Discussion: Price Limit Performance: Evidence from Tehran Stock Exchange

Ahmed Badreldin
CNMS – University of Marburg

Short Summary

- Iran is an interesting Case allowing an investigation of the effects of having different price limits within the same overall environment (country).

- Research follows the mainstream of the literature including most recent studies Kim et. al.: Chinese data with and without price limits.

Philipps Universität Marburg

Discussion Questions

- Mentioned the „Price Boundaries" and „Trading-Halt Triggers" for Tehran SE, but not for Fara SE.

- Form of data: End of Day Trading Prices only or data on individual/actual transactions per stock.

- How do you deal with Dividends? Weekend/Holiday gaps?

Philipps Universität Marburg

Discussion Questions

- Why does Iran have these 2 seperate limits?

- How are companies allocated between these two stock exchanges?

- If based on „performance", then how can the same company be present in both?

- If same stocks on both exchanges, wouldn't it be better to focus analysis only on those companies?

- Market Capitalization difference is very small (Table) and slightly unintuitive

Philipps Universität
Marburg

Discussion Questions

Table 3. Company Characteristics, Active versus All

Market		No. Company	Mean Capital	Mean market capitalization	Mean trading value	Mean trading volume
TSE	All	314	66.6	345	68.5	510
	Active	270	75	386	78.5	583
FSE	All	82	46.6	310	42.1	212
	Active	51	46.7	345	47.1	291
Total	All	396	62.5	336	63.1	448
	Active	321	70.5	380	73.5	537

Each cell presents the corresponding average value of capital, market cap, trading value and trading volume for All companies (top) and Active companies (bottom) in each market. Capital is the sum of capital, market capitalization is the product of numbers of shares outstanding to price, trading value is the sum product of trading volume to average daily price and trading volume is the total number of traded shares.

*Capital, market-cap and trading value are in million dollars (2013) and trading volume is in million.

5

Philipps Universität Marburg

Discussion Questions

- Trading continues after limit is reached, but price is not allowed to pass the limit. What happens if price limit is reached during the day but then falls again? Is this included in stocks that hit „limit" group since you only focus on the „end of the trading session"?

- Why „exclude observations with the return greater than the limits"? Should this even exist? – Limit ensures this does not happen.

- You calculate P/E and ROE among others to score companies, but these depend on the Returns you are calculating which are being limited by the Price-Limits, thus giving biased results for these scores.

Philipps Universität Marburg