Content. Market microstructure combines theoretical modelling, institutional understanding, and empirical analysis to understand how prices result from the interactions of traders in financial markets. This will be an idiosyncratic course which emphasizes my own, mostly-theoretical contribution.

Course credit. Students are required to:

- Complete required homework problems.
- Write a 5-page discussion of a small set of papers assigned at the end of the course in lieu of an exam.

Both requirements are to be completed after the lectures have finished.

Format. 18 hours of lectures over four days.

Course Outline

Day 1


Normal backwardation. Inventory models. The efficient markets hypothesis.


Overconfidence. Higher order beliefs.


**Day 2**


Market microstructure invariance.


Nasdaq tick collusion. Reg NMS and MiFiD. TRACE data. Pre-trade and post-trade transparency.


Day 3


Stock market volatility. Realized variance. VIX.


Asset Pricing and Liquidity.


Margins and capital requirements. Bubbles, contagion, wealth effects, short-sale constraints.


**Day 4**

Smooth trading. Liquidity and time.


url{https://doi.org/10.1093/restud/rdx017}.


Funding and trading liquidity. Square root model.


Books


