Andreas Krause
The information content of trading volume
NEW YORK STOCK EXCHANGE
LIVERMORE

Outline

- Information sources
- Fraction of informed traders
- Information precision
- Combined effect
- Summary

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Uncertainties when trading

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Trading volume as a source of information

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Signal and trading volume

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Fraction of informed investors and trading volume

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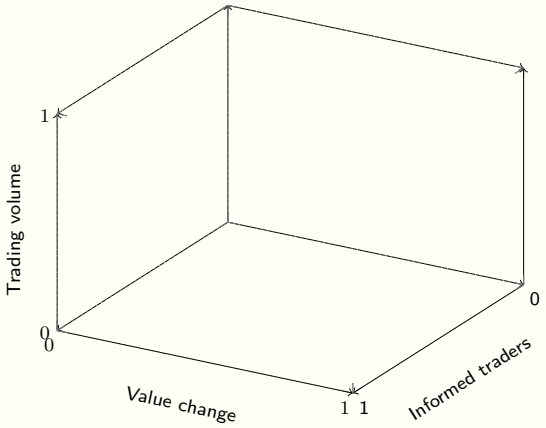

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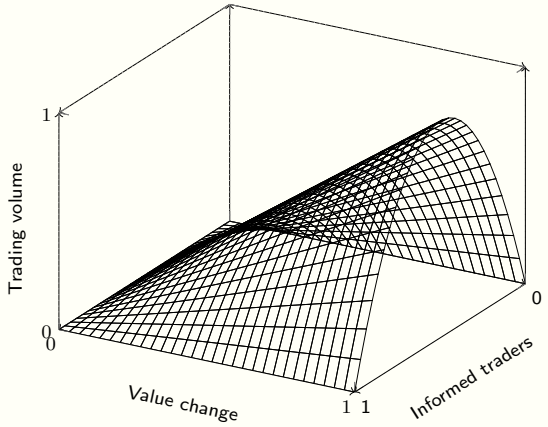

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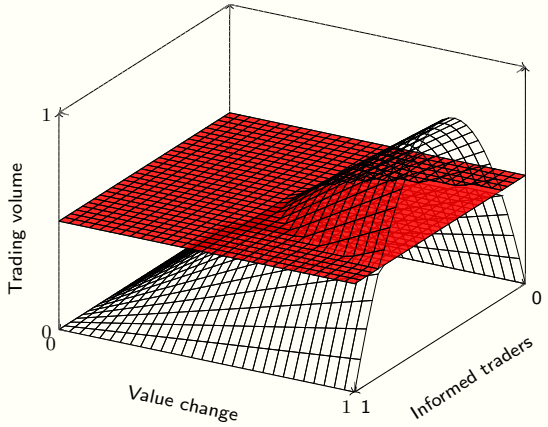

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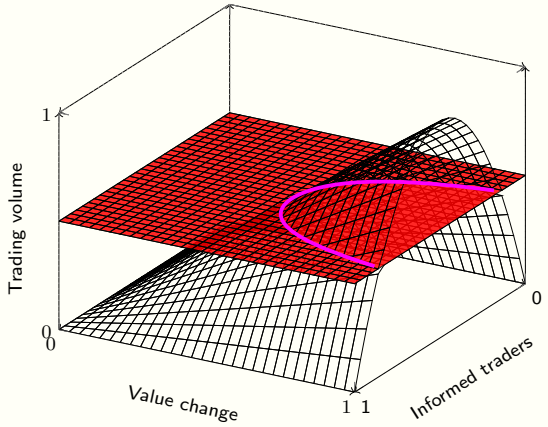

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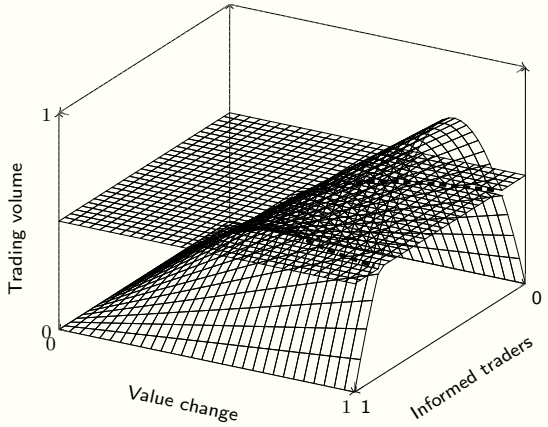

