table 12, event studies were performed to examine the impact of political events on two portfolios based on their level of analyst recommendations: High-Analyst Recommendations portfolio (HAR) and Low-Analyst Recommendations portfolio (LAR). In addition to the GARCH (1 1) results, in the 'criteria 1' section, daily abnormal returns are significant at day t = 0 and t = +1 for 0.692% and 0.739%. LAR portfolio, on the other hand, has no significant result on those days.

As expected, out of three criteria, the news from criteria 3 affects both portfolios most. On day t = -1, the two portfolios have significant positive in daily ARs, with LAR portfolio yields higher value of AR, 1.190% significant at the 0.05 level. The AR drops suddenly on day t = 0 to negative values, with -1.563% for HAR and -0.964% for LAR. These two days, it shows that HAR has lower abnormal daily returns than LAR. In

addition, HAR suffers from loss for a longer term, with CAR values highly significant at -2.449% for event period 0 to +2.

4.3.5 The impact of political events on Strong- and Weak- Financial Status portfolio (SF and WF)

Table 13 shows event study performed for Strong- and Weak- Financial Status portfolio, SF and WF, namely. In 'all-criteria' section, there is no pattern observed for both portfolios that seems to be different from the SET index's results. For news criteria 1, there is no significant daily value of AR or CAR for both portfolios.

For the impact of news criteria 3, as expected, the two portfolios experience negative abnormal returns on the political event dates ($t = 0$). However, Weak- Financial Status portfolio reacts more negatively to this type of news than Strong- Financial Status portfolio. Days after the political event dates, both portfolios continue to have negative daily AR but not significant. When cumulative abnormal returns are measured, the results of CAR value from both portfolios look interesting. Over the pre-event window (-3, -1), the CAR value of WF portfolio presents a more significant and positive value than SF portfolio. However, the following 3–day period (0, +2), the cumulative abnormal return of WF portfolio shows a highly significant negative value of -2.686%.

From these evidences, it can be said that firms with weak financial status are affected by political events, in particular, from news criteria 3.

4.4 Results from Event Study for Stock Volumes

4.4.1 The impact of political events at market level - SET index

Table 14 presents abnormal volumes and cumulative abnormal volumes of the Stock Exchange of Thailand around major political events, which are categorized as 'all criteria', and each of the three news criteria. For all-criteria section, significant abnormal volumes are observed around the political event dates. This indicating that the selected political news in this research, on average, are related to market abnormal volume.

On the first and following days of news criteria 1, the event study shows positive abnormal market volumes, significant at the 0.01 level. The increase of abnormal market volumes here is accompanied by the significant positive abnormal market returns as shown in Table 9. Interestingly, the market abnormal volumes are all insignificant and also negative after the news criteria 3 event date. This thinly trading reaction around the political events somehow causes the price to decline, abnormal returns (Table 9) and volatility from GARCH (1,1) are also decrease.

4.4.2 The impact of political events on High- and Low- Foreign Ownerships portfolio (HFO and LFO)

The results from Table 15 shows evidence of political event impacts, as separately studied by three news criteria, on two comparable portfolios, namely High- and Low-Foreign Ownership Portfolios.

For all events criteria, High-Foreign Ownership Portfolio shows significant positive daily abnormal volume at t-1 and t0. This is accompanied with significant impacts on returns of HFO port at the same period of time. As shown in Table 10, where political impact on abnormal returns can be only be observed significantly from news criteria 3, in opposite, there is no significant daily abnormal volume. Both portfolios experience small insignificant abnormal volume. HFO portfolio tends to have more significant and positive cumulative abnormal volumes during periods -3 to -1 and -1 to 0.

4.4.3 The impact of political events on High- and Low- Market to Book Value portfolio (HMB and LMB)

As presented in Table 16, for news criteria 1, abnormal volumes of High-market to book value portfolio are more significantly positive than Low-Market to Book Value portfolio around the political event dates. This indicates that HMB stocks react positively when market uncertainty declines, allowing them to obtain abnormal returns on and after event dates of news criteria1. For news criteria 3, HMB portfolio has all insignificant and negative daily abnormal volume after the political event date. On the other hand, CAV (-3-1), (-1,0) and (0,+2) of LMB portfolio are all significantly positive.

Of all the three methodology, It is found that HMB portfolio, for news criteria 1, experiences positive ARs on day t0 and t+1; positive AVs during day t-1 to +1; and a significant volatility increase. These results indicate that HMB portfolio reacts positively to news criteria 1, as the political future or the government's policy becomes more certain, investors might appreciate high market-to-book stocks.

4.4.4 The impact of political events on High- and Low- Analyst Recommendation portfolio (HAR and LAR)

Low- analyst recommendation portfolio tends to response to 'all criteria' for many days before political events, significant positive daily AV from day -5 to -1, as shown in Table 17. Daily abnormal volumes around the political event dates of HAR portfolio are more significant for news criteria 1 than LAR portfolio. Since HAR portfolio gains significant positive abnormal returns on day t0 and t+1. The results from all methodologies indicate that, for news criteria 3, HAR portfolio is better informed and investors are reasonably trade for stocks with analyst recommendations.

It is concluded from abnormal returns event study that LAR is less affected from political news criteria 3, while HAR portfolio tends to follow the market-wide impact. This is confirmed by the small abnormal volume of HAR portfolio after the event date. Because of analysts usually recommend buy when political situations become more certain, but when circumstances are uncertain, they are not simply recommend sell since the political events do not affect firm's valuation itself.

4.4.5 The impact of political events on Strong- and Weak- Financial Status portfolio (SF and WF)

According to Table 18, there are more observable positive abnormal volumes for Weak- Financial Status portfolio than Strong- Financial Status portfolio around the 'all criteria' political event dates. After the political events of news criteria 3, abnormal

volume WF portfolio tends to be insignificant positive, in opposite, the abnormal volume

of SF portfolio mostly shows insignificant negative abnormal volume after the event date.

Table 1 Number of Firms for Portfolios

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
HFO	50	50	50	50	50	50	50	50	50	50	50
LFO	50	50	50	50	50	50	50	50	50	50	50
HMB	123	122	128	128	172	169	170	181	185	189	207
LMB	118	109	114	103	137	137	141	149	153	176	186
HAR	52	49	24	21	27	30	36	42	44	50	59
LAR	52	49	24	21	27	30	36	42	44	50	59
SF	61	32	43	26	45	51	79	102	97	100	114
WF	17	59	43	67	84	77	52	41	32	33	48

This Table provides number of firms contributed to each portfolio from year 1996 to 2006. There are 8 constructed portfolios based on their characteristics: foreign ownerships, market to book value, analyst recommendation, and financial status. The procedures of classifying firms into each portfolio are explained as follows. HFO is High- Foreign Ownership portfolio, which the percentage owned by foreigner (from each firm's year-end report) were ranked. The top 50 firms with highest percentage owned by foreigner will be accounted in the HFO portfolio. LFO is Low- Foreign Ownership portfolio, which the percentage owned by local were ranked. The top 50 firms with highest percentage owned by local will be accounted in the LFO portfolio. HMB is High- Market to Book Value portfolio. Firms are classified into this group when their market-to-book-values ratios are larger than the median value. For firms in LMB or Low-Market to Book Value portfolio consists of firms that have market-to-book-value ratio less than the median value. HAR is High- Analyst Recommendation portfolio. LAR is Low- Analyst Recommendation portfolio. To categorize firms into high- and low-analyst recommendation portfolio, all firms are ranked in quintiles based on its average number of analysts' recommendations made for a firm within a year. The highest quintile belongs to the high- analyst coverage portfolio, while the lowest quintile belongs to low- analyst coverage portfolio. SF is Strong- Financial Status portfolio, firms in this portfolio must have Debt/equity ratio from 0 to 3, and interest coverage of at least 1 for three consecutive periods, and continuing growth of net profit from previous year to current year. WF is Weak- Financial Status portfolio, and firms in this portfolio must have debt/equity ratio from 10 or above, or Negative net worth, or interest coverage below 1 for two consecutive period. Sample firms include all firms with data availability in SET index. Firms are excluded due to unavailability or missing at least one of raw data required to portfolio construction. Portfolios are rebalanced yearly during sample period, 1996 to 2006.

Table 2 Descriptive Characteristics for SET index and Portfolios

| | Non-Event Days | | All Event Days | | Event Days with Criteria 1 | | Event Days with Criteria 2 | | Event Days with Criteria 3 | |
	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation
SET index	0.0037	1.8088	-0.4377	2.1023	0.5026	2.7801	-0.1915	1.8700	-1.4181	1.1413
HFO	0.0873	1.7214	-0.3214	1.9887	0.4828	2.6241	-0.0914	1.7635	-1.1785	1.2082
LFO	0.0825	2.3849	-0.3106	2.4120	0.5502	3.0359	-0.1321	2.2611	-1.1633	1.7134
HMB	0.0932	1.9344	-0.3970	2.2268	0.6371	3.0374	-0.1635	1.8534	-1.4394	1.1987
LMB	0.0550	2.4303	-0.2930	1.6484	0.1554	2.0911	-0.0217	1.7434	-0.9079	0.8457
HAR	0.0800	2.2267	-0.4584	2.3175	0.6187	3.1028	-0.2501	1.9895	-1.5108	1.3040
LAR	0.0793	1.8719	-0.2530	2.3269	0.2516	3.0291	0.0175	2.2538	-0.9118	1.5893
SF	0.1357	1.6296	-0.3567	2.0582	0.4255	2.8874	-0.1996	1.7400	-1.1266	1.1846
WF	0.0551	2.4577	-0.5729	2.9738	0.7421	3.5070	-0.3459	3.1676	-1.8316	1.6240

This table provides mean daily returns in percentage and standard deviations of each constructed portfolio for non-event days, all event days, and event days with news criteria one, two, and three. Daily returns are defined as $(P_t - P_{(t-1)})/P_{(t-1)}$, where P_t and P_{t-1} are the closing value of the respective firms or index at day t and day t-1 respectively. Standard deviation is used to represent the volatility during the event days and non-event days. After each firms in a portfolio daily returns were calculated, portfolio returns are computed based on value-weighted methodology. This table shows, for each of the eight portfolios and the SET index, the mean and standard deviation of daily value-weighted portfolio returns for non-event days, all event days, and event days with news criteria one, two, and three. HFO is High- Foreign Ownership portfolio. LFO is Low- Foreign Ownership portfolio. LMB is Low- Market to Book Value portfolio. HAR is High- Analyst Recommendation portfolio. LAR is Low- Analyst Recommendation portfolio. SF is Strong- Financial Status portfolio. WF is Weak- Financial Status portfolio. Number of news collected in criteria 1, 2 and 3 are described in Table 3. All event days include all news in criteria 1, 2 and 3. Non-Event days are the other trading days that are not classified in news criteria 1, 2 and 3.

