

The Impact of Trading Switch on Price and Liquidity

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Abstract : Different stock markets keep changing their exchange structure for the only purpose of improving the functioning of their markets. This paper investigates the effects of the transfer from one trading category to another in the Tunisian Stock Exchange on market price and liquidity. The sample consists of 40 securities transferred from call auction to continuous auction and conversely during the period between 2004 and 2013. The methodology used is the event study. Empirical results show an interesting phenomenon observed; stocks transferred to the call system have experienced an improvement on their price and liquidity especially for less liquid ones. However, price and liquidity for stocks transferred from call system to continuous system have decreased.

Keywords : microstructure, call auction, continuous auction, price, liquidity and event study

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