

## ABSTRACT

**The Impact of Market Microstructure on the Performance of a Small Emerging Stock Market: The Case of Trinidad & Tobago.****Dorian Mark Noel**

The research literature on emerging stock markets has been largely confined to the investigation of the volatility of stock prices, predictability of returns and market efficiency. Hitherto, very little was known about the microstructure of these markets and the impact that it has on market efficiency. This thesis attempts to address this issue. Consequently, the thesis examines the impact of the microstructure on the “informational efficiency” of the Trinidad and Tobago stock market (TTSM).

The standard threshold autoregressive conditional heteroscedastic (TARCH) model is extended to include a vector of news variables to assess the impact of news events on the volatility of stock returns on the TTSM. The empirical results emanating from this modelling methodology indicate that news events had little impact on the volatility of stock returns on the TTSM. The thesis identifies several microstructural effects that perhaps contribute to “informational inefficiency” of the TTSM. The major microstructural effects identified include the daily price limit rule of the Trinidad and Tobago Stock Exchange, the low liquidity and the poorly developed information system of the stock market.

The major policy consideration emanating from the empirical methodology of the thesis is the need to improve the information system of the stock market of Trinidad and Tobago. This involves improving the quality and the quantity of the flow of information to the market as well as the mechanisms of dissemination of market information.

**Keywords:** Dorian Mark Noel; market microstructure theory; Trinidad and Tobago Stock Market; emerging stock markets; “informational inefficiency”; TARCH model.