



**PREDICTIVE POWER OF TRADING VOLUME FOR
FORECASTING VOLATILITY
IN ASEAN-5 STOCK MARKET**

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May 2014

ABSTRACT

This study is designed to investigate on the predictive power of trading volume for volatility forecasting in ASEAN-5 stock market in the period of 2007-2013. The results from GARCH, GJR-GARCH and E-GARCH model show positive contemporaneous relationship between trading volume and volatility from all ASEAN-5 stock market implying trading volume can help explain volatility and can be treated as a measurement of information arrival. More importantly, lagged term augmented in volatility forecasting models show statistically significant results and higher predictability for volatility forecasting in Thailand, Indonesia and Malaysia. Thus, this study would be beneficial for market participants to consider the trading volume is an essential factor for improving predictability of volatility forecasting.

Key word: Trading volume, Volatility, ASEAN-5, Predictive power