

Equity Liquidity Premium in Brazil

Gyorgy Varga

varga@fce.com.br

and

Ricardo Brito

RicardoDOB@insper.edu.br

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Preliminary

Comments are welcome!

Abstract

In this article, we have investigate several aspects of the stock market liquidity in Brazil. This one of largest emerging market country with a well developed stock market, although with low liquidity and recent integration with global markets. The investigation is done on individual stocks and the market as a whole. The individual liquidity tests evaluate four well know results: Amihud (2002) hypothesis on illiquidity premium; the illiquidity premium significance on a four factor model; the ability to forecast returns; and its economic significance. Seven different liquidity measures were used. On the aggregate stock market liquidity, it is evaluated the time varying liquidity risk premium and the flight to quality phenomenon. In general the results are similar to what is find in developed markets.