

NEW: We have upgraded our email alerts. You can sign up using the 'Email alerts' panel available on most pages, or in your Oxford Academic personal account, where you can also manage any existing alerts.

JOURNAL ARTICLE

Informed and Strategic Order Flow in the Bond Markets

Get access >

,

The Review of Financial Studies, Volume 20, Issue 6, November 2007, Pages 1975–2019, <https://doi.org/10.1093/rfs/hhm034>

Published: 27 August 2007

Abstract

We study the role played by private and public information in the process of price formation in the U.S. Treasury bond market. To guide our analysis, we develop a parsimonious model of speculative trading in the presence of two realistic market frictions—information heterogeneity and imperfect competition among informed traders—and a public signal. We test its equilibrium implications by analyzing the response of two-year, five-year, and ten-year U.S. bond yields to order flow and real-time U.S. macroeconomic news. We find strong evidence of informational effects in the U.S. Treasury bond market: unanticipated order flow has a significant and permanent impact on daily bond yield changes during both announcement and nonannouncement days. Our analysis further shows that, consistent with our stylized model, the contemporaneous correlation between order flow and yield changes is higher when the dispersion of beliefs among market participants is high and public announcements are noisy.

Copyright © The Author 2007. Published by Oxford University Press on behalf of The Society for Financial Studies.

You do not currently have access to this article.

Sign in

 [Get help with access](#)


Personal account

Institutional access

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

Register

 Sign in through your institution

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Informed and Strategic Order Flow in the Bond Markets - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

Rental



This article is also available for rental through DeepDyve.