Table 3 Number of News for Three Criteria

Year	All Criteria	criteria 1	criteria 2	criteria 3
1996	7	4	3	0
1997	5	2	1	2
1998	1	0	1	0
1999	3	0	1	2
2000	6	1	2	3
2001	6	2	2	2
2002	4	0	3	1
2003	3	1	2	0
2004	5	1	1	3
2005	12	3	4	5
2006	11	4	2	5
total	63	18	22	23

This table presents number of news collected for each of the three criteria in each year during the sample period of 1996 to 2006. There are three criteria used to define political events in this research. Firstly, criteria 1 are news that related to elections or changes of the government. Criteria 2 are news that related to government lack of stability, and finally, Criteria 3 are news that related to domestic conflicts. NewsCenter is the primary source in this research for collecting news where news headlines and details can be obtained during the sample period of 1996 to 2006. This paper employs keywords search that should be matched with one of the criteria. Keywords for searching news of Criteria 1 are 'Cabinet Reshuffle', 'Elections', 'House Dissolution', 'Resignation', and 'Coup'. Criteria 2's keywords are 'censure debate', and 'fraud'. Criteria 3's keywords are 'Southern Insurgency', 'Protest', 'Rally', and 'Bomb Attack'. To be able to scope for major news headlines, the search only covers the news headlines in the front-page of 3 assigned newspapers, which are Bangkok Post Newspaper, KrungThep Thurakijt Daily Newspaper and Manager Daily Newspaper. There are two periods of times that the assigned newspapers cannot provide complete data. In year 1999 to 2000, news from Krungthep Thurakijt Daily Newspaper were unavailable in the NewsCenter Database, Thansethakitj newspaper were used instead. Another period was in year 1996, the Nation Daily Newspapers was used instead of Bangkok Post newspaper. In case of news that are published during weekends or holidays, the dummy event date will be the next trading day. For example, a political event occurs on Saturday, the specified dummy event date is Monday. See Appendix A for the list of news headlines and event dates.

Table 4 Estimation results of the GARCH (1,1) model for the Stock Exchange of Thailand

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The following GARCH(1,1) model is estimated (returns are in percentage) :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}D_{t-1} + a_{j3}D_t + a_{j4}D_{t+1} + \varepsilon_{jt},$$

	SET Index		
	Coefficient	Std. Error	Prob.
C	0.0301	0.0281	0.2838
D_{t-1}	0.2470	0.1444	0.0872
D_0	-0.3256	0.1902	0.0869
D_{t+1}	0.0737	0.1514	0.6265

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	SET Index		
	Coefficient	Std. Error	Prob.
C	0.0438***	0.0169	0.0097
ε^2_{t-1}	0.1038***	0.0139	0.0000
h_{t-1}	0.8856***	0.0130	0.0000
D_0	0.0857	0.2429	0.7244

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}DE_{t-1} + a_{j3}DE_t + a_{j4}DE_{t+1} +$$
$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	SET Index		
	Coefficient	Std. Error	Prob.
C	0.0281	0.0281	0.3180
DE_{t-1}	0.0332	0.2428	0.8911
DE_0	0.3615	0.4589	0.4309
DE_{t+1}	0.5703	0.3085	0.0645
DI_{t-1}	0.2697	0.2007	0.1789
DI_0	-0.2395	0.2718	0.3782
DI_{t+1}	0.3853	0.2107	0.0674
DC_{t-1}	0.3828	0.2506	0.1267
DC_0	-0.8596***	0.1780	0.0000
DC_{t+1}	-0.3473	0.2174	0.1101

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	SET Index		
	Coefficient	Std. Error	Prob.
C	0.0483***	0.0150	0.0013
ε^2_{t-1}	0.0997***	0.0135	0.0000
h_{t-1}	0.8890***	0.0126	0.0000
DE_0	0.5836	0.3849	0.1295
DI_0	-0.1394	0.2034	0.4934
DC_0	-0.5278***	0.1420	0.0002

* significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01

Table 5 Estimation results of the GARCH (1,1) model for High- and Low- Foreign Ownerships Portfolios (HFO and LFO)

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The right column of table lists t-statistics, which resulting from testing the differences of the estimated coefficients of HFO and LFO portfolios. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}D_{t-1} + a_{j3}D_t + a_{j4}D_{t+1} + \varepsilon_{jt},$$

	HFO			LFO			HFO = LFO
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0767***	0.0247	0.0019	0.0390	0.0240	0.1048	1.36
D_{t-1}	0.2566	0.1332	0.0541	0.2001**	0.0977	0.0406	0.93
D_0	-0.3332	0.1926	0.0837	-0.2404	0.1666	0.1491	-1.23
D_{t+1}	0.0526	0.1611	0.7439	-0.0372	0.1094	0.7341	1.37

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	HFO			LFO			HFO = LFO
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0024	0.0082	0.7729	0.0055	0.0094	0.5545	-0.19
ε^2_{t-1}	0.0285***	0.0057	0.0000	0.0329***	0.0058	0.0000	-0.32
h_{t-1}	0.9701***	0.0077	0.0000	0.9659***	0.0062	0.0000	0.29
D_0	0.0334	0.1116	0.7649	-0.0401	0.1185	0.7350	1.22

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category:

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}DE_{t-1} + a_{j3}DE_t + a_{j4}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	HFO			LFO			HFO = LFO
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0788***	0.0247	0.0014	0.0377	0.0245	0.1235	1.47
DE_{t-1}	-0.2207	0.1694	0.1927	-0.0269	0.1796	0.8808	-1.43
DE_0	0.1662	0.4544	0.7145	-0.0293	0.3915	0.9404	0.93
DE_{t+1}	0.4815	0.3740	0.1979	0.1709	0.2496	0.4934	1.71
DI_{t-1}	0.2524	0.1996	0.2062	0.1777	0.1869	0.3419	0.58
DI_0	-0.1266	0.2647	0.6326	0.0538	0.1705	0.7523	-1.31
DI_{t+1}	0.2508	0.1784	0.1598	0.1877	0.1008	0.0626	0.57
DC_{t-1}	0.4811**	0.2206	0.0292	0.3455**	0.1426	0.0154	1.10
DC_0	-0.9119***	0.1970	0.0000	-0.7084***	0.1691	0.0000	-1.65
DC_{t+1}	-0.3844	0.2343	0.1009	-0.3282**	0.1402	0.0193	-0.45

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	HFO			LFO			HFO = LFO
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0051	0.0068	0.4543	0.0072	0.0066	0.2765	-0.15
ε^2_{t-1}	0.0276***	0.0055	0.0000	0.0321***	0.0058	0.0000	-0.33
h_{t-1}	0.9701***	0.0073	0.0000	0.9660***	0.0054	0.0000	0.29
DE_0	0.2709	0.1451	0.0618	0.1293	0.0852	0.1291	1.29
DI_0	-0.0448	0.1180	0.7042	-0.1091	0.1261	0.3869	0.62
DC_0	-0.2047**	0.0942	0.0298	-0.1608	0.1074	0.1345	-0.48

* significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01

Table 6 Estimation results of the GARCH (1,1) model for High- and Low- Book to Market Value Portfolios (HMB and LMB)

<u>Panel A</u> D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The right column of table lists t-statistics, which resulting from testing the differences of the estimated coefficients of HMB and LMB portfolios. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}D_{t-1} + a_{j3}D_t + a_{j4}D_{t+1} + \varepsilon_{jt},$$

	HMB			LMB			HMB = LMB
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0917***	0.0269	0.0006	0.0780***	0.0237	0.0010	0.48
D_{t-1}	0.2216	0.1474	0.1327	0.3568***	0.1306	0.0063	-2.04**
D_0	-0.4043**	0.2000	0.0432	-0.2813	0.1949	0.1490	-1.55
D_{t+1}	-0.0205	0.1485	0.8904	0.0587	0.1591	0.7123	-1.13

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	HMB			LMB			HMB = LMB
	Coefficient	Std. Error	Prob.	t-test	Std. Error	Prob.	t-stat
C	0.0124	0.0107	0.2479	0.0391**	0.0177	0.0269	-1.26
ε^2_{t-1}	0.0514***	0.0079	0.0000	0.0981***	0.0144	0.0000	-2.48
h_{t-1}	0.9429***	0.0095	0.0000	0.8806***	0.0203	0.0000	2.87
D_0	0.0719	0.1445	0.6190	0.2337	0.1636	0.1530	-2.31**

<u>Panel B</u> News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}DE_{t-1} + a_{j3}DE_t + a_{j4}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	HMB			LMB			HMB = LMB
	Coefficient	Std. Error	Prob.	t-test	Std. Error	Prob.	t-stat
C	0.0903***	0.0271	0.0009	0.0772***	0.0232	0.0009	0.46
DE_{t-1}	-0.0912	0.2207	0.6794	0.0443	0.1871	0.8130	-0.92
DE_0	0.2694	0.4409	0.5412	0.0471	0.4161	0.9099	1.05
DE_{t+1}	0.3095	0.3006	0.3032	0.2988	0.3348	0.3721	0.06
DI_{t-1}	0.2857	0.2361	0.2261	0.5000**	0.2082	0.0164	-1.54
DI_0	-0.2551	0.3157	0.4190	0.0702	0.3227	0.8279	-1.95*
DI_{t+1}	0.3469	0.2308	0.1329	0.2279	0.2290	0.3197	0.84
DC_{t-1}	0.3700	0.2657	0.1638	0.4439	0.2479	0.0733	-0.51
DC_0	-1.063***	0.1808	0.0000	-0.8418***	0.1289	0.0000	-1.95*
DC_{t+1}	-0.5081**	0.2259	0.0245	-0.1206	0.1901	0.5257	-2.94***

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	HMB			LMB			HMB = LMB
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0123	0.0099	0.2148	0.0485***	0.0175	0.0056	-1.74
ε^2_{t-1}	0.0470***	0.0073	0.0000	0.1077***	0.0151	0.0000	-3.22
h_{t-1}	0.9476***	0.0090	0.0000	0.8686***	0.0204	0.0000	3.66
DE_0	0.3061	0.2017	0.1292	0.5892	0.3148	0.0612	-1.72
DI_0	0.1043	0.1694	0.5380	0.2470	0.3233	0.4449	-0.97
DC_0	-0.2806	0.1453	0.0535	-0.4095***	0.1255	0.0011	1.21

* significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01

Table 7 Estimation results of the GARCH (1,1) model for High- and Low - Analyst Recommendations Portfolios (HAR and LAR)

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The right column of table lists t-statistics, which resulting from testing the differences of the estimated coefficients of HAR and LAR portfolios. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}D_{t-1} + a_{j3}D_t + a_{j4}D_{t+1} + \varepsilon_{jt},$$

	HAR			LAR			HAR = LAR
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0719**	0.0289	0.0129	0.0959***	0.0269	0.0004	-0.81
D_{t-1}	0.2255	0.1558	0.1478	0.2794**	0.1420	0.0491	-0.78
D_0	-0.4230**	0.2067	0.0407	-0.1526	0.1755	0.3847	-3.47***
D_{t+1}	-0.0017	0.1668	0.9920	-0.0583	0.1212	0.6302	0.84

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	HAR			LAR			HAR = LAR
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0289	0.0149	0.0522	0.0150	0.0131	0.2520	0.66
ε^2_{t-1}	0.0680***	0.0094	0.0000	0.0642***	0.0089	0.0000	0.22
h_{t-1}	0.9215***	0.0107	0.0000	0.9326***	0.0109	0.0000	-0.60
D_0	0.0766	0.2042	0.7076	-0.1001	0.1018	0.3255	2.54**

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}DE_{t-1} + a_{j3}DE_t + a_{j4}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	HAR			LAR			HAR = LAR
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0705**	0.0292	0.0156	0.0749***	0.0254	0.0031	-0.15
DE_{t-1}	-0.0413	0.2413	0.8640	-0.1047	0.2876	0.7159	0.38
DE_0	0.2696	0.4561	0.5545	0.0978	0.3178	0.7582	0.85
DE_{t+1}	0.2921	0.3406	0.3910	0.2209	0.2068	0.2854	0.42
DI_{t-1}	0.3391	0.2314	0.1429	0.1364	0.3040	0.6536	1.33
DI_0	-0.3353	0.3123	0.2830	0.0331	0.4374	0.9397	-2.04*
DI_{t+1}	0.4173	0.2496	0.0945	0.2223	0.2963	0.4531	1.27
DC_{t-1}	0.2989	0.2797	0.2852	0.9767***	0.2656	0.0002	-4.50***
DC_0	-1.0847***	0.2018	0.0000	-0.3681***	0.0349	0.0000	-7.22***
DC_{t+1}	-0.493**	0.2432	0.0426	-0.2441	0.1878	0.1938	-1.86*

