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## The relationship between volume imbalance and spread

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### Abstract

This research examines the relationship between the ask-bid spread and the quoted volume imbalance. This relationship can be determined by the level of quoted volume imbalance and the level of stock liquidity. There are two types of samples using in this research: liquidity and low liquidity. For liquidity samples, the empirical results suggest that the relationship is negative if the imbalance is higher than 1. The relationship is positive if the imbalance is lower than  $-1$ . When the imbalance lies between  $-1$  and 1, there is no obvious relationship between them. For low liquidity samples, the imbalance does not have a relationship with the spread if the imbalance is lower than  $-1$  and the relationship between them varies from stock to stock if the imbalance is higher than 1.

*Keywords:* Imbalance, quoted volume, spread, intraday sample.

JEL classification: G120

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