

# **Trading Volume and Returns Relationship in SET50 Index Futures Market**

## **ABSTRACT**

This study investigates the relationship between trading volume and returns in SET50 index Futures market in the period of April 2006 to December 2008. The results from the GARCH model, the Generalized Method of Moments to estimate systems of equations and the Granger causality test show the significant contemporaneous and dynamic relationships between trading volume and returns volatility which support the Sequential Information Arrival hypothesis and imply some degree of market inefficiency. The results from this study also show that past information of trading volume can be used to improve the prediction of price volatility. Therefore, regulators and traders are suggested to use the past information of trading volume in tracking and monitoring the market volatility level and the investment risk in order to make a timely decision.