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Trading Volume and Information Asymmetry  
Surrounding Scheduled and Unscheduled  
Announcements

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## **Abstract**

This thesis investigates abnormal trading volume around scheduled and unscheduled announcements. The research is an extension of Chae (2005), *Journal of Finance*, Vol 60, which tests corporate announcements in the US stock market. In this thesis, Australian stocks are used to establish whether market characteristics affect trading behaviour around announcements. In addition, I extend the traditional methodology to overcome possible shortcomings in the previous studies. This thesis also discusses how information asymmetry affects the abnormal trading volume on the announcement day.

In contrast to earlier studies, I find abnormal trading volume does not change before either scheduled or unscheduled announcements, but, as expected, increases on and after the scheduled and unscheduled announcements. Information asymmetry increases trading volumes when unscheduled announcements are made, but has no effect for scheduled announcements.

I show that the failure to adjust for the correlation between corporate events, results in abnormal trading volumes being detected prior to announcements. Differences between the Australian and US results can not all be explained by methodological differences. It appears that the underlying dynamics of the Australian market are different; casting doubts on the ability to generalize market characteristics from US based studies on abnormal trading volumes.

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