

IPO UNDERPRICING PHENOMENON: A STUDY OF THE MONGOLIAN STOCK MARKET FROM 2003 TO 2012

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ABSTRACT

The IPO underpricing phenomenon has long fascinated academicians in the effort of finding the rational for the anomaly. Extant literature broadly supports the view that IPOs are underpriced. IPO pricing is mostly argued from the point of view of listing gains/ losses. This research seek to investigate the first day return of 26 IPOs in Mongolia from 2003 to 2012. Researcher focus on the phenomenon known as IPO underpricing which is the trend that IPO shares are usually offered to the public. It has attempted to prove or disprove a selection of testable underpricing theories in order to see if researcher can explain the phenomenon for the IPOs on the Mongolian Stock Exchange. The study find an average underpricing of 7% on the Mongolian Stock Exchange from 2003 to 2012, which is in line with the results of similar other studies.

Key word: IPO underpricing, phenomenon, Mongolian stock exchange