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	HAR			LAR			HAR = LAR
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0247	0.0129	0.0561	0.1339***	0.0250	0.0000	-4.45
ε^2_{t-1}	0.0601***	0.0085	0.0000	0.1658***	0.0205	0.0000	-4.93
h_{t-1}	0.9316***	0.0098	0.0000	0.7929***	0.0234	0.0000	6.04
DE_0	0.3613	0.2724	0.1847	-0.2056	0.1815	0.2572	3.67***
DI_0	0.0065	0.2068	0.9751	0.7113	0.7412	0.3372	-3.47***
DC_0	-0.3655**	0.1771	0.0391	-0.7841***	0.1031	0.0000	3.87***

* significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01

Table 8 Estimation results of the GARCH (1,1) model for Strong- and Weak-Financial Status Portfolios (SF and WF)

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The right column of table lists t-statistics, which resulting from testing the differences of the estimated coefficients of SF and WF portfolios. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}D_{t-1} + a_{j3}D_t + a_{j4}D_{t+1} + \varepsilon_{jt},$$

	SF			WF			SF = WF
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.1298***	0.0237	0.0000	0.0079	0.0357	0.8257	3.97
D_{t-1}	0.2375	0.1647	0.1492	0.6255***	0.2144	0.0035	-5.00***
D_0	-0.4747**	0.2016	0.0185	-0.4992	0.3245	0.1240	0.27
D_{t+1}	-0.0130	0.1419	0.9271	0.0088	0.2517	0.9721	-0.28

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	SF			WF			SF = WF
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.0894***	0.0252	0.0004	0.0279	0.0149	0.0614	2.44
ε^2_{t-1}	0.0901***	0.0156	0.0000	0.0463***	0.0076	0.0000	2.29
h_{t-1}	0.8576***	0.0225	0.0000	0.9453***	0.0096	0.0000	-3.88
D_0	0.1314	0.2271	0.5627	0.3727	0.2348	0.1125	-2.82***

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}\varepsilon_{jt-1} + a_{j2}DE_{t-1} + a_{j3}DE_t + a_{j4}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	SF			WF			SF = WF
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.1291***	0.0236	0.0000	0.0100	0.0360	0.7807	3.87
DE_{t-1}	-0.2250	0.3031	0.4580	0.2262	0.3285	0.4910	-2.47**
DE_0	0.0640	0.4284	0.8813	0.1735	0.7338	0.8131	-0.44
DE_{t+1}	0.2383	0.2684	0.3747	0.3356	0.6285	0.5934	-0.45
DI_{t-1}	0.2410	0.2472	0.3297	0.7281**	0.3285	0.0267	-3.08***
DI_0	-0.4156	0.3140	0.1857	-0.2778	0.5394	0.6065	-0.72
DI_{t+1}	0.1862	0.2347	0.4277	0.1662	0.3308	0.6154	0.13
DC_{t-1}	0.6517**	0.3022	0.0310	0.7559	0.4229	0.0739	-0.60
DC_0	-0.9920***	0.2347	0.0000	-1.3488***	0.3276	0.0000	2.33**
DC_{t+1}	-0.3575	0.2206	0.1052	-0.4019	0.3588	0.2627	0.29

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	SF			WF			SF = WF
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.	t-stat
C	0.1045***	0.0268	0.0001	0.0260	0.0154	0.0905	3.03
ε^2_{t-1}	0.0961***	0.0173	0.0000	0.0435***	0.0075	0.0000	2.65
h_{t-1}	0.8443***	0.0248	0.0000	0.9491***	0.0098	0.0000	-4.47
DE_0	0.3665	0.4346	0.3991	0.6378	0.4738	0.1783	-1.24
DI_0	0.1046	0.3119	0.7373	0.4563	0.3844	0.2352	-2.02*
DC_0	-0.3476	0.2262	0.1243	-0.2482	0.2986	0.4058	-0.67

* significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01

Table 9 Daily Abnormal Returns and Cumulative Abnormal Returns for the Stock Exchange of Thailand

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	Abnormal Returns	t-stat	Abnormal Returns	t-stat	Abnormal Returns	t-stat	Abnormal Returns	t-stat
-5	-0.312%	-(1.46)	-0.241%	-(0.63)	-0.399%	-(1.11)	-0.280%	-(0.86)
-4	0.141%	(0.66)	0.350%	(0.91)	0.101%	(0.28)	0.023%	(0.07)
-3	0.166%	(0.78)	-0.032%	-(0.09)	0.298%	(0.83)	0.189%	(0.58)
-2	0.196%	(0.91)	0.538%	(1.44)	-0.027%	-(0.08)	0.154%	(0.47)
-1	0.479%**	(2.11)	0.055%	(0.15)	0.581%	(1.55)	0.700%**	(2.13)
0	-0.427%*	-(1.93)	0.6141%*	(1.67)	-0.231%	-(0.64)	-1.397%***	-(4.23)
1	0.075%	(0.33)	0.776%**	(2.15)	0.250%	(0.69)	-0.619%*	-(1.86)
2	-0.136%	-(0.61)	-0.286%	-(0.79)	0.135%	(0.37)	-0.283%	-(0.84)
3	-0.052%	-(0.23)	0.229%	(0.63)	-0.179%	-(0.50)	-0.141%	-(0.42)
4	-0.191%	-(0.85)	0.494%	(1.38)	-0.639%*	-(1.81)	-0.274%	-(0.83)
5	0.376%*	(1.67)	0.456%	(1.24)	0.644%*	(1.81)	0.059%	(0.18)
CAR(-3,-1)	0.841%**	(1.99)	0.561%	-(1.45)	0.851%	(1.31)	1.044%	(1.55)
CAR(-1,0)	0.052%	(0.15)	0.669%	-(1.40)	0.350%	(0.65)	-0.542%	-(1.34)
CAR(0,+2)	-0.489%	-(1.09)	1.105%	(1.33)	0.153%	(0.22)	-2.299%***	-(3.43)

The table reports daily abnormal market return and cumulative abnormal market return around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. 'Criteria 1' represents news about changes of government; 'Criteria 2' represents political events related to the government's instability; and 'Criteria 3' represents domestic-conflict events. The sample period covers 1996 – 2006. Cumulative abnormal market return is the sum of all abnormal market returns over the window; (-3, -1), (-1, 0) and (0, +2). All these numbers are tested significantly different from zero computed from t-tests presented in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 10 Daily Mean Abnormal Returns and Cumulative Abnormal Returns for High- and Low- Foreign Ownerships Portfolios (HFO and LFO)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	HFO	LFO	HFO	LFO	HFO	LFO	HFO	LFO
-5	-0.186%	-0.529%	0.209%	-0.029%	-0.410%	-0.997%**	-0.244%	-0.434%
	-(0.91)	-(1.88)	-(0.56)	-(0.07)	-(1.13)	-(2.06)	-(0.73)	-(0.99)
-4	0.251%	0.145%	0.439%	0.498%	0.011%	0.124%	0.346%	-0.071%
	-(1.22)	-(0.52)	-(1.17)	-(1.14)	-(0.03)	-(0.26)	-(1.03)	-(0.16)
-3	0.019%	0.312%	0.075%	-0.276%	-0.138%	0.153%	0.124%	0.849%*
	-(0.09)	-(1.13)	-(0.20)	-(0.64)	-(0.38)	-(0.32)	-(0.37)	-(1.95)
-2	0.120%	0.199%	0.653%*	0.636%	-0.320%	0.035%	0.167%	0.058%
	-(0.57)	-(0.72)	-(1.75)	-(1.47)	-(0.87)	-(0.07)	-(0.49)	-(0.13)
-1	0.394%*	0.325%	0.157%	-0.546%	0.285%	0.703%	0.653%*	0.558%
	-(1.84)	-(1.11)	-(0.42)	-(1.27)	-(0.76)	-(1.43)	-(1.93)	-(1.28)
0	-0.410%*	-0.378%	0.542%	0.622%	-0.233%	-0.264%	-1.206%	-1.148%
	-(1.95)	-(1.29)	-(1.47)	-(1.46)	-(0.64)	-(0.54)	-(3.58)	-(2.67)
1	-0.051%	0.115%	0.276%	0.513%	0.250%	0.184%	-0.546%	-0.213%
	-(0.25)	-(0.39)	-(0.75)	-(1.22)	-(0.70)	-(0.37)	-(1.62)	-(0.50)
2	-0.136%	0.183%	-0.069%	-0.034%	-0.039%	0.143%	-0.270%	0.364%
	-(0.66)	-(0.63)	-(0.19)	-(0.08)	-(0.11)	-(0.29)	-(0.80)	-(0.85)
3	-0.155%	-0.128%	-0.200%	0.068%	-0.312%	-0.365%	0.020%	-0.042%
	-(0.75)	-(0.43)	-(0.55)	-(0.15)	-(0.88)	-(0.74)	-(0.06)	-(0.10)
4	-0.212%	-0.111%	0.237%	1.161%***	-0.692%*	-0.720%	-0.072%	-0.400%
	-(1.04)	-(0.38)	-(0.64)	-(2.59)	-(1.98)	-(1.48)	-(0.22)	-(0.93)
5	0.390%*	0.287%	0.401%	0.695%	0.482%	0.686%	0.298%	-0.349%
	-(1.96)	-(0.98)	-(1.11)	-(1.54)	-(1.40)	-(1.40)	-(0.90)	-(0.81)
CAR(-3,-1)	0.532%	0.835%*	0.885%	-0.185%	-0.173%	0.891%	0.944%	1.464%*
	-(1.34)	-(1.73)	-(1.32)	-(0.26)	-(0.27)	-(1.09)	-(1.29)	-(1.74)
CAR(-1,0)	-0.015%	-0.053%	0.698%	0.076%	0.052%	0.439%	-0.553%	-0.591%
	-(0.05)	-(0.13)	-(1.28)	-(0.13)	-(0.10)	-(0.64)	-(1.02)	-(0.91)
CAR(0,+2)	-0.597%	-0.080%	0.749%	1.101%	-0.022%	0.063%	-2.022%***	-0.997%
	-(1.46)	-(0.15)	-(1.12)	-(1.57)	-(0.03)	-(0.07)	-(2.82)	-(1.26)

