

**Title:** **A NEW LOOK AT LIQUIDITY**

**Speaker:** **ROBERT ENGLE**  
**Stern School of Business & Director of Volatility Institute**

**Importance:** Why this matters:

All investment ideas and strategies need to be implemented through trading. Since trading costs almost always leak both assets and tactical information to trading intermediaries, a deep understanding of the trading mechanisms can provide opportunities for performance enhancement.

**Investigation:** "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Engle analyzed institutional trade data from the Ancerno (Abel Noser) databases in an attempt to create a better explanation of the cost of trading from 1999 through 2013.

**Innovation:** Are there new techniques of interest in the data or approach to the problem?

Engle builds separate models for liquidity suppliers and liquidity demand orders.

**Insights:** 1-2-3, what are the three most important things the speaker offered?

1. Trading cost estimates are vastly improved by considering the market environment in which the trade was made. A rising market will make buying strategies that spread execution over the day (VWAP) will be more expensive for buyers (demanders), while sellers (suppliers) will benefit by accommodating the more anxious buyers.
2. A trader executing such a strategy of hiding larger trades by dividing them into less observable small pieces will closely match the VWAP for that security for that day. Whether this can be considered "best execution" has been seriously debated for many years.

**Audience rating:** **2.84**