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Research Article

Price clustering in E-mini and floor-traded index futures

Huimin Chung, Shumei Chiang

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Abstract

This article sets out to investigate price clustering in both the open-outcry (floor-traded) and electronically traded (E-mini) index futures markets of the DJIA, S&P 500, and NASDAQ-100 indices. The results show that although price clustering is ubiquitous in both the floor-traded and E-mini index futures markets, it nevertheless tends to be higher for open-outcry index futures, with the clustering in floor-traded NASDAQ-100 index futures demonstrating the highest level (97%) at zero digits. A significant increase was also found in price clustering in floor-traded index futures after the introduction of E-mini futures trading. The results tend to suggest that those trading mechanisms that involve higher levels of human participation, such as the open-outcry markets, may well lead to increased incidences of price clustering. © 2006 Wiley Periodicals, Inc. Jrl Fut Mark 26: 269–295, 2006

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