

Doctoral Course - VGSF

## **MARKET MICROSTRUCTURE**

Winter 2011/12

Professor Thomas P. Gehrig

thomas.gehrig@univie.ac.at

<http://homepage.univie.ac.at/thomas.gehrig/>

### **Course Outline**

#### **Aims of the Course:**

The aim of the course is to provide an introduction into the price discovery in (competitive) markets with heterogeneous information. The relation between (real) transactions prices and (fictitious) equilibrium valuations will be developed both in rather liquid and organized markets as well as for less organized over-the-counter (OTC) markets. Hence, the key determinants of market liquidity will be theoretically developed and empirically tested. While the focus of this course is on financial markets, the concepts are relevant for any market organization.

#### **Suggested Structure of the Course:**

1. Trading Institutions and Market Structure
2. Measuring Liquidity
3. Financial Markets Equilibrium
4. Price Determination and Liquidity in Dealer Markets: Bid Ask Spreads
5. Price Determination and Liquidity in Auction Markets: Limit Order Markets
6. Price Determination and Liquidity in Fragmented Markets: Networks and OTC
7. Estimating the Determinants of Market Liquidity
8. Liquidity and asset prices
9. Policy and Market Design
  - Transparency
  - High Frequency Trading

**Suggested Literature:**

- Thierry Foucault, Marco Pagano, Ailsa Roell: Market Liquidity: Theory, Evidence and Policy, unpublished manuscript, September 2011.
- Joel Hasbrouck: Empirical Market Microstructure, 2007.
- Frank de Jong, Barbara Rindi: the microstructure of markets, CUP, 2009.
- Dan Spulber, Market Microstructure, CUP, 1995.

A more complete list of relevant papers will be distributed in the course.

**Organization:**

The course normally takes place Thursday, 10-12 at Heiligenstädter Strasse 46.

The precise schedule with locations can be found at:

<http://vvz.wu.ac.at/cgi-bin/vvz.pl?S=11W;L2=S;L3=S;C=L;I=2438;LV=3;LANG=EN>

For administrative questions, please, contact Adrian Baron at [adrian.baron@wu.at](mailto:adrian.baron@wu.at)