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The liquidity effects of revisions to the CAC40 stock index

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Abstract

This artic... ...ne time
period 1... ...n the
liquidity... ...ction) in the
liquidity... ...ading as
oppos... ...of
trans... ...xplanation.
This is b... ...ing in stocks
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Notes

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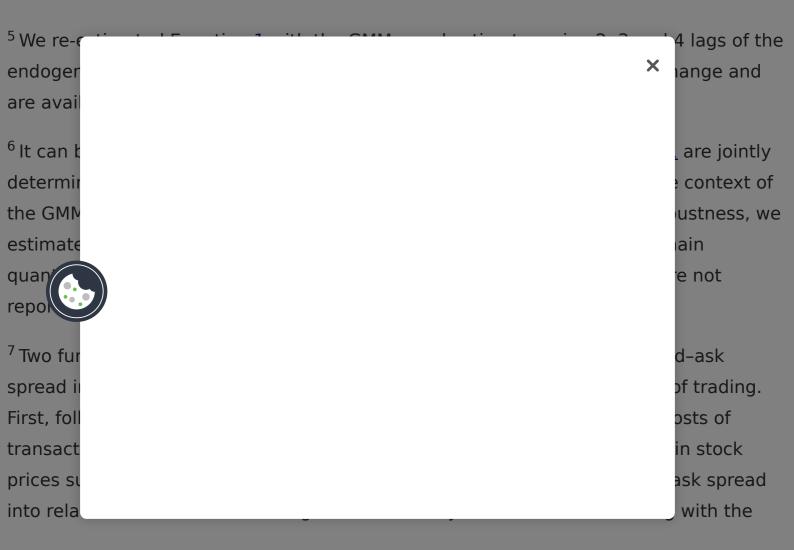We and our partners process data to provide:

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[1] Atkins and Dyl (1997) report a similar relationship for the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ).
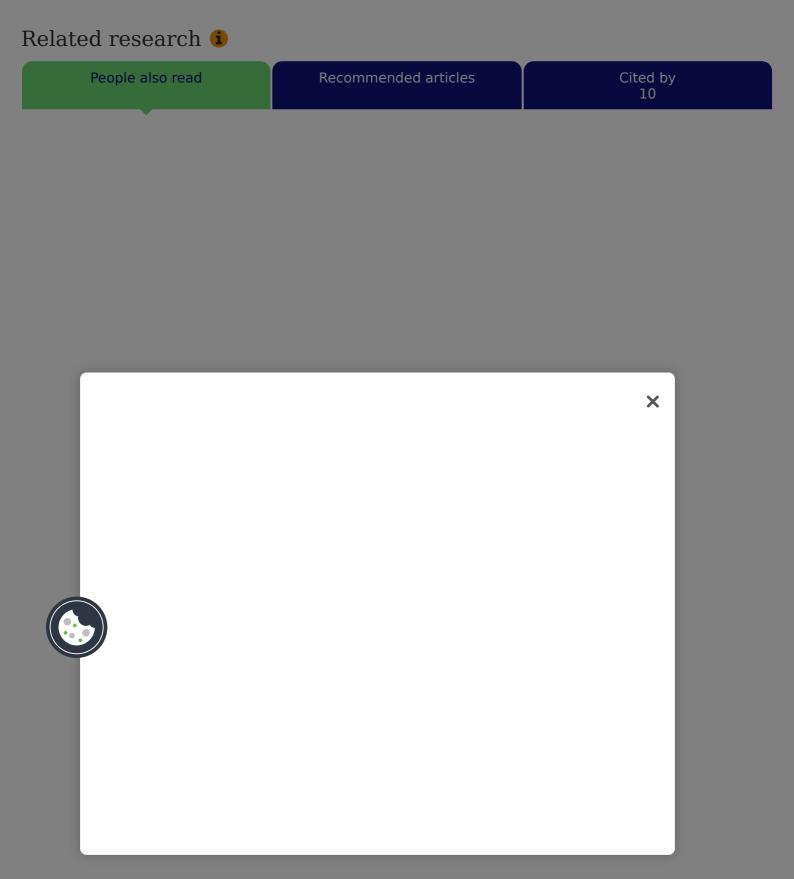
[2] We could also include the number of analysts as an additional explanatory variable in Equation 1. This variable has not been included in Equation 1 because analysts' forecasts are only available on a monthly frequency, whereas all other explanatory variables are available on a daily basis. The small number of observations on the number of analysts' forecasts may result in large jumps in the data causing inaccurate results for this variable.

[3] We perform a Hausman (1978) test for the hypothesis that the explanatory variables are strictly exogenous. In our empirical estimates, the Hausman (1978) test rejects the null hypothesis at all conventional significance levels. This leads to the conclusion that we have to tackle the econometric issue of endogeneity for our explanatory variables. The result of the Hausman (1978) test is not reported by the authors but is available upon request.

[4] The serial correlation test on the GMM is undertaken on the first difference of the residuals due to the transformations involved.

[5] We re-estimated Equation 1 with the GMM procedure using 2, 3 and 4 lags of the endogen... ...ange and are avail...

[6] It can b... ...are jointly determin... ...e context of the GMM... ...ustness, we estimate... ...ain quan... ...e not repor...

[7] Two fur... ...d–ask spread i... ...of trading. First, foll... ...osts of transact... ...in stock prices su... ...ask spread into rela... ...with the

use of the Huang and Stoll ([1997](#)) spread decomposition model. The results do not change and are available upon request. One possible limitation of this study is that there are various other spread decomposition models that were not considered such as the Glosten and Harris ([1988](#)), George et al. ([1991](#)) and the Lin et al. ([1995](#)) model. However, as pointed out by Van Ness et al. ([2001](#)), all spread decomposition models yield very similar results.

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