

# SCHOOL OF COMMERCE RESEARCH SEMINAR SERIES

CENTER FOR APPLIED FINANCE AND ECONOMICS

FRIDAY 26<sup>TH</sup> OF MAY



**Presenter:** Professor Talis Putnins, University of Technology Sydney

**Title:** High frequency trading and co-movement in financial markets

**Bio:** Talis Putnins is a Professor in the Finance Discipline Group at UTS and a member of the Quantitative Finance Research Centre. He has also held positions at the Stockholm School of Economics in Riga and the Baltic International Centre for Economic Policy Studies, and has been a Visiting Scholar at Columbia University and New York University. His main research interests are in financial market microstructure, including market manipulation, insider trading, dark pools, high-frequency trading, liquidity, transaction costs, and price discovery. His papers are published in leading international peer-reviewed journals including the Journal of Financial Economics, Management Science, Review of Finance, Journal of Financial and Quantitative Analysis, Journal of Financial Intermediation, and Experimental Economics. Talis is the recipient of a Discovery Early Career Researcher Award (DECRA) from the Australian Research Council (ARC). He has done consulting and policy work for governments, stock exchanges, and financial institutions and served as an expert witness in legal cases.

**Abstract:** Algorithmic and high frequency trading (AT and HFT) now accounts for the majority of trading volume in most developed equity markets and has triggered intense debate between regulators, practitioners, and academics. While consensus is forming on some of the positive effects of this “rise of the machines”, far less is known about the impact of HFT on stability and systematic risk in markets. Using the staggered entry of Chi-X in 12 European equity markets as a source of exogenous variation in high frequency trading (HFT), we find that HFT causes significant increases in co-movement in returns and in liquidity. About one-third of the increase in return co-movement is due to faster diffusion of market-wide information. We attribute the remaining two-thirds to correlated trading strategies of HFTs. The increase in liquidity co-movement is consistent with HFT liquidity providers being better able to monitor other stocks and adjust their liquidity provision accordingly. Our findings suggest a channel by which HFT could impact the cost of capital.

**Date and Time:** Friday 26 May, 11:00am – 12:30pm

**Location:** Way Lee Building, WL2-47  
City West Campus, University of South Australia

For further information please contact Jon Lontos on (08) 8302 0457 or email [CMR-Research@unisa.edu.au](mailto:CMR-Research@unisa.edu.au)

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