The table reports daily abnormal return and cumulative abnormal return of High- and Low- Foreign Ownerships portfolios around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. 'The sample period covers 1996 – 2006. The t-statistics are presented in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 11 Daily Mean Abnormal Returns and Cumulative Abnormal Returns for High- and Low- Book to Market Value Portfolios (HMB and LMB)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	HMB	LMB	HMB	LMB	HMB	LMB	HMB	LMB
-5	-0.365%*	-0.060%	-0.220%	0.258%	-0.460%	-0.104%	-0.375%	-0.232%
	-(1.65)	-(0.26)	-(0.53)	-(0.52)	-(1.21)	-(0.24)	-(1.07)	-(0.66)
-4	0.124%	0.295%	0.420%	0.399%	0.101%	0.305%	-0.052%	0.218%
	-(0.56)	-(1.30)	-(1.02)	-(0.79)	-(0.27)	-(0.72)	-(0.15)	-(0.61)
-3	0.155%	0.275%	0.005%	0.031%	0.190%	0.281%	0.222%	0.433%
	-(0.70)	-(1.18)	-(0.01)	-(0.06)	-(0.50)	-(0.64)	-(0.64)	-(1.21)
-2	0.248%	0.106%	0.541%	0.386%	0.020%	0.078%	0.262%	-0.055%
	-(1.10)	-(0.45)	-(1.32)	-(0.77)	-(0.05)	-(0.18)	-(0.74)	-(0.15)
-1	0.518%**	0.500%**	0.080%	-0.026%	0.613%	0.703%	0.724%**	0.664%*
	-(2.19)	-(2.06)	-(0.20)	-(0.05)	-(1.54)	-(1.60)	-(2.05)	-(1.76)
0	-0.495%**	-0.369%	0.697%*	0.078%	-0.276%	-0.046%	-1.489%***	-0.964%***
	-(2.13)	-(1.53)	-(1.77)	-(0.16)	-(0.72)	-(0.10)	-(4.20)	-(2.57)
1	0.017%	-0.029%	0.706%*	-0.047%	0.232%	0.294%	-0.640%*	-0.312%
	-(0.07)	-(0.12)	-(1.79)	-(0.09)	-(0.60)	-(0.66)	-(1.78)	-(0.83)
2	-0.192%	-0.195%	-0.373%	-0.487%	0.056%	-0.023%	-0.299%	-0.157%
	-(0.82)	-(0.79)	-(0.95)	-(0.96)	-(0.15)	-(0.05)	-(0.83)	-(0.42)
3	-0.070%	0.075%	0.263%	0.335%	-0.272%	-0.034%	-0.108%	0.000%
	-(0.30)	-(0.30)	-(0.65)	-(0.67)	-(0.71)	-(0.08)	-(0.30)	(0.00)
4	-0.167%	-0.141%	0.662%	0.457%	-0.583%	-0.540%	-0.337%	-0.173%
	-(0.71)	-(0.57)	-(1.63)	-(0.91)	-(1.54)	-(1.22)	-(0.95)	-(0.47)
5	0.371%	0.400%	0.565%	0.202%	0.577%	0.888%**	0.054%	0.085%
	-(1.56)	-(1.61)	-(1.41)	-(0.40)	-(1.52)	-(1.99)	-(0.15)	-(0.22)
CAR(-3,-1)	0.921%**	0.881%**	0.626%	0.390%	0.823%	1.062%	1.208%*	1.043%
	-(2.10)	-(2.06)	-(0.84)	-(0.41)	-(1.23)	-(1.49)	-(1.65)	-(1.42)
CAR(-1,0)	0.024%	0.131%	0.777%	0.053%	0.336%	0.657%	-0.765%	-0.300%
	-(0.07)	-(0.37)	-(1.36)	-(0.07)	-(0.60)	-(1.06)	-(1.36)	-(0.51)
CAR(0,+2)	-0.670%	-0.593%	1.030%	-0.455%	0.012%	0.225%	-2.429%***	-1.433%*
	-(1.45)	-(1.24)	-(1.46)	-(0.47)	-(0.02)	-(0.28)	-(3.33)	-(1.89)

The table reports daily abnormal return and cumulative abnormal return of High- and Low- Growth Options portfolios around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. 'The sample period covers 1996 – 2006. The t-statistics are presented in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 12 Daily Mean Abnormal Returns and Cumulative Abnormal Returns for High- and Low - Analyst Recommendations Portfolios (HAR and LAR)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	HAR	LAR	HAR	LAR	HAR	LAR	HAR	LAR
-5	-0.399%	-0.081%	-0.184%	0.166%	-0.578%	-0.283%	-0.380%	-0.060%
	-(1.63)	-(0.38)	-(0.43)	-(0.35)	-(1.35)	-(0.70)	-(1.03)	-(0.17)
-4	0.133%	0.062%	0.448%	0.361%	0.136%	-0.358%	-0.080%	0.247%
	-(0.54)	-(0.30)	-(1.05)	-(0.75)	-(0.32)	-(0.89)	-(0.22)	-(0.70)
-3	0.229%	0.152%	0.132%	0.122%	0.216%	-0.160%	0.305%	0.458%
	-(0.94)	-(0.73)	-(0.31)	-(0.25)	-(0.51)	-(0.40)	-(0.83)	-(1.30)
-2	0.290%	0.220%	0.576%	0.758%	0.002%	-0.068%	0.363%	0.125%
	-(1.16)	-(1.06)	-(1.36)	-(1.59)	-(0.01)	-(0.17)	-(0.97)	-(0.36)
-1	0.536%**	0.523%***	0.143%	-0.123%	0.724%*	0.266%	0.625%*	1.190%***
	-(2.03)	-(2.53)	-(0.34)	-(0.27)	-(1.65)	-(0.65)	-(1.66)	-(3.37)
0	-0.553%*	-0.365%*	0.692%*	0.217%	-0.356%	-0.135%	-1.563%***	-0.964%***
	-(2.13)	-(1.84)	-(1.67)	-(0.47)	-(0.83)	-(0.34)	-(4.11)	-(2.77)
1	0.051%	-0.086%	0.739%*	0.329%	0.286%	-0.023%	-0.623%	-0.421%
	-(0.19)	-(0.44)	-(1.79)	-(0.71)	-(0.67)	-(0.06)	-(1.62)	-(1.22)
2	-0.249%	-0.213%	-0.496%	-0.337%	-0.054%	0.036%	-0.263%	-0.359%
	-(0.95)	-(1.09)	-(1.20)	-(0.73)	-(0.13)	-(0.09)	-(0.68)	-(1.06)
3	-0.110%	0.129%	0.219%	0.632%	-0.364%	0.002%	-0.095%	-0.090%
	-(0.42)	-(0.65)	-(0.52)	-(1.36)	-(0.85)	-(0.01)	-(0.25)	-(0.27)
4	-0.180%	-0.367%*	0.771%*	0.332%	-0.603%	-1.070%***	-0.426%	-0.189%
	-(0.68)	-(1.84)	-(1.81)	-(0.72)	-(1.43)	-(2.78)	-(1.11)	-(0.56)
5	0.314%	0.602%***	0.503%	0.923%**	0.622%	0.600%	-0.095%	0.390%
	-(1.18)	-(2.98)	-(1.19)	-(2.05)	-(1.47)	-(1.57)	-(0.25)	-(1.11)
CAR(-3,-1)	1.055%	0.895%***	0.851%	0.756%	0.943%	0.038%	1.293%*	1.773%***
	-(2.13)	-(2.56)	-(1.09)	-(0.86)	-(1.26)	-(0.05)	-(1.68)	-(2.63)
CAR(-1,0)	-0.017%	0.158%	0.835%	0.094%	0.369%	0.130%	-0.938%	0.226%
	-(0.04)	-(0.55)	-(1.38)	-(0.14)	-(0.59)	-(0.22)	-(1.58)	-(0.42)
CAR(0,+2)	-0.751%	-0.665%*	0.935%	0.209%	-0.124%	-0.122%	-2.449%***	-1.744%***
	-(1.43)	-(1.86)	-(1.25)	-(0.25)	-(0.16)	-(0.16)	-(3.20)	-(2.60)

The table reports daily abnormal return and cumulative abnormal return of High- and Low- Analyst Recommendation portfolios around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. 'The sample period covers 1996 – 2006. The t-statistics are presented in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 13 Daily Mean Abnormal Returns and Cumulative Abnormal Returns for Strong- and Weak- Financial Status Portfolios (SF and WF)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	SF	WF	SF	WF	SF	WF	SF	WF
-5	-0.299%	-0.352%	-0.218%	0.086%	-0.242%	-0.480%	-0.405%	-0.526%
	-(1.63)	-(1.10)	-(0.53)	-(0.13)	-(0.76)	-(0.96)	-(1.25)	-(1.10)
-4	0.163%	0.028%	0.493%	0.072%	0.393%	0.243%	-0.268%	-0.200%
	-(0.89)	-(0.09)	-(1.21)	-(0.11)	-(1.23)	-(0.50)	-(0.84)	-(0.41)
-3	0.056%	0.388%	0.156%	-0.307%	0.277%	0.334%	-0.214%	0.899%*
	-(0.31)	-(1.24)	-(0.39)	-(0.48)	-(0.87)	-(0.69)	-(0.67)	-(1.86)
-2	0.256%	0.147%	0.506%	0.503%	0.118%	-0.107%	0.215%	0.141%
	-(1.39)	-(0.46)	-(1.25)	-(0.78)	-(0.37)	-(0.22)	-(0.67)	-(0.29)
-1	0.490%***	0.672%**	0.034%	-0.199%	0.536%	1.087%**	0.753%**	0.872%*
	-(2.60)	-(2.06)	-(0.09)	-(0.31)	-(1.65)	-(2.19)	-(2.33)	-(1.78)
0	-0.511%***	-0.650%**	0.333%	0.895%	-0.308%	-0.431%	-1.261%***	-1.880%***
	-(2.75)	-(2.04)	-(0.84)	-(1.39)	-(0.97)	-(0.89)	-(3.86)	-(3.84)
1	-0.048%	-0.031%	0.307%	0.660%	0.103%	0.102%	-0.423%	-0.614%
	-(0.26)	-(0.10)	-(0.78)	-(1.03)	-(0.33)	-(0.21)	-(1.29)	-(1.25)
2	-0.273%	-0.106%	-0.532%	-0.415%	0.127%	0.211%	-0.469%	-0.192%
	-(1.46)	-(0.33)	-(1.34)	-(0.64)	-(0.41)	-(0.43)	-(1.42)	-(0.39)
3	-0.054%	-0.373%	0.414%	0.027%	-0.163%	-0.366%	-0.267%	-0.645%
	-(0.29)	-(1.15)	-(1.04)	-(0.04)	-(0.52)	-(0.75)	-(0.82)	-(1.29)
4	-0.023%	-0.322%	0.472%	0.829%	-0.273%	-0.787%	-0.124%	-0.662%
	-(0.12)	-(1.00)	-(1.19)	-(1.26)	-(0.88)	-(1.64)	-(0.39)	-(1.35)
5	0.354%*	0.440%	0.821%**	0.204%	0.434%	0.955%*	-0.030%	0.124%
	-(1.83)	-(1.36)	-(2.11)	-(0.31)	-(1.40)	-(1.95)	-(0.09)	-(0.25)
CAR(-3,-1)	0.802%**	1.206%**	0.697%	-0.002%	0.930%*	1.313%*	0.755%	1.913%**
	-(2.39)	-(2.14)	-(0.96)	(0.00)	-(1.70)	-(1.71)	-(1.18)	-(2.01)
CAR(-1,0)	-0.021%	0.022%	0.368%	0.696%	0.229%	0.656%	-0.509%	-1.009%
	-(0.08)	-(0.05)	-(0.67)	-(0.79)	-(0.51)	-(1.00)	-(1.02)	-(1.36)
CAR(0,+2)	-0.832%***	-0.788%	0.109%	1.140%	-0.078%	-0.118%	-2.152%***	-2.686%***
	-(2.48)	-(1.32)	-(0.16)	-(1.07)	-(0.14)	-(0.13)	-(3.34)	-(2.83)

The table reports daily abnormal return and cumulative abnormal return of Strong- and Weak- Financial Status portfolios around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. 'The sample period covers 1996 – 2006. The t-statistics are presented in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 14 Daily Abnormal Volume and Cumulative Abnormal Volume for the Stock Exchange of Thailand

