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A Intraday Variability and Trading Volume: Evidence from National Stock Exchange

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ABSTRACT



We investigate intraday patterns in returns, volumes, volatility and analyze the volume-return relationship using tick by tick data from the Indian market. Using descriptive measures and several regression frameworks, we document three important findings. Firstly, we report unusually high volatility, trading volume and number of trades during the opening and closing minutes depicting a ‘U’ shaped curve, implying high market activity during these periods. Secondly, while accounting for trading volume, we find that volatility is not significantly different between mid-day period and evening period as compared to the normal ‘U’ curve. Finally, we find significant positive relationship between intraday volume and price movements controlling for microstructure effects. The impact of positive returns on trading volume is higher than the impact of negative returns implying presence of return-volume asymmetry in the Indian market.

KEYWORDS Intraday Patterns; India; National Stock Exchange; Return-Volume Regressions