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THE IMPORTANCE OF HIGH FREQUENCY DATA ON THE FINANCIAL MARKETS

Abstract:

While the High Frequency Trading (HFT) activity is in decline and researchers have inconclusive results about its net (positive/negative) impact on the financial markets, massive quantities of High Frequency Data (HFD) become more and more accessible. The purpose of this paper is to highlight the importance of HFD on the Financial Markets. To support this statement, we will analyze some of the special characteristics of High Frequency Data (HFD) compared to the characteristics of Low Frequency Data (LFD). Then we will make a review of the papers that have proven that the use of HFD can improve the accuracy of volatility measures, volatility estimators, and volatility forecasts. Given this superiority of HFT over LFD, our aim is to encourage academics and practitioners to start focusing more on this type of data in order to have a better understanding of the highly dynamic financial markets.

Keywords:

High Frequenc Trading, High Frequency Data, Financial Markets, Volatility

JEL Classification: G10, G17