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Inferring the fraction of informed investors

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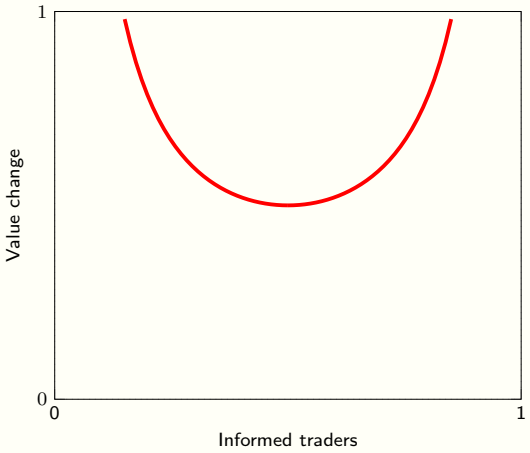

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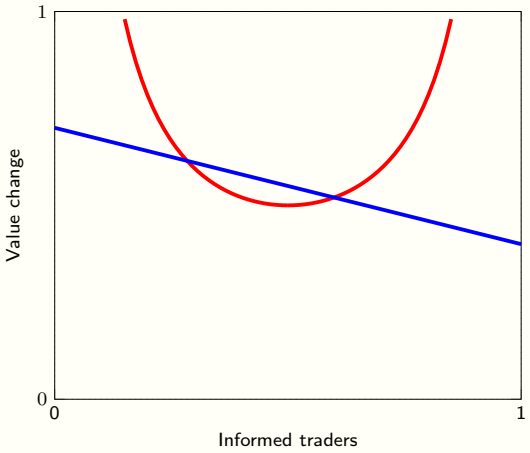

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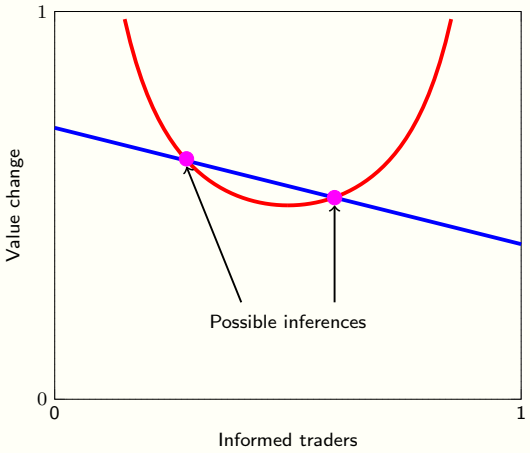

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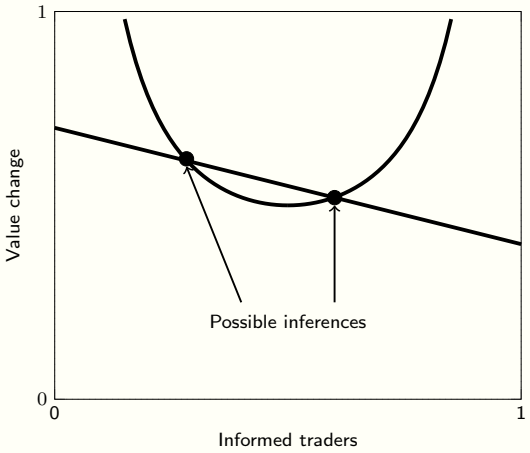

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Combining price and volume information

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Information precision and trading volume