Event Window	All Criteria Abnormal Volume	t-stat	Criteria 1 Abnormal Volume	t-stat	Criteria 2 Abnormal Volume	t-stat	Criteria 3 Abnormal Volume	t-stat
-5	-0.0804	-(0.63)	-0.1885	-(0.78)	0.1967	(0.94)	-0.2865	-(1.34)
-4	0.0167	(0.13)	-0.0807	-(0.33)	0.4042*	(1.94)	-0.3132	-(1.47)
-3	0.2079	(1.64)	-0.1098	-(0.45)	0.5703**	(2.74)	0.0743	(0.35)
-2	0.1530	(1.20)	-0.0052	-(0.02)	0.3366	(1.61)	0.0832	(0.39)
-1	0.3178**	(2.50)	0.3615	(1.49)	0.3585*	(1.72)	0.2414	(1.13)
0	0.4105***	(3.23)	0.8328***	(3.43)	0.5531**	(2.65)	-0.0647	-(0.30)
1	0.3607***	(2.84)	0.8313***	(3.43)	0.4718**	(2.26)	-0.1189	-(0.56)
2	0.1773	(1.40)	0.3372	(1.39)	0.3490	(1.67)	-0.1258	-(0.59)
3	0.1255	(0.99)	0.2427	(1.00)	0.3131	(1.50)	-0.1614	-(0.76)
4	0.0574	(0.45)	0.2696	(1.11)	0.1789	(0.86)	-0.2336	-(1.10)
5	0.1920	(1.51)	0.5540**	(2.28)	0.3876*	(1.86)	-0.2922	-(1.37)
CAV(-3,-1)	0.6787	(1.46)	0.2465	(0.39)	1.2656**	(2.07)	0.3990	(0.70)
CAV(-1,0)	0.7283**	(2.23)	1.1943**	(2.70)	0.9116**	(2.15)	0.1768	(0.43)
CAV(0,+2)	0.9486**	(1.99)	2.0014***	(3.18)	1.3739**	(2.25)	-0.3094	-(0.52)

The table reports daily abnormal market volume and cumulative abnormal market volume around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. 'Criteria 1' represents news about changes of government; 'Criteria 2' represents political events related to the government's instability; and 'Criteria 3' represents domestic-conflict events. The sample period covers 1996 – 2006. Abnormal volume for stock i is normalized and then average across events. Cumulative abnormal market volume is the sum of all normalized abnormal market volume over the window; (-3, -1), (-1, 0) and (0, +2). All these numbers are tested significantly different from zero computed from t-tests presented in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

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Table 15 Daily Mean Abnormal Volume and Cumulative Abnormal Volume for High- and Low- Foreign Ownerships Portfolios (HFO and LFO)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	HFO	LFO	HFO	LFO	HFO	LFO	HFO	LFO
-5	0.1983	0.145	0.3294	0.2454	0.2406	0.0773	0.0593	0.1346
	-(1.60)	-(1.17)	-(1.40)	-(1.04)	-(1.15)	-(0.37)	-(0.29)	-(0.66)
-4	0.2068*	0.1823	0.2708	0.2571	0.2771	0.202	0.0914	0.1073
	-(1.67)	-(1.47)	-(1.15)	-(1.09)	-(1.33)	-(0.97)	-(0.45)	-(0.53)
-3	0.2119*	0.1663	0.1067	0.1771	0.3187	0.1626	0.1886	0.1618
	-(1.71)	-(1.34)	-(0.45)	-(0.75)	-(1.53)	-(0.78)	-(0.92)	-(0.79)
-2	0.2258*	0.2108	0.2144	0.2763	0.3517	0.165	0.1137	0.2055
	-(1.82)	-(1.70)	-(0.91)	-(1.17)	-(1.69)	-(0.79)	-(0.56)	-(1.01)
-1	0.3334***	0.1909	0.3113	0.2651	0.5059**	0.2184	0.1847	0.1089
	-(2.69)	-(1.54)	-(1.32)	-(1.12)	-(2.43)	-(1.05)	-(0.90)	-(0.53)
0	0.2777**	0.3862	0.3737	0.8595***	0.3663*	0.3228	0.121	0.092
	-(2.24)	-(3.11)	-(1.59)	-(3.65)	-(1.76)	-(1.55)	-(0.59)	-(0.45)
1	0.1888	0.6257	0.5099**	0.7183***	0.1885	1.1697***	-0.0518	0.0349
	-(1.52)	-(5.04)	-(2.16)	-(3.05)	-(0.90)	-(5.61)	-(0.25)	-(0.17)
2	0.1902	0.2601	0.4027	0.395	0.1705	0.3478	0.0498	0.0749
	-(1.53)	-(2.10)	-(1.71)	-(1.68)	-(0.82)	-(1.67)	-(0.24)	-(0.37)
3	0.2371*	0.2292	0.3957	0.5377**	0.2108	0.2418	0.1435	-0.0144
	-(1.91)	-(1.85)	-(1.68)	-(2.28)	-(1.01)	-(1.16)	-(0.70)	-(0.07)
4	0.2357*	0.1809	0.5316**	0.3417	0.2284	0.1929	0.0208	0.0489
	-(1.90)	-(1.46)	-(2.26)	-(1.45)	-(1.10)	-(0.92)	-(0.10)	-(0.24)
5	0.1929	0.2048	0.3291	0.3962	0.3101	0.2431	-0.0215	0.0245
	-(1.56)	-(1.65)	-(1.40)	-(1.68)	-(1.49)	-(1.17)	-(0.11)	-(0.12)
CAV(-3,-1)	0.7711***	0.5679***	0.6324*	0.7186***	1.1763***	0.546	0.4871**	0.4761*
	-(6.00)	-(3.70)	-(1.99)	-(3.29)	-(3.55)	-(1.63)	-(2.19)	-(1.74)
CAV(-1,0)	0.6111***	0.5771***	0.6850***	1.1246***	0.8722***	0.5412**	0.3058*	0.2009
	-(6.00)	-(4.99)	-(3.04)	-(7.50)	-(3.76)	-(2.09)	-(1.89)	-(1.05)
CAV(0,+2)	0.6567***	1.2720***	1.2863***	1.9728***	0.7253**	1.8403***	0.1191	0.2019
	-(4.74)	-(8.32)	-(4.20)	-(9.71)	-(2.24)	-(5.45)	-(0.53)	-(0.78)

The table reports daily abnormal volume and cumulative abnormal volume of High- and Low- Foreign Ownership portfolios around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. The sample period covers 1996 – 2006. A t-test is reported in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 16 Daily Mean Abnormal Volume and Cumulative Abnormal Volume for High- and Low- Book to Market Value Portfolios (HMB and LMB)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	HMB	LMB	HMB	LMB	HMB	LMB	HMB	LMB
-5	0.1533	0.2369	0.2412	0.411	0.1961	0.1723	0.0465	0.1683
	-(1.24)	-(1.91)	-(1.02)	-(1.74)	-(0.94)	-(0.83)	-(0.23)	-(0.82)
-4	0.2939**	0.2655**	0.3772	0.4006	0.3349	0.2953	0.192	0.1355
	-(2.37)	-(2.14)	-(1.60)	-(1.70)	-(1.61)	-(1.42)	-(0.94)	-(0.66)
-3	0.2707**	0.2656**	0.2771	0.244	0.3234	0.2731	0.2155	0.2745
	-(2.18)	-(2.14)	-(1.18)	-(1.04)	-(1.55)	-(1.31)	-(1.06)	-(1.34)
-2	0.2680**	0.3133**	0.3574	0.3486	0.2731	0.3107	0.196	0.2893
	-(2.16)	-(2.53)	-(1.52)	-(1.48)	-(1.31)	-(1.49)	-(0.96)	-(1.42)
-1	0.2541**	0.3569	0.4332*	0.3515	0.3449	0.3847*	0.0328	0.3344
	-(2.05)	-(2.88)	-(1.84)	-(1.49)	-(1.65)	-(1.85)	-(0.16)	-(1.64)
0	0.3968***	0.3265	0.9471***	0.4589*	0.3424	0.4119*	0.0362	0.1454
	-(3.20)	-(2.63)	-(4.02)	-(1.95)	-(1.64)	-(1.98)	-(0.18)	-(0.71)
1	0.4016***	0.2667**	0.6890***	0.5336**	0.6462***	0.2737	-0.0484	0.0599
	-(3.24)	-(2.15)	-(2.92)	-(2.26)	-(3.10)	-(1.31)	-(0.24)	-(0.29)
2	0.2080*	0.2780**	0.3443	0.3994	0.3586*	0.2958	-0.0386	0.17
	-(1.68)	-(2.24)	-(1.46)	-(1.69)	-(1.72)	-(1.42)	-(0.19)	-(0.83)
3	0.1933	0.2781**	0.3716	0.3865	0.2587	0.3147	-0.0031	0.1617
	-(1.56)	-(2.24)	-(1.58)	-(1.64)	-(1.24)	-(1.51)	-(0.02)	-(0.79)
4	0.1803	0.2018	0.355	0.3218	0.165	0.2108	0.0638	0.1031
	-(1.45)	-(1.63)	-(1.51)	-(1.37)	-(0.79)	-(1.01)	-(0.31)	-(0.51)
5	0.1661	0.2376*	0.2596	0.3929	0.2975	0.3253	-0.0299	0.037
	-(1.34)	-(1.92)	-(1.10)	-(1.67)	-(1.43)	-(1.56)	-(0.15)	-(0.18)
CAV(-3,-1)	0.7928***	0.9358***	1.0676***	0.9441**	0.9413***	0.9685***	0.4443	0.8982***
	-(5.86)	-(7.43)	-(5.03)	-(2.78)	-(2.94)	-(3.37)	-(1.52)	-(4.71)
CAV(-1,0)	0.6509***	0.6834***	1.3803***	0.8103***	0.6873***	0.7966***	0.069	0.4798***
	-(6.40)	-(7.51)	-(9.56)	-(3.47)	-(2.99)	-(4.03)	-(0.33)	-(3.43)
CAV(0,+2)	1.0063***	0.8713***	1.9804***	1.3919***	1.3472***	0.9814***	-0.0508	0.3753*
	-(7.00)	-(6.81)	-(9.96)	-(4.07)	-(4.19)	-(3.74)	-(0.17)	-(1.91)

The table reports daily abnormal volume and cumulative abnormal volume of High- and Low- Growth Options portfolios around political event date, which were separately examined for 3 different news criteria, and 'all-criteria' section. The sample period covers 1996 – 2006. A t-test is reported in parentheses, where * significant at the 0.1, ** significant at the 0.05, and *** significant at the 0.01.

