



**On Asymmetric Causality Between Stock Prices and Trading
Volume for Some Developed and Emerging Stock Markets:
A Preliminary Analysis**

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Abstract: This study aims to present some evidence for the presence of a causal relationship between price and volume in six international stock markets. The econometric methodology used in this paper allows us to determine the symmetric and asymmetric Granger causality between the price index and the trading volume, and it helps us to discriminate between competing theories on how information is disseminated in the stock markets. Among the main results, it is found that, with the exception of the Nikkei 225, the past information on trading volume is helpful in predicting the behavior of the stock price, indicating that stock markets are inefficient. The DeLong et al. (1990) noise-trader model is applicable to the CAC 40 and Hang Seng index. For the FTSE 100, S&P 500 and TSEC weighted index, the results provide evidence that the stock prices and trading volume of the four markets are simultaneously subject to the influence of the sequential information arrival model and the noise-trader model. A feedback loop is found to prevail with an arbitrary sign of correlation between price and volume.

Key words: Price, Volume; Asymmetric causality; Stock market

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