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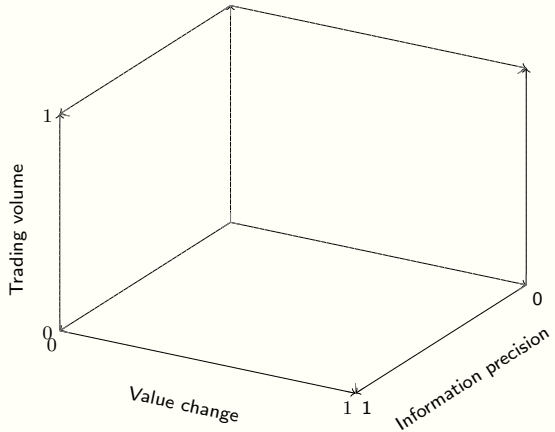

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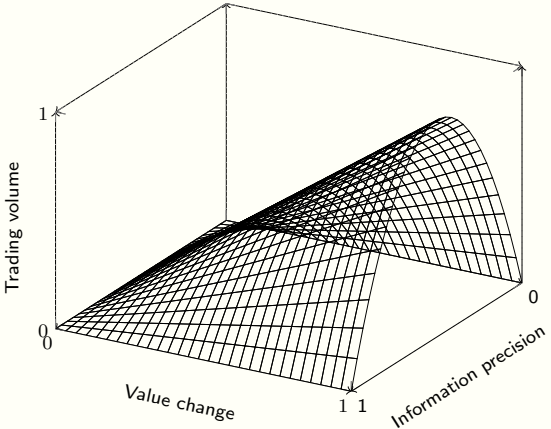

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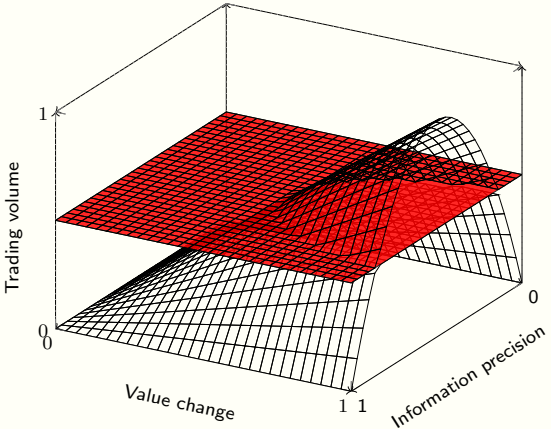

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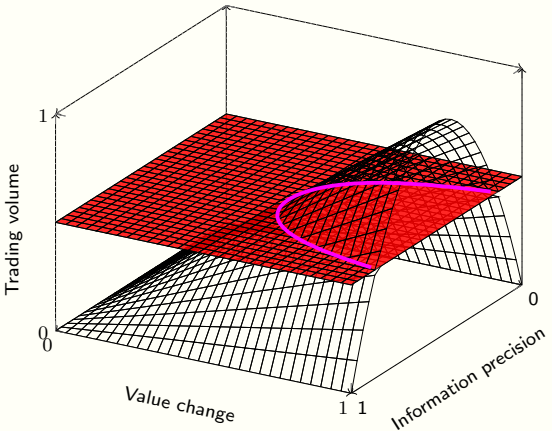

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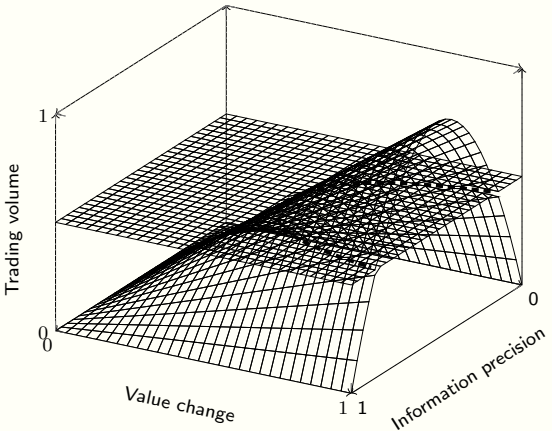

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Inferring the information precision of informed traders

