



## Fat-Finger Trade and Market Quality: The First Evidence From China

Ming Gao , Yu-Jane Liu, Weili Wu

First published: 04 February 2016

<https://doi.org/10.1002/fut.21771>

Citations: 10

The authors gratefully acknowledge the helpful comments and suggestions made by the editor and referees.

### Abstract

More trading is algorithmic or computer generated, and in markets where it is allowed, high frequency. However, what happens when there is an algorithmic trading error? This study attempts to answer that question by examining the August 16, 2013, fat-finger trade in Chinese equity and equity futures markets. We find that both markets were excessively volatile, illiquid, and positively skewed. Moreover, we document that index returns are predictable for a short time, indicating that the fat-finger event induced an inefficient market. Our results highlight the importance of market surveillance and regulation to lessen the damage of future fat-finger events. © 2016 Wiley Periodicals, Inc. *Jrl Fut Mark* 36:1014–1025, 2016

### REFERENCES

Amihud, Y. ( 2002). Illiquidity and stock returns: cross-section and time-series effects. *Journal of Financial Markets*, 5, 31–56.

[Web of Science®](#) | [Google Scholar](#)

Borland, L., & Hassid, Y. ( 2010). Market panic on different time-scales. arXiv preprint. Available at: arXiv: 1010.4917.

[Google Scholar](#)

Boulton, T., Braga-Alves, M., & Kulchania, M. ( 2014). The flash crash: An examination of shareholder wealth and market quality. *Journal of Financial Intermediation*, 23, 140–156.

[Web of Science®](#) | [Google Scholar](#)

Golub, A., Keane J., & Poon, S. H. ( 2012). High frequency trading and mini flash crashes. Social Science Research Network, No. 2182097.

[Google Scholar](#)

Kitanaka, A., & Hasegawa, T. (2014). \$617 Billion in Japan stock orders scrapped after error. Bloomberg Technology. Available at: <http://www.bloomberg.com/news/articles/2014-10-01/oops-possible-617-billion-trading-error-in-japan>.

[Google Scholar](#)

Lo, A., & MacKinlay, A. ( 1988). Stock market prices do not follow random walks: Evidence from a simple specification test. *Review of Financial Studies*, 1, 41-66.

[Web of Science®](#) | [Google Scholar](#)

Poterba, J., & Summers, L. ( 1988). Mean reversion in stock prices: Evidence and implications. *Journal of Financial Economics*, 22, 27-59.

[Web of Science®](#) | [Google Scholar](#)

U.S. Commodity Futures Trading Commission, & U.S. Securities and Exchange Commission. ( 2010). Findings regarding the market events of May 6, 2010. Washington DC.

[Google Scholar](#)

Wood, R., McInish, T., & Ord, J. ( 1985). An investigation of transactions data for NYSE stocks. *Journal of Finance*, 40, 723-739.

[Web of Science®](#) | [Google Scholar](#)

Citing Literature



[Download PDF](#)

#### ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

Wiley Research DE&I Statement and Publishing Policies

Developing World Access

### **HELP & SUPPORT**

Contact Us

Training and Support

DMCA & Reporting Piracy

### **OPPORTUNITIES**

Subscription Agents

Advertisers & Corporate Partners

### **CONNECT WITH WILEY**

The Wiley Network

Wiley Press Room

---

Copyright © 1999-2024 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

**WILEY**