

ABSTRACT

PRICING BULLISH UNDERLYING LINKED SECURITIES (BULS)

The purpose of this study was to analyze the pricing behavior of the BULS from August 31, 2001 to December 31, 2002 using modern pricing models to see whether the BULS were market efficient based on the semistrong-form of efficient market hypothesis. Statistical results showed that the theoretical values did not represent the behavior of the BULS market prices because the pricing errors between the predicted and market values for the BULS were substantially different than zero at the one percent level of significance. Therefore, the null hypothesis stated in this study was rejected and consequently it can be affirmed that either the model was defined incorrectly, the BULS market was inefficient, or both. The empirical test of these alternatives requires further research and development, which goes beyond the scope of this study.

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