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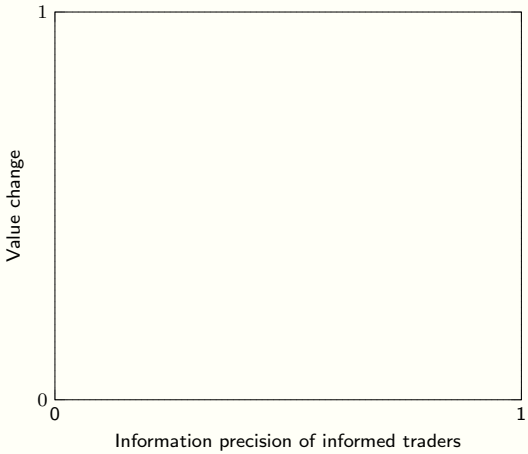

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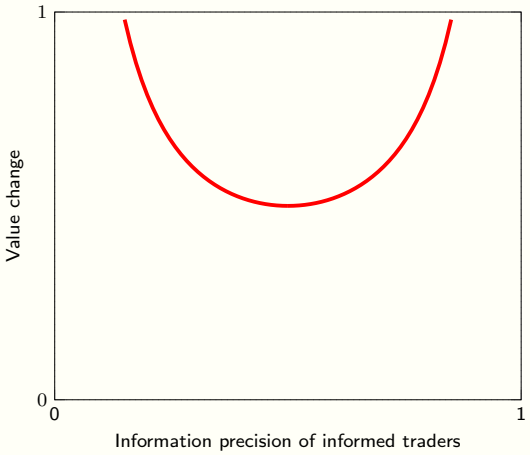

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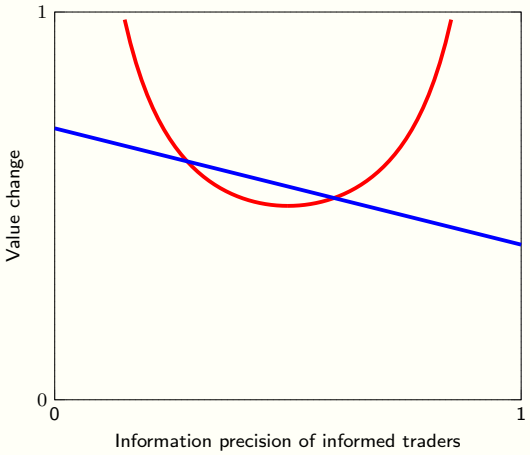

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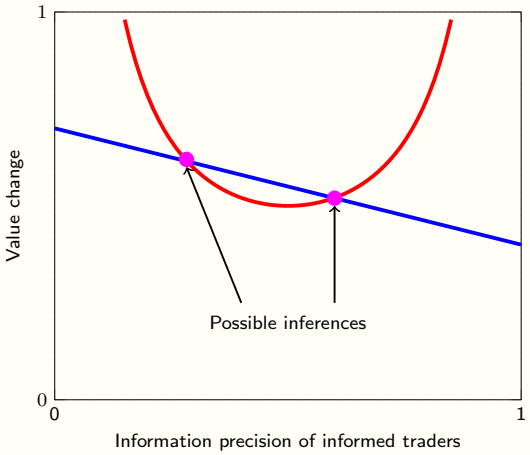

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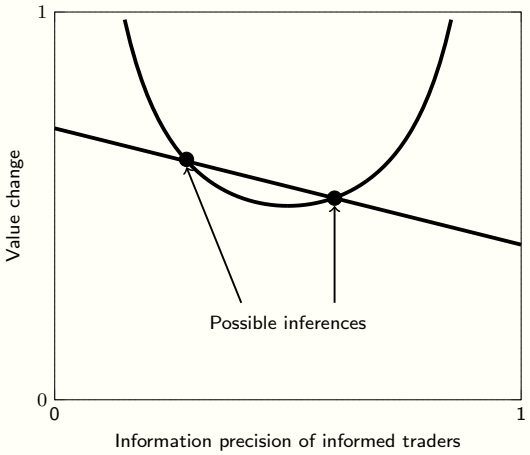

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Uncertainty about informed traders and information precision

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Information precision and number of informed investors

