

Intraday stock returns patterns and Closing Price Manipulation.

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Abstract

In this paper, we investigate statistically the intraday behavior of the best fifteen shares in terms of liquidity of the Athens Stock Exchange (ASE) in order to discover possible intraday patterns that can be used for trading purposes. Our statistical results indicate specific return patterns. We obtained statistical evidence for a U shape pattern for stock returns and a measure of return volatility. Stock returns tend to be positive with the opening and the closing of a trading session. Thus, taking into account the sharp price increase towards the end of trading session and the fact that this is due to manipulative attitude of traders, we investigate further whether the change of the closing method at Athens Stock Exchange (ASE) affected this manipulative behavior. Indeed, in order to achieve a more effective price formation at closing, ASE implemented closing call auction method in December 2005. This study tests the effect of closing call auction method on the possible closing price manipulation in ASE. The analysis is also expanded to 2017, where a second change took place regarding closing auction. The results of this study have possible policy implications.

Keywords: intraday return patterns • market microstructure • market manipulation • closing auction