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Faculty of Commerce

Department of Accounting and Finance

**THE DYNAMIC RELATIONSHIP BETWEEN STOCK RETURNS AND
TRADING VOLUME ON THE ZIMBABWE STOCK EXCHANGE**

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**A RESEACH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
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ABSTRACT

This research presented the dynamic relationship between trading volume and stock returns on the Zimbabwe Stock Exchange (ZSE) using daily data over the period of January 2010 to September 2016 for the Industrial Index. There were three objectives of conducting the analysis; (1) to test if there is a causal relationship between trading volume and stock relationship on the Zimbabwe Stock Exchange, (2) to investigate if there is long run relationship between trading volume and stock returns and (3) to observe if there is a positive relationship between stock returns and trading volume on the Zimbabwe stock exchange. Regression analysis, unit root, Granger causality tests indicated that there was no bidirectional causality relationship between volume and stock returns. Returns do not cause volume and volume does not cause returns on the industrial Index at 2 lags. Co-integration performed showed that there existed long run memory relationship between stock returns and trading volume on the Zimbabwe Stock Exchange in the Industrial Index. The correlation was used to check if there was a relationship between stock returns and trading volume it concluded that stock returns and trading volume have a positive correlation.

Key words : Stock returns, trading volume, Zimbabwe stock exchange