

Independent study title	ARE DERIVATIVE WARRANTS PROFITABLE?
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ABSTRACT

The purpose of this study is to investigate the profit of issuers who issue derivative warrants into Thai market by using the data set of derivative warrants traded on the Stock Exchange of Thailand (SET). Once issuers issue derivative warrants into the market, they have important commitment to manage their risks by hedging the underlying stocks. The profit which is earned by issuers will be the cost until the maturity. So, we measure the profit of issuers by cumulative profit incur along the life of derivative warrants from the first day until maturity. We examine on what risk factors determining the profit of issuers in Thai derivative warrants market. Moreover, we investigate how many days the retail investors need to hold derivative warrants before they sold them to make the profit. The result shows that most of issuers can make profit from issuing both call derivative warrant and put derivative warrant. The profit of issuers come from exposing in gamma risk and rho risk for call derivative warrants and exposing delta risk, gamma risk and rho risk. Additionally, retail investors always make loss from trading both of derivative warrants with any brokerage firms if they hold derivative warrants more than 30 days.

Keywords: derivative warrants, delta-hedging, option pricing model