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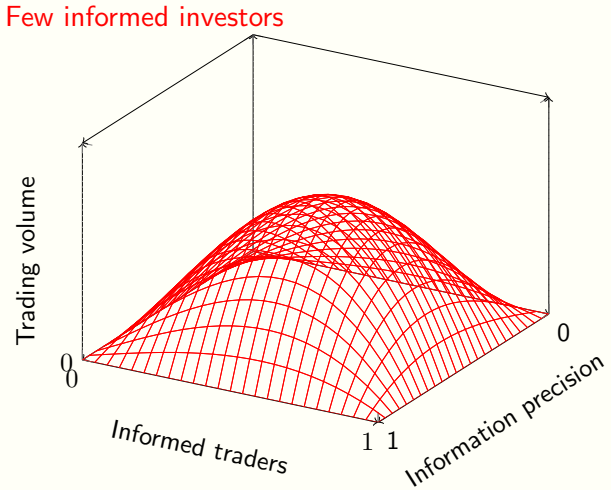
Information precision and number of informed investors



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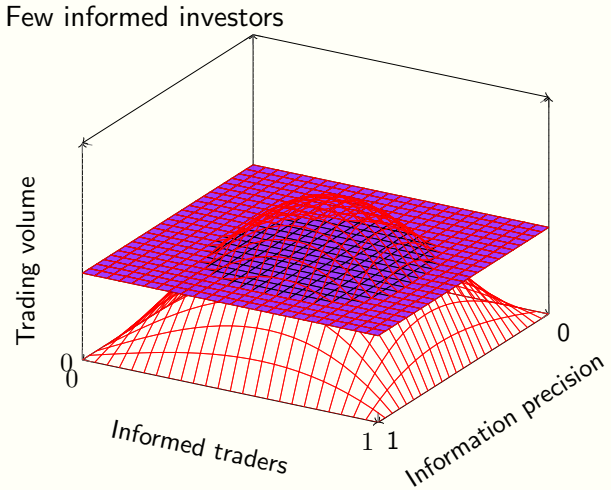

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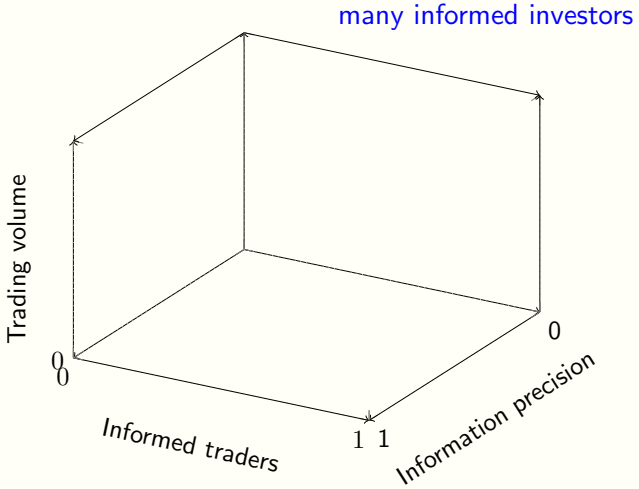

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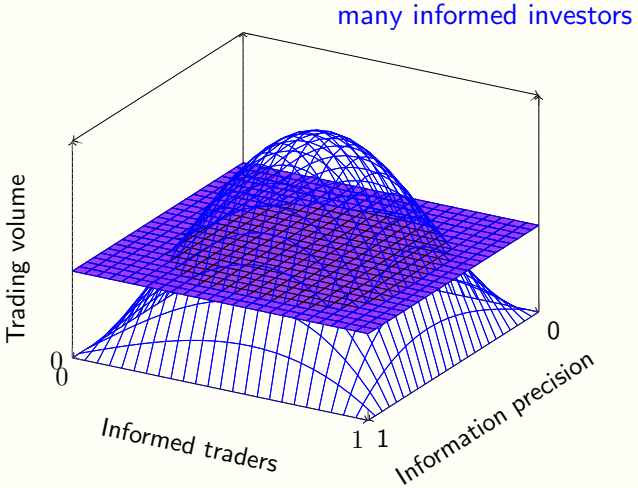

