

Market Microstructure: What can we learn from ultra-high frequency data on the Stock Exchange of Thailand?

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In this article, we discuss the value of studying intraday trading data by providing economic background in the area of market microstructure. We highlight the use of ultra-high frequency data in the study of market design and quality as well as asset pricing. To illustrate, we review recent research papers that utilize the Stock Exchange of Thailand's intraday trading data and explore future research opportunities in this area in order to evaluate market policies and enrich our understanding of the price discovery process on the Thai exchange.

Introduction

Intraday data, once highly guarded by exchanges, has become more readily available to the public over the years. Apparently, it is not the ever growing power of the desk top PC to process large scale datasets alone that has driven a growing body of research utilizing ultra-high frequency data. Rather, it is the need for regulators to evaluate market mechanics that best respond to investors requirements and the need for academics to better understand the relationships among market participants, trading costs, and trading process in their quest for an alternative asset pricing paradigm.

Market microstructure deals with the trading of financial assets and the evolution of asset prices by taking into account of transaction costs, incomplete information, and heterogeneous expectations. The study of market microstructure requires transaction level data (intraday) that allows examination of short run price behavior that can lead to systematic mispricing in the long-term. It allows assessment of the impact of trading mechanisms,