

Independent Study Title	THE DYNAMIC RELATIONSHIP BETWEEN LTF MUTUAL FUND FLOW AND STOCK MARKET RETURN: EVIDENCE FROM THAI MARKET
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ABSTRACT

Controversy concerning whether ministry of finance should continue its tax saving policy from investing in long-term equity fund (LTF) in the stock exchange of Thailand have been criticized for several years. The purpose of this study intend to determine (i) existent of dynamic relationship between long-term equity fund (LTF) flows and stock market return, (ii) positive impacts of LTF on stock market return, and (iii) seasonal effects of LTF. The study employs interdependent-dynamic models and time-varying volatility model, including Vector Autoregressive (VARs), Generalized Autoregressive Heteroscedasticity (GARCH) and Bivariate GARCH models. The results confirm the dynamic relationship between LTF flows and stock market return; however, fail to reveal significant evidence of positive impact of LTF flow on stock market return. Additionally, the findings of seasonal effects in December and January support the hypothesis that Thai investors invest in LTF mostly for tax saving purpose.

Keywords: LTF Fund, Tax benefit, Dynamic relationship