

**THE ASYMMETRY OF PRICE BEHAVIOR AROUND BUY AND
SELL TRADES: NEW EVIDENCE ON THE STOCK EXCHANGE OF
THAILAND**

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Abstract

This study examines the price behavior associated with buy and sell trades of 71 stocks actively traded on the SET from March 2000 to June 2002. During this time, the market experienced three distinct conditions: bullish, bearish, and neutral. The study concludes that the asymmetry of permanent and temporary price impact between buy trades and sell trades is determined primarily by market conditions. Specifically, contrary to the findings in previous studies, the results show that, in bear market conditions, an increase in price induced by a buy trade is mostly temporary, but a decline in price following a sell trade is mainly permanent. Therefore, our results invalidate the proposition that buy trades are more informative than sell trades. However, for very large trades, it appears that, regardless of market conditions, the permanent price impact of buys is always larger than the price impact of sells. This finding is consistent with the hypothesis that buys are better informed than sells. Finally, the empirical results do not support the hypothesis that a stock's history of price performance explains the buy-sell asymmetry of permanent price impact.