

Date of the event:

On Thursday 02nd December 2010
From 01:00 PM to 2:00 PM

Location:

Luxembourg School of Finance
University of Luxembourg
4 Rue Albert Borschette
2nd Floor
Modigliani Miller Auditorium (E02-003)
L-1246 Luxembourg

Registrations:

- Free seminar (with lunch included)
- Registrations by email before November 29th, 2010
- At the following address : lsf-events@uni.lu

Information:

Ms Caroline Herfroy
Tel : +352 46 66 44 6335

<http://www.lsf.lu/index.php/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following
lunch seminar:

***Asymmetric Information, Endogenous
Illiquidity, and Asset Pricing with
Imperfect Competition***

*By Prof. Hong Liu
Washington University, St-Louis, USA*



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Asymmetric Information, Endogenous Illiquidity, and Asset Pricing with Imperfect Competition

By Hong Liu

The **Luxembourg School of Finance**

Is pleased to invite you to the

LSF Seminar

We propose a novel framework to study how asymmetric information, imperfect competition among market makers, and risk aversion affect equilibrium illiquidity and asset pricing.

In contrast to the standard literature where market makers compete through prices, market makers in our framework compete through quantities to buy at the bid and to sell at the ask. All the main results are obtained in closed-form. This model can help explain some of the puzzling empirical findings, such as (1) bid-ask spread can be lower with asymmetric information; (2) bid-ask spread can be positively correlated with trading volume; and (3) trading volume may increase with information asymmetry.

In addition, we find that information asymmetry may reduce the welfare loss due to market power and may increase the equilibrium number of market makers.

