PROFESSIONAL TRAINING COURSE

FLORENCE SCHOOL OF BANKING AND FINANCE

LIQUIDITY, PRICE DISCOVERY, AND MARKET DESIGN

Instructor: **Thierry Foucault** | HEC Paris

Teaching Assistant: **Anna Rogantini Picco** | European University Institute

Meeting Room - Raimondi

Villa Schifanoia, Via Boccaccio 121 - Florence

3 - 5 JUNE 2019

■ PROGRAMME

3 JUNE

13.30 - 13.45	*Welcome Coffee*
13.45 - 14.00	**Welcome introduction and presentation of the School followed by a *tour de table***
14.00 - 15.30	**Price Discovery, Illiquidity, and Informed Trading (I-Theory)**

- Order Flow and private information
- Price impacts and illiquidity
- Measuring adverse selection costs

15.30 - 15.50	*Coffee break*
15.50 - 17.20	**Price Discovery, Illiquidity, and Informed Trading (I-Theory)**

- The role of trade size
- Theoretical foundation for price impact regressions

17.30	*Shuttle bus to the city centre*

4 June

09.30 - 11.00	**Introduction to E.Views (used for exercises and applications in the rest of the course)**
11.00 - 11.20	*Coffee break*
11.20 - 12.50	**Price impact regressions and their interpretation**

- Transient vs. permanent impacts of trades
- Relating price changes to order flow
- Illiquidity and volatility

12.50 - 14.00	*Lunch*
14.00 - 15.30	**Measuring informed trading and applications**

- The PIN measure
- Examples of applications

15.30 - 15.45	*Coffee break*
15.45 - 17.30	**Exercise**
18.00 - 18.30	*Shuttle bus to The Divina Enoteca*
18.30 - 20.00	*Wine Tasting at The Divina Enoteca, via Panicale, 19/red, Florence*

5 June

09.30 - 11.00	**Dealers' holding costs and Price Reversals (Theory)**

- Definition of inventory holding costs
- Price dynamics with inventory holding costs

11.00 - 11.20	*Coffee break*
11.20 - 12.50	**Price impact regressions with inventory holding costs**

- How to account for inventory holding costs in price impact regressions
- How to measure the informational content of trades in the presence of inventory effects

12.50 - 14.00	*Lunch*
14.00 - 15.30	**Exercise**
15.30 - 15.45	*Coffee break*

15.45 - 17.00   **Policy issues in market design of electronic markets:**

- Analyzing effects of change in market structure in financial markets

- Examples: High frequency and algorithmic trading, market transparency, centralization vs. decentralization of trading

17.15   *Shuttle bus to the city centre*