



NYSE order flow, spreads, and information ☆

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Abstract

This paper uses unique NYSE audit trail data to evaluate spreads and information content for different order types. Actual spreads are positive for liquidity-demanding orders and negative for liquidity-supplying orders after controlling for order direction. However, because a large fraction of liquidity-demanding orders get price improvement, the actual spread for liquidity-demanding orders is up to 50 percent less than the [Lee and Ready \(1991\)](#) algorithm would suggest. Regression results show that the order composition of trades affects traditional measures of spreads and information. They also show that NYSE non-displayed liquidity reduces trading costs facing market orders, and that liquidity-demanding floor broker orders are the most informative order type.

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JEL classification

G20; G21; G23; G24

Keywords

New York Stock Exchange; Execution costs; Spreads; Information; Order types

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