

Faculty Seminar, 20 May 2019

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Title : Arbitrage bots in experimental asset markets

Abstract: While Algorithmic trading robots are a proliferating presence in asset markets, there is no consensus whether their presence improves market quality or benefits individual investors. We examine the impact in both dimensions of arbitrage seeking robots using experimental laboratory markets. We find that the presence of algorithm trading generally enhances market quality. However, the wealth of human traders suffers from the presence of algorithmic arbitragers. These social costs can be mitigated as we find high latency algorithms harm investors less than low latency algorithms; while the improvements in market quality are indistinguishable between algorithm latency levels.