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Trading Activity and Price Behavior in the Stock and Stock Index Futures Markets in October 1987

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Article Information

Abstract

This paper discusses what actually happened during the October 1987 market break and the days immediately before. It attempts to lay out a set of stylized facts that describe differing categories of traders and how they behaved and reacted to each other during those days. We believe that this description of what actually happened

provides a necessary starting point for financial economists interested in explaining the October 1987 market break. Our discussion here will rely heavily on the report of the Presidential Task Force on the October 1987 Market Break. [Both authors were staff members with the Presidential Task Force on Market Mechanisms.] We focus on

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trading activity on the New York Stock Exchange (NYSE) and on the S&P 500 stock index futures contract traded on the Chicago Mercantile Exchange (CME).

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