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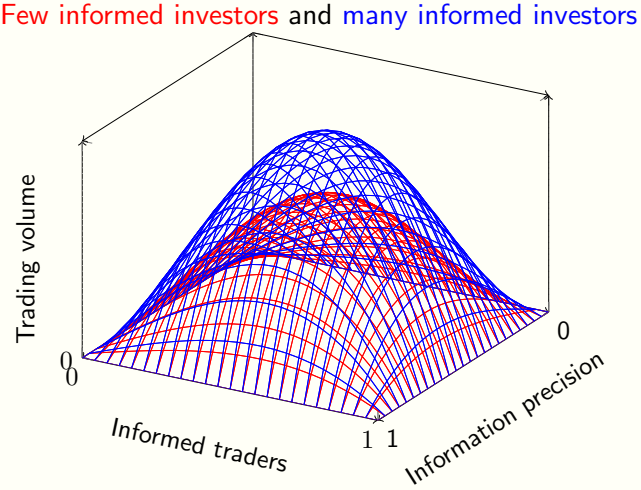

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Combining trading volume and price information

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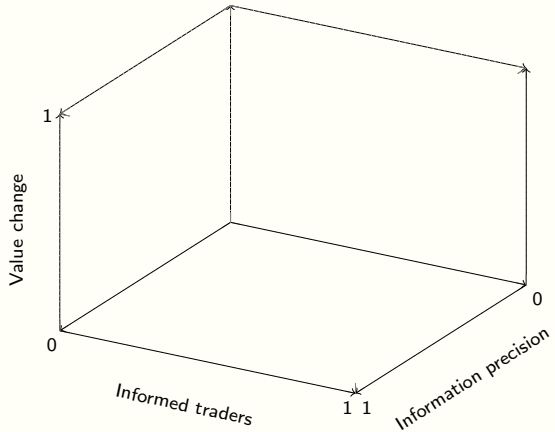

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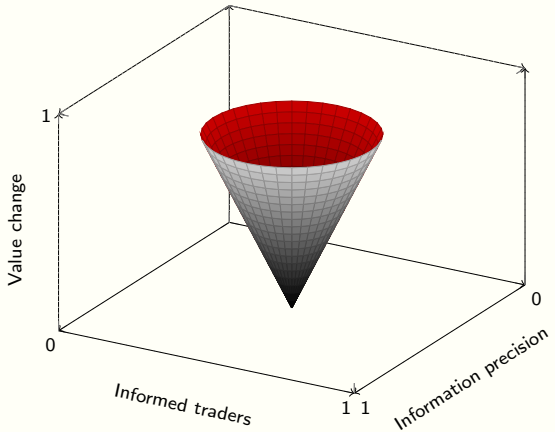

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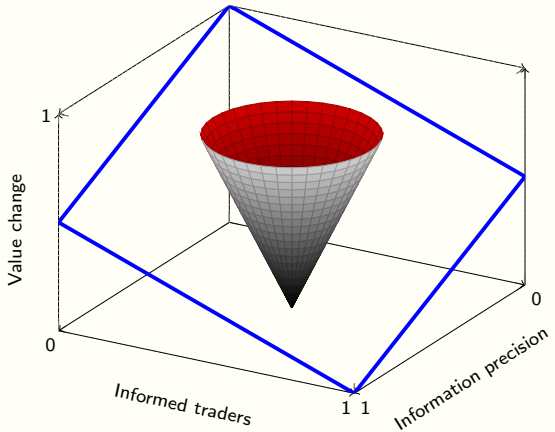

