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Transparency and Ending Times of Call Auctions: A Comparison of Euronext and Xetra

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Abstract

We compare the call auction mechanisms of two major European stock exchanges. The French Euronext auctions disclose five levels of limit orders and have fixed ending times. The German Xetra auctions only disclose the virtual clearing price and volume, and have random ending times. For a sample of 126 matched stocks over a two year period, we find that Euronext auctions are more liquid, contribute more to price discovery, and are followed by lower bid-ask spreads. Both exchanges see significant reversals after their auctions, implying positive expected profits for liquidity suppliers. We also find that small stocks see relatively high turnover at the open while large stocks trade more during the close.

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