

Date of the event:

On Monday, 19th September, 2011
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 Thursday, 15th September, 2011
- At the following address : lsf-events@uni.lu

Information:

Ms Martine Zenner
Tel : +352 46 66 44 6335

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



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

***Informational Price Cascades and
Non-Aggregation of Asymmetric
Information in Experimental Asset
Markets***

*By Professor Jason Shachat
Xiamen University*

**Monday, 19th September 2011
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Informational Price Cascades and Non-Aggregation of Asymmetric Information in Experimental Asset Markets

By Jason Shachat

The **L**uxembourg **S**chool of **F**inance

Is pleased to invite you to the

LSF Seminar

We report on experimental markets for a contingent claim asset that eight subjects traded for nine periods before the state was revealed. There is an informative binary signal that arrives after each of the first eight trading rounds. In our baseline treatment the realization of the signal is public information, and in another treatment, market participants are randomly sequenced and receive the signal as private information. In the latter case, we observe zero information aggregation and prices lock in on home grown norms, which we call informational price cascades. We test the fragility of the price cascades in two further treatments. First, we break the monopoly on each signal by revealing it to two subjects, and then we increase that number to four. It is only when we inform four participants, or one-half of the market, that cascades fail to form and information starts to aggregate in the market.