Table 17 Daily Mean Abnormal Volume and Cumulative Abnormal Volume for High- and Low - Analyst Recommendations Portfolios (HAR and LAR)

Event Window	All Criteria		Criteria 1		Criteria 2		Criteria 3	
	HAR	LAR	HAR	LAR	HAR	LAR	HAR	LAR
-5	-0.0182	0.2234*	-0.0446	0.3886	0.0525	0.1815	-0.0673	0.1398
	-(0.14)	-(1.80)	-(0.18)	-(1.65)	-(0.25)	-(0.87)	-(0.33)	-(0.68)
-4	0.0898	0.2612**	0.1054	0.4353*	0.1942	0.2806	-0.0212	0.112
	-(0.71)	-(2.11)	-(0.42)	-(1.85)	-(0.93)	-(1.35)	-(0.10)	-(0.55)
-3	0.1305	0.2711**	0.1369	0.2241	0.2135	0.3298	0.0463	0.2502
	-(1.04)	-(2.19)	-(0.55)	-(0.95)	-(1.02)	-(1.58)	-(0.23)	-(1.23)
-2	0.1241	0.3374***	0.1831	0.4243*	0.1206	0.4002*	0.0856	0.2121
	-(0.99)	-(2.72)	-(0.73)	-(1.80)	-(0.58)	-(1.92)	-(0.42)	-(1.04)
-1	0.1893	0.2952**	0.4994*	0.4673*	0.0945	0.2643	0.0605	0.1957
	-(1.50)	-(2.38)	-(2.00)	-(1.98)	-(0.45)	-(1.27)	-(0.30)	-(0.96)
0	0.1673	0.2674**	0.6223**	0.4235*	0.168	0.302	-0.1557	0.1171
	-(1.33)	-(2.16)	-(2.49)	-(1.80)	-(0.81)	-(1.45)	-(0.76)	-(0.57)
1	0.1886	0.2711**	0.7016**	0.5211**	0.2308	0.3455	-0.2154	0.0124
	-(1.50)	-(2.19)	-(2.81)	-(2.21)	-(1.11)	-(1.66)	-(1.06)	-(0.06)
2	0.1055	0.1973	0.345	0.286	0.1396	0.2486	-0.0968	0.0816
	-(0.84)	-(1.59)	-(1.38)	-(1.21)	-(0.67)	-(1.19)	-(0.47)	-(0.40)
3	0.0648	0.1969	0.3842	0.2583	0.0308	0.2375	-0.1289	0.112
	-(0.51)	-(1.59)	-(1.54)	-(1.10)	-(0.15)	-(1.14)	-(0.63)	-(0.55)
4	-0.0081	0.1656	0.27	0.3503	-0.0495	0.2435	-0.1654	-0.0477
	-(0.06)	-(1.34)	-(1.08)	-(1.49)	-(0.24)	-(1.17)	-(0.81)	-(0.23)
5	0.0809	0.2863	0.2264	0.4214*	0.1849	0.3341	-0.1219	0.1391
	-(0.64)	-(2.31)	-(0.91)	-(1.79)	-(0.89)	-(1.60)	-(0.60)	-(0.68)
CAV(-3,-1)	0.4439***	0.9038***	0.8194***	1.1158***	0.4286	0.9943***	0.1925	0.6580***
	-(3.14)	-(6.92)	-(3.39)	-(3.36)	-(1.30)	-(3.88)	-(0.78)	-(2.94)
CAV(-1,0)	0.3566***	0.5626***	1.1217***	0.8909***	0.2625	0.5663***	-0.0952	0.3128*
	-(3.38)	-(5.81)	-(6.49)	-(3.87)	-(1.11)	-(3.02)	-(0.54)	-(1.98)
CAV(0,+2)	0.4614***	0.7358***	1.6690***	1.2306***	0.5384	0.8962***	-0.4678*	0.211

CHAPTER V

CONCLUSION, LIMITATIONS OF STUDY

AND AREAS FOR FUTURE RESEARCH

5.1 Conclusion

This thesis attempts to estimate the possible valuation impact of various political events not only on the stock market level, but at firm-specific level. Specifically, this study investigates the impact that might be varied for different group of firms. To do so, eight portfolios are constructed based on 4 firm characteristics: foreign ownerships, market to book value, analyst recommendations, and financial status. Each portfolio sharing the same characteristic is then examined with 2 approaches, GARCH (1,1) and Event Study. Generally, this research discovers that political events have significant and measurable impact on stock returns. The results suggest that not all firms react to political event identically, and not all events affect on stock returns and volatility.

Main findings from the 2 approaches can be summarized as follows. At the return level, the market overall react negatively on and following the domestic-conflict related events (e.g., Anti-Thaksin demonstrations or the southern insurgency). Meanwhile, positive responses can be observed following the day with news about political changes. This implies that the outcome of political changes in Thailand does not allow investors to immediately assess the effect on the country's political future, thus positive price changes should be expected following the event date (t+1) as uncertainty about the policies to be implemented by governing authority is resolved. In addition, this study finds that there is

no significant impact from news criteria 2 or news about government's instability (e.g., censure and debate accusation of corruptions). On volatility side, generally, there is significant impact of political events criteria 3 in decreasing time-varying volatility. This may be explained by the decreases in abnormal volume following the event date for many consecutive days. The thinly trading reactions caused from news criteria 3, thus, lead to decrease in volatility.

At firm level, the results have shown various reactions of firms towards political events in Thailand. First of all, there is only a small and insignificant difference from political impact between high and low foreign owned stocks. Both of them are affected negatively from political news criteria 3, with HFO portfolio performs slightly worse than LFO portfolio. Secondly, comparing with Low-market to book value firms, the result shows that growth stocks measured by high-market to book value experiences more loss on and following the political event date of news criteria 2 and 3. This indicates that growth stocks are not favorable under uncertain circumstances of the country's political environment. In addition to GARCH (1,1) results, after employing Event-Study, it is found that high growth stocks and high analyst recommended stocks response positively to news about political changes, e.g., election and cabinet reshuffle. For financially strong firms, evidence suggests that their abnormal volumes are the least active, and their impact on returns is similar to the overall market.

Of all portfolios firms with low analyst recommendation have the lowest impact from news criteria 3. The evidence of increasing in returns before the event date suggests

that investors are more appreciate to invest in low covered firms since the impact on the political event date is minimal. In opposite, weak- financial status firms are most affected from political events, in particular, the domestic-conflict related events.

5.2 Limitation

This research has been performed over a set of political events, which their definition is limited to three established criteria. A caution should be used when interpreting results as other political events that are not related to one of the defined criteria would lead to a different conclusion. In addition, sample of news in this research include 63 major political events which may seem to be a small number of samples for 11-year period of sample to represent political events in Thailand.

5.3 Area for Future Research

To be able to focus on political impact on different group of firms a single political event that causes jump market return could provide more obvious result. Based on the political criteria performed in this research, the study of volatility effect should be expanded.

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APPENDICES

APPENDIX A. News Headlines and Descriptions

Event Dates	News Headlines
	News Criteria 1
23 May 96	PDP in dilemma after five Therd Thai ministers quit
	FIVE ministers of the Therd Thai faction resigned yesterday, turning up the heat on Palang Dharma, which has pledged to make clear
2 Jul 96	Cabinet line-up ready for royal approval
	PRIME Minister Banharn Silpa-archa yesterday endorsed his fourth Cabinet reshuffle in a year which will be forwarded to His Majesty the King for approval today.
23 Sep 96	Thai Prime Minister Banharn Silpa-archa resigned after 14 months in offices under charges of corruption and ineptitude.
18 Nov 96	Chavalit Yongchaiyudh, former defense minister, led the New Aspiration Party to victory in elections
	and recruited 5 other parties to form a coalition government. He was later endorsed and called "fatso" by Buddhist monk Luang Phor Khoon Parisuttho. The government lasted into 1997.
20 Jun 97	Thanong replaces Amnuay
	The prime minister chose the president of Thai Military Bank as finance minister last night after Olarn Chaipravat, the first choice candidate, turned down his offer.
4 Nov 97	Prime Minister Chavalit Yongchaiyudh announced that he would step down later in the week. Stock and currency markets rallied on the news.
30 Mar 00	Banyat next in line
	Sanan Kachornprasart resigned as deputy premier and interior minister yesterday but the Democrats will wait for things to calm down before putting Banyat Bantadthan in the vacant posts, sources said.
8 Jan 01	Thailand government elections pitted PM Chuan Leekpai's Democratic Party against the Thais Love Thais (Thai Rak Thai) party of Thaksin Shinawatra (51). Elections for 500 seats in the lower parliament were scheduled with new laws to reduce vote-buying.
28 May 01	Mom Tao out, Mom Oui in
	A leadership change was needed at the Bank of Thailand to help synchronise economic policies, government leaders insisted yesterday.
7 Nov 03	Party loyalists, friends rewarded
	Prime Minister Thaksin Shinawatra says the cabinet reshuffle will involve changes to 12 ministerial posts and result in the appointment of one outsider.
9 Mar 04	Cabinet Reshuffle : Security ministers 'facing axe'.
	Prime Minister Thaksin Shinawatra has dumped his security ministers as violence continues to plague the South, sources said.
7 Feb 05	Prime Minister Thaksin Shinawatra's Thai Rak Thai (Thais Love Thais) Party wins a second landslide election victory, taking 377 of the 500 seats in parliament.
	Thai Rak Thai has made history by grabbing the lion's share of MP seats in a high-riding poll victory to lead a single-party government while critics also labelled yesterday's general election one of the dirtiest the country has ever seen.
3 Aug 05	Same old faces after reshuffle won't save the nation
	With the same old faces holding on to key portfolios, analysts say the cabinet shake-up looks more like a way to fix the government's own problems rather than saving the nation spooked by a string of ill-fated events such as southern violence, corruption

Event Dates	News Headlines
7 Jul 05	Feeling the heat, Suriya opts to quit Suriya larpwisuthisin resigned as deputy commerce minister yesterday amid growing pressure on his political life fuelled by an alleged accounting fraud in Picnic Corp, his family's multi-million baht cooking gas company.
24 Feb 06	Thaksin announced a House dissolution on 24 February 2006, in a bid to defuse the political crisis triggered by his family's sale of Shin Corporation
3 Apr 06	Thailand citizens voted in snap parliamentary elections. Thailand's PM urged citizens to ignore an opposition boycott, saying the vote was crucial to ending the country's deepening political stalemate amid demands for his resignation.
21 Sep 06	COUP D' ETAT, Armed forces and national police take over government Troops loyal to army chief Gen Sonthi Boonyaratkalin last night staged a coup d'etat to oust caretaker Prime Minister Thaksin Shinawatra who was in New York and due to address the United Nations General Assembly.
2 Oct 06	Surayud New PM Gen Surayud Chulanont, "kicked upstairs" four years ago by deposed prime minister Thaksin Shinawatra, was officially named the country's 24th prime minister yesterday, setting as his one-year mission ending conflicts among Thais.

News Criteria 2

Event Dates	News Headlines
8 May 96	Opposition flays Suchart as censure debate kicks off DEPUTY Interior Minister Suchart Tancharoen grabbed massive areas of land in Nong Khai and on Koh Samet with money acquired through shady deals, the House was told yesterday.
14 Aug 96	PDP vows to pull out of coalition Palang Dharma resolved to quit the Chart Thai-led coalition last night in protest at what it termed as the ambiguous Cabinet decision on the bank licence issue yesterday
12 Sep 96	PM defies pressure to resign Coalition pressure for the prime minister to resign is intensifying but there are growing indications he will instead dissolve the House
9 Sep 97	Chavalit defiant as storm clouds gather The prime minister adopted a defiant posture yesterday to theopposition's no-confidence motion against him and his government, but hisproblems could be coming from his own coalition.
18 Mar 98	Cabinet braces for onslaught The censure debate is supposed to target the Chuan administration,but probably will focus on individual ministers. That could be bad news for Mr Chuan. Some of his ministers are less than pure. The bad image could rub off on him. It has happened before
28 Jan 99	Ex-NAP cabinet members hit in Democrat counterattack Democrats launched counterattacks against former New Aspiration cabinet members during the first day of opposition grilling of three Democrat ministers yesterday.
15 May 00	Wan Nor to take senior party post Wan Muhamad Nor Matha announced yesterday he will tender his resignation as parliament president on June 24, following the New Aspiration Party's decision yesterday to appoint him as secretary-general.

