

## Accepted Manuscript

Title: Sentiment, foreign equity flows, and returns: Evidence from Thailand's stock markets

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PII: S0275-5319(16)30312-9  
DOI: <http://dx.doi.org/doi:10.1016/j.ribaf.2017.07.018>  
Reference: RIBAF 708

To appear in: *Research in International Business and Finance*

Received date: 3-10-2016  
Revised date: 31-5-2017  
Accepted date: 3-7-2017

Please cite this article as: French, Joseph, Li, Wei-Xuan, Sentiment, foreign equity flows, and returns: Evidence from Thailand's stock markets. *Research in International Business and Finance* <http://dx.doi.org/10.1016/j.ribaf.2017.07.018>

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## Sentiment, Foreign Equity Flows, and Returns: Evidence from Thailand's Stock Markets

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### Abstract

We examine the impact of investor sentiment on returns and foreign equity flows in Thailand's two equity markets: The Stock Exchange of Thailand (SET) and the Market for Alternative Investment (Mai). Consistent with existing literature, this paper shows that foreign equity flows are forecasted by past returns in both of Thailand's equity markets. In the more widely followed SET, we find a strong negative impact of global risk aversion on foreign investment flows. In the smaller Mai, sentiment positively impacts foreign equity flows. In addition, we show that sentiment is an important variable for forecasting returns in both markets in Thailand.

**Keywords:** *Sentiment; Portfolio Equity Flows; Equity Returns; Financial crises; VIX*

**JEL classification:** *F14; F21; F30*

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