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Article

MARKET STRUCTURE AND REPORTED TRADING VOLUME: NASDAQ VERSUS THE NYSE

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Abstract

Trading volume for common stocks is of interest to financial economists, investors, and securities lawyers. NASDAQ is a dealer market where trades with dealers are included in reported trading volume. This procedure does not accurately measure the trading volume by public buyers and sellers. Trading volume reported on the NYSE, which is primarily an auction market, provides a much closer measure of trades by public investors. We examine a sample of firms whose stock traded on the NASDAQ/NMS and subsequently on the NYSE. When trading switches to the NYSE, the firms' trading volume drops to about 50 percent of the volume previously reported on NASDAQ. A control group of firms that switched from the AMEX to the NYSE shows a small, but statistically insignificant, increase in trading volume.

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