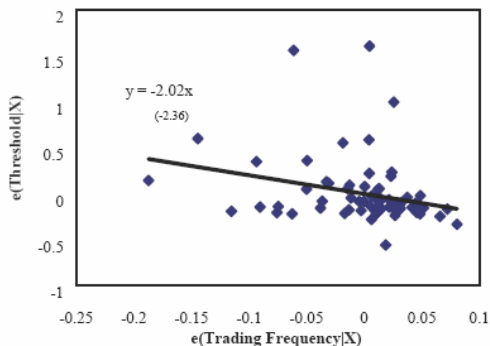
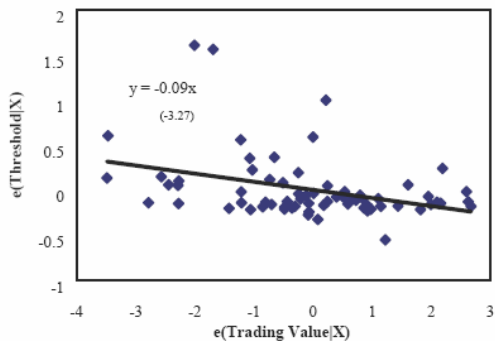


Figure 4 Liquid versus Illiquid Stocks - TAR model

The scatters show the partial regression plots from regressing the estimated threshold and TAR half-life on stock liquidity, country dummies and a constant, respectively. In the left-hand side scatters, liquidity is measured by the trading value which equals the log of the average of the mean value traded of the underlying stock and the DR. In the right-hand side scatters, liquidity is measured by trading frequency calculated as the ratio of the number of contemporaneous trading days to the total number of days during the sample period. Half-life implies the half-life of a shock when outside the band of no-arbitrage and is equal to $\ln(0.5)/\ln(1-\beta)$. The trendlines represent the regression estimates, t-values are presented in parentheses.

TAR - Threshold



TAR - Half-Life

