Seminar Series: Computational Finance

Date: Tuesday, February 23, 2016
Time: 3:00 pm – 3:50 pm
Location: UNIV 001

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LIMIT ORDER BOOK PLACEMENT PROBLEM

Abstract: Typically, one of the first problems of stock traders is to split the large order into smaller orders to reduce the market impact. Secondly, they need to place those small orders into multiple time intervals. When placing the orders, they also need to decide whether to use a market or a limit order, and, in the second case, which price level to put the order. In this talk, we discuss this second problem. We use correlated walk (CRW) as our price model and derive the optimal solution in the diffusion limit of CRW.