Event Dates	News Headlines
23 Jun 00	Chai-anan resigns as opening is cleared Chai-anan Samudavanija yesterday resigned from the Constitutional Court on the eve of its ruling that parliament can open tomorrow
18 Jan 01	Electoral officials annulled the victories of 14 candidates.
4 Apr 01	Inquiry was biased, Thaksin's team says The National Counter Curruption Commission was biased against Thaksin Shinawatra in its investigation of his alleged concealment of assets, the legal team representing the prime minister said yesterday.
8 Feb 02	Court rules selection of final 14 void. Panel can stay, even though it broke rules. An Administrative Court tribunal has declared void the 14 contenders for the national telecommunications commission after finding the selection process unfair.
5 Mar 02	Nation radio programmes taken off air Nation will no longer talk politics. Lack of freedom in coverage cited. The government has ordered the Nation Multimedia Group to cease its radio programmes starting today.
21 May 02	Sanoh accused of temple land-grab. Purachai slammed for failure to act The Alpine land controversy returned to haunt the government as the opposition launched its censure debate against 15 cabinet ministers yesterday.
28 May 03	Surapong 'works for Shinawatra'. Minister lashed over excise tax decrees Surapong Suebwonglee was appointed to head the Information and Communications Technology to protect business interests of the Shinawatra family, the opposition charged yesterday. Suriya hits back at key Democrat. Pradit threatened with graft charges Transport Minister Suriya Jungrungreangkit yesterday hurled counter-allegations at Democrat secretary-general Pradit Pattaraprasit, threatening to file corruption charges against him with the national anti-graft commission.
3 Sep 03	Democrats draw knives over budget. Allege irregularities, waste and corruption The opposition Democrats will attack the ruling Thai Rak Thai party over a host of alleged funding irregularities during debate on the 1.028-trillion-baht budget bill, beginning in the House of Representatives today
19 May 04	'Lie squad' to monitor opposition The government replied to the opposition's campaign to censure eight cabinet ministers yesterday by setting up a "lie detection" unit
24 May 05	Public 'lied to' about CTX deal Calls for probe louder after US bribe denial Pressure is mounting for a full inquiry into the kickback scandal over the procurement of baggage-bomb detectors for Suvarnabhumi airport
9 Jun 05	Sanoh in open rebellion Sanoh Thienthong openly confronted Prime Minister Thaksin Shinawatra yesterday, making a rare, long speech that jolted parliament by comparing the Thai Rak Thai party to a "prison"
27 Jun 05	Debate to focus on price difference Today's House debate on the alleged incompetency of Transport Minister Suriya Jungrungreangkit should focus on the difference in the price of the CTX bomb scanners quoted by Patriot Business Consultants and ITO Joint Venture, the contractor for Suvarnabhum

Event Dates	News Headlines
13 Sep 05	Matichon vows to fight Media freedom further compromised, say opposition MPs, senators and democracy advocates Matichon chairman Kanchai Boonpan is expected to launch a counterbid for control of the newspaper and publishing company to fend off a takeover move by GMM Media, a unit of entertainment giant GMM Grammy.
24 Jan 06	The family of Thai PM Thaksin Shinawatra sold their controlling stake in the telecom Shin Corp. for $1.87 billion to Singapore's Temasek Holdings. Legal loopholes were used to avoid taxes on the sale.
8 May 06	Poll booths 'the decider' The much-criticised re-arrangement of polling booths is likely to provide grounds for the Constitution Court to rule the April 2 snap election unconstitutional, according to a source close to the issue.

News Criteria 3

26 Sep 97	Sanam Luang rally planned The self-styled green potatoes who support the constitution will be out on Silom Road today. It is part of a last-minute campaign to boost the new charter, and encourage MPs to both pass and support it tomorrow.
20 Oct 97	Anger and frustration pour out as thousands gather on Silom The middle-class gathered yesterday in the largest rally since BlackMay 1992 to demand the resignation of the prime minister.
7 May 99	Workers step up sell-off protests As state enterprise workers stepped up the pressure on the government, the PM's Office minister responsible for energy affairs was recalled from abroad for talks today with management and unions of the Electricity Generating Authority of Thailand.
4 Oct 99	The Vigorous Burmese Student Warriors took 38 diplomats as hostages at the Burmese Embassy in Bangkok. Two Thai officials were exchanged for the hostages and 12 [5] students were reported to have flown to the Thai-Burma border by helicopter, w Prime Minister Chaun Leekpai has summoned a meeting of the anti-international terrorism committee at Government House on Wednesday to review the Burmese embassy siege and to reassess the existing security system.
8 May 00	Thousands of protestors besieged the annual meeting of the Asian Development Bank. The 13 nations agreed to rescue each other's currencies to fend off economic crises.
18 Jul 00	Villagers charged with trespassing Some 200 Pak Moon villagers who broke into the Government House compound on Sunday night were yesterday charged with trespassing. Forty villagers on hunger strike
28 Jul 00	Hundreds of workers last night joined the demonstration in front of Government House as 40 protesters began a hunger strike A bomb blast gutted a Thai Airways Boeing 737-400 in Bangkok just before Prime Minister Shinawatra was to board. One crew member was killed.
5 Mar 01	Muslims snub American goods Bin Laden T-shirts making a killing Thai Muslims will boycott products made in the United Stated and its allies in retaliation against the US-led attacks on Afghanistan.
15 Oct 01	Muslims snub American goods Bin Laden T-shirts making a killing Thai Muslims will boycott products made in the United Stated and its allies in retaliation against the US-led attacks on Afghanistan.

Event Dates	News Headlines
20 Dec 02	Villagers hurt in police charge 12 protest leaders dragged away Riot police baton-charged Muslim villagers opposing the Thai-Malaysian gas pipeline project last night, injuring several of them
1 Mar 04	Protests against sale gather pace. Civic groups demand referendum, hearing Opposition to the privatisation of the Electricity Generating Authority of Thailand has stiffened, with the protest spilling out into the wider public domain
28 Apr 04	Rebels die in bloodbath Militants in dawn attacks, Soldiers storm mosque, Senior army man removed One hundred and seven southern militants, most of them teenagers, died yesterday in a series of battles with troops and police in Yala, Pattani and Songkhla provinces.
26 Oct 04	Bloodshed, mayhem in South At least three, possibly six, protesters were killed when a 2,000-strong crowd demanding the release of six suspected gun thieves clashed with the security forces outside the Tak Bai district police station yesterday. At least 85 people were suffocated or crushed to death after being arrested and packed into police trucks following a riot in southern Thailand over the detentions of Muslims suspected of giving weapons to Islamic separatists. Over 1,300 people were packe
10 Jan 05	Thousands resist pact with US Over 8,000 protesters from an alliance of 11 groups opposing the Thai-US free trade area (FTA) agreement took to the streets of this northern city yesterday to demand what they termed unfair trade negotiations be scrapped.
21 Mar 05	THAI BEVERAGES LISTING: 5,000 monks rally in protest More than 5,000 Buddhist monks staged a protest outside the Stock Exchange of Thailand (SET) yesterday and condemned Thai Beverages Plc, producer of Chang beer and Mekong whisky, for its plan to list on the exchange.
4 Apr 05	Series of Bomb attack At least two people died and 52 were injured, many seriously, in three bomb explosions that went off at Hat Yai international airport, a department store and a hotel almost simultaneously last night.
15 Jul 05	Lights go out, rebels wreak havoc Militants last night set off bombs that destroyed a number of power transformers, causing a blackout, and then launched a wave of attacks to wreak havoc throughout Yala town.
10 Oct 05	PM's visit 'a psychological boost' for affected families Prime Minister Thaksin Shinawatra's visits to the families of suspected masterminds in the separatist violence has been a positive psychological boost for the peace process in the deep South, said academics and religious leaders.
12 Jan 06	40 arrests in Govt House clash A bank of Thailand Weekly talk show loyalists managed to enter Government House yesterday to demand the ouster of Prime Minister Thaksin Shinawatra, before clashing with police. Forty protesters were arrested and later released.
6 Feb 06	Tens of thousands of people filled a plaza near the Thai parliament, chanting slogans demanding that PM Thaksin Shinawatra step down amid allegations of official corruption. Thaksin said he would step down if the king asked. Cabinet shock as PM's critics rally

Event Dates	News Headlines
	Second Wang Nam Yen faction member resigns from cabinet as 50,000 protesters led by media firebrand Sondhi call on King to oust Thaksin. Protesters against Prime Minister Thaksin Shinawatra yesterday petitioned His Majesty the King to oust the
6 Mar 06	Tens of thousands of Thais marched to Government House, demanding the resignation of PM Thaksin Shinawatra in the fourth protest against him in as many weeks.
22 Mar 06	PAD: You've got 48 hours to quit. If not, PM set to face new charter pressure
	The People's Alliance for Democracy (PAD) last night gave caretaker Prime Minister Thaksin Shinawatra 48 hours to step down or face new pressure to bring forward political reform.
19 Jun 06	Fifty bombs kill three in South
	Biggest challenge to state power in years
	Militants set off 50 bombs in the three southernmost provinces yesterday, killing at least three people and injuring scores of state workers and civilians in one of the biggest challenges to state authority in several years. There were 12 bombs in Yala, 1

APPENDIX B: Results from GARCH-M
APPENDDIX B.1 Estimation results of the GARCH-M model for the Stock Exchange of Thailand

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events:

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}D_{t-1} + a_{j4}D_t + a_{j5}D_{t+1} + \varepsilon_{jt},$$

	SET Index		
	Coefficient	Std. Error	Prob.
h_t	0.0065	0.0162	0.6856
C	0.0157	0.0426	0.7119
D_{t-1}	0.2495	0.1445	0.0842
D_0	-0.3244	0.1900	0.0879
D_{t+1}	0.0768	0.1517	0.6127

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	SET Index		
	Coefficient	Std. Error	Prob.
C	0.0446	0.0170	0.0089
ε^2_{t-1}	0.1045	0.0140	0.0000
h_{t-1}	0.8846	0.0131	0.0000
D_0	0.0856	0.2448	0.7265

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}DE_{t-1} + a_{j4}DE_t + a_{j5}DE_{t+1} +$$
$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	SET Index		
	Coefficient	Std. Error	Prob.
h_t	0.0074	0.0162	0.6471
C	0.0121	0.0426	0.7756
DE_{t-1}	0.0400	0.2437	0.8696
DE_0	0.3613	0.4594	0.4316
DE_{t+1}	0.5706	0.3089	0.0647
DI_{t-1}	0.2715	0.2005	0.1757
DI_0	-0.2359	0.2720	0.3857
DI_{t+1}	0.3904	0.2111	0.0644
DC_{t-1}	0.3872	0.2498	0.1211
DC_0	-0.8502	0.1790	0.0000
DC_{t+1}	-0.3364	0.2180	0.1229

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	SET Index		
	Coefficient	Std. Error	Prob.
C	0.0493	0.0152	0.0012
ε^2_{t-1}	0.1006	0.0136	0.0000
h_{t-1}	0.8879	0.0127	0.0000
DE_0	0.5845	0.3890	0.1330
DI_0	-0.1422	0.2050	0.4878
DC_0	-0.5312	0.1420	0.0002

APPENDDIX B.2 Estimation results of the GARCH-M model for High- and Low-Foreign Ownerships Portfolios (HFO and LFO)

<u>Panel A</u> D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}D_{t-1} + a_{j4}D_t + a_{j5}D_{t+1} + \varepsilon_{jt},$$

	HFO			LFO		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	0.0070	0.0303	0.8176	0.0063	0.0138	0.6460
C	0.0649	0.0562	0.2485	0.0284	0.0319	0.3730
D_{t-1}	0.2596	0.1344	0.0534	0.2043	0.0983	0.0378
D_0	-0.3307	0.1935	0.0875	-0.2356	0.1670	0.1583
D_{t+1}	0.0557	0.1612	0.7298	-0.0324	0.1096	0.7673

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	HFO			LFO		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0024	0.0082	0.7713	0.0056	0.0094	0.5528
ε^2_{t-1}	0.0285	0.0058	0.0000	0.0329	0.0058	0.0000
h_{t-1}	0.9701	0.0078	0.0000	0.9659	0.0062	0.0000
D_0	0.0330	0.1120	0.7684	-0.0404	0.1186	0.7333