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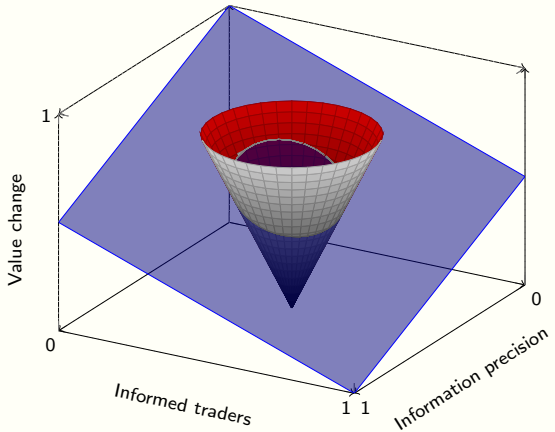

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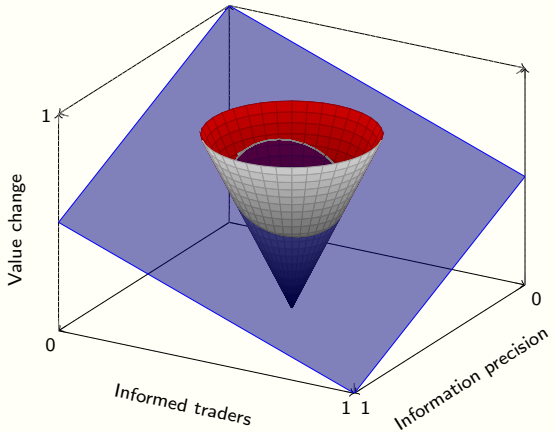

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Inferring the information precision and number of informed traders

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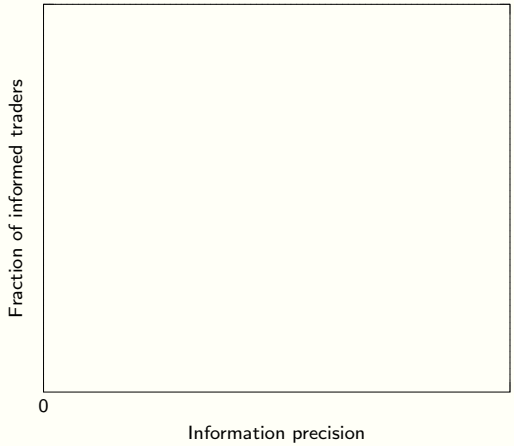

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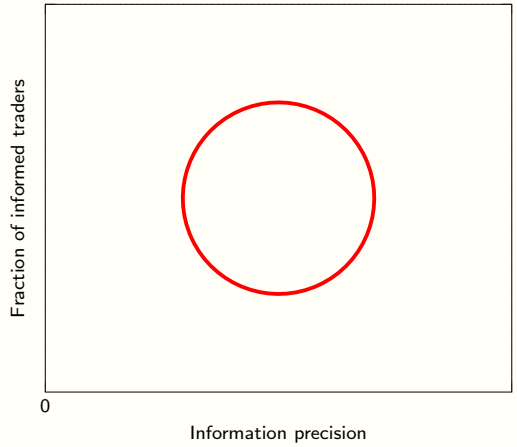

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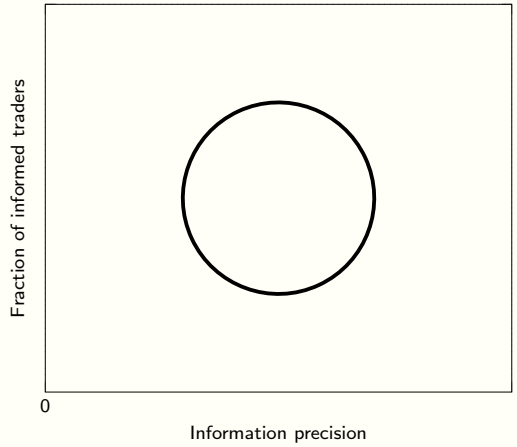

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Combinations of information precision and informed traders

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- We can not determine a single combination of informed traders and information precision for a given trading volume and price change

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- Information sources
- Fraction of informed traders
- Information precision
- Combined effect
- Summary

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Uncertainties and observations

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- We have four sources of uncertainty

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- We have four sources of uncertainty: noise trading

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- We have four sources of uncertainty: noise trading, value of the asset

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