ABSTRACT

This study contributes to the market microstructure literature by identifying potential anomalies attributable to market manipulation. It aims to pinpoint anomalies within the microstructure of stocks experiencing Unusual Market Activity (UMA), differentiating between those with and without material information, serving as a measure of information efficiency.

This research analyzes the relationships among liquidity dimensions (tightness, depth, and resilience), Trading Volume Activity (TVA), and Abnormal Return (AR), utilizing non-synchronous trading as a control variable to enhance the validity of the findings. The study population comprises 262 stocks that received UMA warnings in 2024, subsequently divided into two groups: 31 stocks with corporate actions during the UMA event window (the material information group) and 31 stocks without corporate actions but exhibiting the highest TVA and AR (the non-material information group). Furthermore, both stock samples were merged, incorporating a dummy variable (stocks with corporate actions assigned a value of 1, and those without a value of 0) to examine differences in TVA and AR between the two groups. The study employed 30-minute interval data to compute daily liquidity dimensions.

The findings reveal one anomalous relationship in corporate action stocks: resilience to TVA. Conversely, non-corporate action stocks exhibited three anomalous relationships: resilience to TVA, as well as tightness and depth to AR. Additionally, TVA and AR in non-corporate action stocks were significantly higher compared to corporate action stocks. Consequently, these findings bolster the evidence that stocks receiving UMA warnings indeed have a high probability of being manipulated, particularly when not accompanied by corporate action information around the announcement period. The practical implication of this research is expected to guide investors in making transaction decisions, especially concerning UMA stocks not supported by the release of significant company information.

Keywords: Market Microstructure, Market Manipulation, Market Efficiency, Liquidity, Unusual Market Activity (UMA)