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The switch from continuous to call auction trading in response to a large intraday price movement

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Abstract

Some European exchanges (e.g. Euronext, Frankfurt and Madrid) make use of a mechanism to moderate price volatility that was proposed by Madhavan (1992) as preferable to a trading halt in times of market stress. It consists of a temporary switch from continuous to call auction trading in an individual security whenever its price

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Notes

¹ See Galper ([1999](#)).

² For reviews of the trading halt literature, see Kyle ([1988](#)), France et al. ([1994](#)), Harris ([1998](#)) and Kim and Yang ([2004](#)).

³ For a more detailed account of the SSE trading system and trading rules, visit <http://www.sbolsas.es>.

⁴ The official rules provide for resolution of possible ties between different prices.

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behaviour of price discovery, price volatility, bid-ask spread or trading volume and intensity (results available on request).

⁷ Unfortunately, it has not been possible to gain access to data allowing analysis of the progress of learning during volatility auctions.

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