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**INTRADAY STOCK
VOLATILITY:
A NEW ZEALAND PERSPECTIVE**

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ABSTRACT

Open-to-open, close-to-close, open-to-close (trading) and close-to-open (non-trading) time periods are examined for dually and non-dually listed stocks in an attempt to explain the volatility patterns which were observed in the New Zealand Stock Exchange. The time period analysed covers the 1997 calendar year.

The intraday volatility pattern for the New Zealand Stock Exchange showed similar results to previous studies performed on large exchanges around the world. That is, when the return variances are plotted against the trading time they follow a distinct U-shaped curve, caused by high volatility at the opening and closing of the market.

Previous studies have found that the high volatility experienced at the opening of the market results from the long non-trading period prior to the opening. This was examined by analysing the open-to-open to close-to-close variance ratio for both dually and non-dually listed stocks. The explanation that the long non-trading period prior to the opening of the market is a major cause of the volatility experienced at the market opening is not supported by the results found in this study. The results obtained from this study show that the high volatility at the market opening is associated with high capitalised stocks.

A low open-to-close (trading) to close-to-open (non-trading) variance ratio was observed in the New Zealand market. Previous research has attributed this low ratio to dually listed stocks continuing to trade during the non-trading overnight period of the domestic market. The findings in this study contradict this explanation and suggest that it is low capitalised stocks that are associated with the low trading to non-trading variance ratio observed in the New Zealand Stock Exchange.

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