

IGPC 2021

Abstract

Intraday Market Quality around Macroeconomic News: Evidence from Indian Gold Futures Market

Author's Details

Neharika Sobti

PhD Candidate

Department of Finance and Business Economics

University of Delhi

(South Campus)

New Delhi

India

Email ID – neharika.sobti@gmail.com

Abstract

This study examines the impact of domestic and global macroeconomic news surprises on the intraday market quality aspects namely – returns, trading volume, volatility, effective spreads, order imbalance and depth of Indian gold futures market. Using high frequency data sampled at 5-minutes interval, I assess the pre-announcement, contemporaneous and post-announcement effects of total news surprises and assess the asymmetric reaction by examining impact of positive and negative news surprises. I observe that six market quality aspects showcase abnormal levels during news intensive trading hours especially surround the global macroeconomic news. Liquidity aspects like volume, spreads and depth along with volatility are at highest levels while order imbalance and return are lowest during news announcement.

I find that global macroeconomic news surprises from US have significant and stronger contemporaneous and post-announcement effects than domestic ones on six market quality aspects of Indian gold futures. Global news indicators - Unemployment, Trade Balance,

Imports, Capacity Utilisation, PMI manufacturing and Initial Jobless claims have greatest impact while domestic news surprises related GDP, industrial production, balance of payment from India have significant impact. Moreover, liquidity aspects like volume, depth and spreads have greater impact due to news surprises than other market quality aspects. I find strong evidence in favour of asymmetric impact of domestic and global news surprises as news with negative surprise have stronger and positive impact on market quality aspects than positive surprises. I also find that gold futures react negatively to positive economic news and news with positive surprise and vice-versa that supports the safe haven properties of Indian gold futures market.

Keywords: Macroeconomic news surprises, India, US, Gold Futures, Asymmetric impact