

Information flow and trading volumes in foreign exchange markets:
The cases of Japan and Korea"

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We investigate the empirical relationship between trading volumes and spot foreign exchange rates of Korean Won and Japanese yen against the US dollar. We investigate the relationship using two different trade volumes (spot and futures) and realized volatility measured by high-frequency (two-minute) data (Andersen, Bollerslev, Diebold and Labys (2003)). It is found for the KRW/USD and the JPY/USD that there is a contemporaneous positive correlation between the two trading volumes and volatilities. Also, empirical results suggest that dynamic relationships between volume and volatility are very different in both markets.