<u>Panel B</u> News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}DE_{t-1} + a_{j4}DE_t + a_{j5}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	HFO			LFO		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	0.0033	0.0301	0.9121	0.0072	0.0141	0.6110
C	0.0733	0.0555	0.1866	0.0261	0.0330	0.4292
DE_{t-1}	-0.2188	0.1706	0.1999	-0.0213	0.1806	0.9059
DE_0	0.1669	0.4551	0.7139	-0.0265	0.3932	0.9462
DE_{t+1}	0.4825	0.3739	0.1969	0.1752	0.2499	0.4833
DI_{t-1}	0.2534	0.2006	0.2064	0.1811	0.1866	0.3317
DI_0	-0.1253	0.2654	0.6368	0.0586	0.1708	0.7315
DI_{t+1}	0.2525	0.1789	0.1582	0.1929	0.1012	0.0567
DC_{t-1}	0.4826	0.2208	0.0289	0.3501	0.1428	0.0142
DC_0	-0.9101	0.1984	0.0000	-0.7001	0.1691	0.0000
DC_{t+1}	-0.3823	0.2353	0.1041	-0.3213	0.1410	0.0226

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	HFO			LFO		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0051	0.0068	0.4530	0.0073	0.0066	0.2712
ε^2_{t-1}	0.0276	0.0055	0.0000	0.0322	0.0058	0.0000
h_{t-1}	0.9701	0.0074	0.0000	0.9659	0.0055	0.0000
DE_0	0.2703	0.1455	0.0631	0.1294	0.0860	0.1325
DI_0	-0.0456	0.1181	0.6997	-0.1117	0.1256	0.3740
DC_0	-0.2045	0.0942	0.0299	-0.1610	0.1076	0.1344

APPENDDIX B.3 Estimation results of the GARCH-M model for High- and Low-Book to Market Value Portfolios (HMB and LMB)

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}D_{t-1} + a_{j4}D_t + a_{j5}D_{t+1} + \varepsilon_{jt},$$

	HMB			LMB		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	-0.0084	0.0251	0.7385	0.0004	0.0256	0.9870
C	0.1072	0.0542	0.0480	0.0774	0.0448	0.0843
D_{t-1}	0.2193	0.1484	0.1394	0.3569	0.1308	0.0064
D_0	-0.4071	0.2009	0.0427	-0.2814	0.1949	0.1489
D_{t+1}	-0.0237	0.1487	0.8735	0.0587	0.1594	0.7128

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	HMB			LMB		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0120	0.0105	0.2538	0.0391	0.0177	0.0267
ε^2_{t-1}	0.0509	0.0078	0.0000	0.0981	0.0144	0.0000
h_{t-1}	0.9435	0.0094	0.0000	0.8806	0.0203	0.0000
D_0	0.0714	0.1428	0.6168	0.2337	0.1635	0.1530

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}DE_{t-1} + a_{j4}DE_t + a_{j5}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	HMB			LMB		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	-0.0094	0.0253	0.7102	0.0024	0.0246	0.9232
C	0.1075	0.0547	0.0494	0.0779	0.0426	0.0673
DE_{t-1}	-0.0979	0.2217	0.6589	0.0244	0.1857	0.8956
DE_0	0.2654	0.4419	0.5481	-0.0260	0.4161	0.9501
DE_{t+1}	0.3059	0.3007	0.3090	0.2988	0.3231	0.3550
DI_{t-1}	0.2841	0.2369	0.2305	0.4649	0.2149	0.0305
DI_0	-0.2563	0.3161	0.4175	0.0671	0.3263	0.8371
DI_{t+1}	0.3452	0.2312	0.1355	0.2198	0.2298	0.3387
DC_{t-1}	0.3684	0.2665	0.1669	0.5216	0.2210	0.0183
DC_0	-1.0698	0.1814	0.0000	-0.7314	0.0516	0.0000
DC_{t+1}	-0.5164	0.2255	0.0220	-0.0827	0.1715	0.6296

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	HMB			LMB		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0119	0.0097	0.2206	0.0965	0.0234	0.0000
ε^2_{t-1}	0.0465	0.0072	0.0000	0.1364	0.0190	0.0000
h_{t-1}	0.9482	0.0088	0.0000	0.8155	0.0270	0.0000
DE_0	0.3065	0.1991	0.1237	0.8004	0.4008	0.0458
DI_0	0.1063	0.1680	0.5270	0.3392	0.4423	0.4432
DC_0	-0.2789	0.1458	0.0557	-0.7262	0.0564	0.0000

APPENDDIX B.4 Estimation results of the GARCH-M model for High- and Low - Analyst Recommendations Portfolios (HAR and LAR)

Panel A D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}D_{t-1} + a_{j4}D_t + a_{j5}D_{t+1} + \varepsilon_{jt},$$

	HAR			LAR		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	-0.0047	0.0215	0.8269	-1.5660	0.0934	0.0000
C	0.0821	0.0547	0.1332	3.8810	0.1776	0.0000
D_{t-1}	0.2244	0.1568	0.1523	0.4779	0.2804	0.0883
D_0	-0.4245	0.2073	0.0406	3.1214	1.6086	0.0523
D_{t+1}	-0.0034	0.1669	0.9835	-0.6782	0.3689	0.0659

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	HAR			LAR		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0282	0.0146	0.0543	2.9165	0.1725	0.0000
ε^2_{t-1}	0.0673	0.0093	0.0000	0.0091	0.0055	0.0998
h_{t-1}	0.9225	0.0106	0.0000	-0.2029	0.0305	0.0000
D_0	0.0754	0.2021	0.7090	2.1592	0.9792	0.0275

Panel B News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}DE_{t-1} + a_{j4}DE_t + a_{j5}DE_{t+1} +$$
$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	HAR			LAR		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	-0.0067	0.0215	0.7548	0.0072	0.0183	0.6962
C	0.0848	0.0547	0.1211	0.0588	0.0423	0.1645
DE_{t-1}	-0.0474	0.2423	0.8448	-0.1081	0.3027	0.7211
DE_0	0.2660	0.4570	0.5605	0.1045	0.3446	0.7618
DE_{t+1}	0.2896	0.3406	0.3951	0.2284	0.2162	0.2907
DI_{t-1}	0.3386	0.2321	0.1446	0.1266	0.3058	0.6788
DI_0	-0.3362	0.3126	0.2821	0.0160	0.4381	0.9708
DI_{t+1}	0.4157	0.2501	0.0965	0.2179	0.2960	0.4616
DC_{t-1}	0.2979	0.2805	0.2883	0.9547	0.2543	0.0002
DC_0	-1.0904	0.2015	0.0000	-0.3496	0.0474	0.0000
DC_{t+1}	-0.5006	0.2430	0.0394	-0.2375	0.1962	0.2263

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	HAR			LAR		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0238	0.0127	0.0596	0.1523	0.0276	0.0000
ε^2_{t-1}	0.0592	0.0084	0.0000	0.1793	0.0217	0.0000
h_{t-1}	0.9328	0.0097	0.0000	0.7736	0.0251	0.0000
DE_0	0.3608	0.2681	0.1783	-0.1175	0.2575	0.6483
DI_0	0.0085	0.2043	0.9666	0.7682	0.7920	0.3321
DC_0	-0.3628	0.1769	0.0403	-0.8172	0.1039	0.0000

APPENDDIX B.5 Estimation results of the GARCH-M model for Strong- and Weak- Financial Status Portfolios (SF and WF)

<u>Panel A</u> D0 represents all selected political news as shown in Appendix A. The model also adds led- and lag- dummy to capture the impact on the previous and following day of the events. The following GARCH(1,1) model is estimated :

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}D_{t-1} + a_{j4}D_t + a_{j5}D_{t+1} + \varepsilon_{jt},$$

	SF			WF		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	-0.0036	0.0364	0.9219	0.0147	0.0219	0.5035
C	0.1355	0.0607	0.0256	-0.0429	0.0820	0.6005
D_{t-1}	0.2371	0.1652	0.1512	0.6250	0.2137	0.0035
D_0	-0.4742	0.2016	0.0186	-0.5053	0.3239	0.1187
D_{t+1}	-0.0129	0.1418	0.9276	0.0041	0.2518	0.9869

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}D$$

	SF			WF		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.0889	0.0251	0.0004	0.0288	0.0152	0.0575
ε^2_{t-1}	0.0899	0.0156	0.0000	0.0472	0.0077	0.0000
h_{t-1}	0.8582	0.0224	0.0000	0.9441	0.0098	0.0000
D_0	0.1308	0.2264	0.5634	0.3790	0.2395	0.1135

<u>Panel B</u> News are separated into 3 categories: DE represents news about changes of government; DI represents political events related to the government's instability; and DC represents domestic-conflict events. The model also adds led- and lag-dummy for each news dummy category

$$R_{jt} = a_j + a_{j1}h_{jt} + a_{j2}\varepsilon_{jt-1} + a_{j3}DE_{t-1} + a_{j4}DE_t + a_{j5}DE_{t+1} +$$

$$a_{j6}DI_{t-1} + a_{j7}DI_t + a_{j8}DI_{t+1} + a_{j9}DC_{t-1} + a_{j10}DC_t + a_{j11}DC_{t+1} + \varepsilon_{jt},$$

	SF			WF		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
h_t	-0.0024	0.0365	0.9474	0.0136	0.0227	0.5505
C	0.1329	0.0605	0.0280	-0.0370	0.0849	0.6627
DE_{t-1}	-0.2258	0.3036	0.4570	0.2334	0.3309	0.4805
DE_0	0.0642	0.4279	0.8807	0.1668	0.7324	0.8198
DE_{t+1}	0.2388	0.2686	0.3739	0.3339	0.6279	0.5949
DI_{t-1}	0.2413	0.2475	0.3297	0.7312	0.3266	0.0252
DI_0	-0.4150	0.3140	0.1862	-0.2812	0.5386	0.6016
DI_{t+1}	0.1867	0.2347	0.4264	0.1617	0.3300	0.6241
DC_{t-1}	0.6515	0.3024	0.0312	0.7478	0.4206	0.0754
DC_0	-0.9928	0.2350	0.0000	-1.3539	0.3317	0.0000
DC_{t+1}	-0.3588	0.2208	0.1041	-0.4049	0.3592	0.2597

$$h_{jt} = b_j + b_{j1}\varepsilon_{jt-1} + b_{j2}h_{jt-1} + b_{j3}DE + b_{j4}DI + b_{j5}DC$$

	SF			WF		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	0.1041	0.0267	0.0001	0.0267	0.0155	0.0855
ε^2_{t-1}	0.0960	0.0173	0.0000	0.0442	0.0076	0.0000
h_{t-1}	0.8447	0.0247	0.0000	0.9482	0.0099	0.0000
DE_0	0.3652	0.4333	0.3993	0.6244	0.4782	0.1916
DI_0	0.1044	0.3112	0.7373	0.4652	0.3895	0.2323
DC_0	-0.3472	0.2259	0.1243	-0.2320	0.3041	0.4455

BIOGRAPHY

Nanthaporn Chitchai was born in Bangkok in 1982. She attended Saint Joseph School, Bangkok, from primary to secondary level and graduated in 2001. From there she went to Massey University in Palmerston North, New Zealand, where she received a degree in Bachelor of Business Studies. She began her career at Hongkong and Shanghai Banking Corporations, Bangkok, in the Treasury Services Department. She then joined the Master of Science Program in Finance, Chulalongkorn University in June 2005.