CEPR-Imperial-Plato Inaugural Market Innovator (MI3) Conference

Evolving Market Structure in Europe and Beyond

29 June 2017

Overview

This document provides an overview of the key points covered during the research paper presentations and panel discussion the recent Plato Partnership Market Innovator (MI3) Conference, '*Evolving Market Structure in Europe and Beyond*'. Once approved, this document will be fully designed and distributed as a follow-up to attendees. This is in addition to following-up on our promise to post information and links to all the research papers to the Plato website.

Data Abundance and Asset Price Informativeness, Thierry Foucault

Keypoints:

- As the cost of data has decreased, this has led to a state of 'data abundance'.
- The study looked at whether the declines in the cost of accessing information have made asset prices more informative?
- One problem with studying this topic is that models often assume there is no lag between receiving data and processing that data.
- As well as this, Big Data doesn't necessarily mean better data.
- A balance has to be struck for market participants of trading fast on a noisy and unclear signal, or waiting for more information but risking losing an opportunity.
- As data becomes more abundance, are financial analysis and news analytics complements or substitutes?
- The long-term trend in price informativeness, and the effects of algorithmic trading on price informativeness, are unclear.
- Nevertheless, the study found that data abundance can in fact reduce price informativeness.

Key questions:

"If traders could hide their order flow balance in a dark pool, do dark pools encourage more information into the market?"

This is possible, yes. However, while dark pool trading makes information more valuable, it doesn't necessarily lead to better information.

"When looking at the market for information, can we assume that the signals that people get are the same, or even correlated signals?"

When we look at these issues, it is more helpful to this of the model that people are receiving 'truth **OR** noise' rather than 'truth **AND** noise'.