Liquidity Risk and Banks’ Bidding Behavior: Evidence from the Global Financial Crisis

Author

Listed:

- Adam Geršl
  (Economic Research Department, Czech National Bank, Prague
  Institute of Economic Studies, Faculty of Social Sciences, Charles University Prague)
- Zlatuše Komárková
  (Czech National Bank)

Registered:

- Adam Gersl
- Zlatuse Komarkova

Abstract

Even in countries that were not directly hit by the global financial crisis and where the banking system had a relatively strong liquidity position, there has been a negative spiral between the market and funding liquidity. The authors illustrate this on a case study of the Czech banking system. They construct indices of market and funding liquidity using daily market data, including data on banks’ bidding behavior in repo operations of the Czech National Bank. They find some evidence of a negative feedback effect between market and funding liquidity, especially after the collapse of Lehman Brothers in September 2008.

Suggested Citation

Adam Geršl & Zlatuše Komárková, 2009. "**Liquidity Risk and Banks’ Bidding Behavior: Evidence from the Global Financial Crisis**," Czech Journal of Economics and Finance (Finance a uver), Charles University Prague, Faculty of Social Sciences, vol. 59(6), pages 577-592, December.

Handle: *RePEc:fau:fauart:v:59:y:2009:i:6:p:577-592*