Financial Market Microstructure

Module Code: ECO00019M  Credits: 10  Term: 1

Contact Hours: 14 Lectures, 4 Seminars (18 contact hours)

Module Organiser: Professor P. N. Smith

Overview:

This course provides a theoretical and empirical analysis of the relationship between underlying investor demands and observed prices, returns and volumes of asset trade. It analyses financial market structure and price discovery in the light of modern theories of private/asymmetric information and looks at issues such as liquidity and non-synchronous trading.

Aims:

To introduce students to the mechanisms of price setting in financial markets. The topics covered include: trading structures; continuous trading and the consequences for data measurement, transactions data as well as foreign exchange market microstructure.

Objectives:

On completing the module the student will be able to:

- understand and explain the mechanisms of price setting in financial markets
- appreciate the importance of both theoretical and empirical developments in this field
- have a good understanding of the key areas of financial economics where microstructure matters most.

Assessment:

There will be a two-hour unseen examination scheduled at the start of the Spring Term.

Pre-requisites:

It is expected that you will also be registered for Theory of Finance (ECO00040M).

Main References:
