Determinants of high and low IPO initial returns: Evidence from Taiwan’s stock markets

Jen-Sin Lee  
Department of Finance  
I-Shou University  
No. 1, Sec. 1, Syuecheng Road  
Dashu Township, Kaohsiung  
Taiwan 840, R.O.C.

Chin-Tai Kuo*  
Department of Property Management  
Fortune Institute of Technology  
No.1-10, Nowongchang Road  
Daliao Township, Kaohsiung  
Taiwan 811, R.O.C.

Abstract  
This paper employs the quantile regression method to investigate the determinants of high and low initial public offering (IPO) initial returns in Taiwan’s stock markets. It is found that various differences arise between the ordinary least squares approach and the quantile regression method. In addition, five independent variables, namely, the set-up of independent directors and supervisors, market momentum, market volatility, firm size and electronic stocks, are found to have different significant effects on market-adjusted initial returns between high and low initial returns.

Keywords: IPO, Initial returns, Quantile regression, Market momentum

I. Introduction  
The determinants of initial public offering (IPO) initial returns constitute a hot topic in financial research, and form the basis of studies such as those of Rock [39], Ritter [36], Ritter and Welch [38], Kaustia [22], Ljungqvist and Wilhelm [30], Yu and Tse [41], Corneljif et al. [13], Derrien