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Impact of futures expiration on underlying stocks: intraday analysis for Warsaw Stock Exchange

Based on high-frequency data, this study is concerned with the effects of stock futures expirations on the spot market on the Warsaw Stock Exchange. The typical effects of futures expirations include the impact on the trading volume of the underlying asset, abnormally high volatility of the returns on expiration day, and price reversal after expiration. In line with observations of the effects for other markets, it can also be noticed that futures expiration is a source of rises in trading volume for the WSE. There is an observed significant abnormal trading volume and turnover of stocks that are underlying assets of futures as well as an increased volatility of these stocks' returns on expiration day. An additional analysis conducted during three sub-periods (around April 15, 2013, and May 31, 2015) checks whether the implementation of a new transaction system on the WSE and the changes in short-selling rules influenced the expiration-day effects. The results suggest that the implementation of a new regulation by the EU on the WSE concerning short selling in trading on stock exchanges had a significant impact on expiration-day effects.