040019 KFK FM/FI Seminar: High Frequency Trading in Forex Markets

Seminar within the specializations "Financial Markets" and "Financial Intermediation"

The seminar discusses the determinants of exchange rates with a particular emphasis of high-speed trading at high frequency. Why is high frequency trading also relevant for price discovery in foreign exchange markets? What is its role in real markets? What is the role of high frequency trading in foreign exchange markets, arbitrage or price discovery? How does this revolution affect trading behavior, pricing of assets, transactions costs, and market liquidity? Does HFT give rise to concerns about market failure such as flash crashes or even systemic risk? Are there reasons for regulatory concern?

Organization:

The seminar is organized in cooperation with Thomson Reuters Austria. Mag. Peter Hainz and his team will present current market developments as well as data access.

Coordination meeting with topic allocation: March 7th, Börsengasse 11 (Suite Thomson Reuter), 15-16.30

Location:

The seminar will take place at Thomson Reuters at Wiener Börse, Börsengasse 11, 1010 Wien (1.st floor).

Requirements:

This is an advanced master-level seminar. It also serves as a potential basis for the preparation of a master thesis or other advanced work. Therefore, having passed successfully the course "Principles of Finance" is a pre-requirement. Prior knowledge of the course in “Market Microstructure” is strongly recommended. Knowledge of “Empirical Finance” or “Financial Econometrics” is helpful to digest the empirical analyses.
Topics

1. The Structure of FX Markets
   - microstructure and geography of trading
   - role of technology (HFT and algorithmic trading)
   - statistical properties

2. Theories of exchange rate determination
   - purchasing power parity
   - covered interest arbitrage
   - portfolio approach

3. Price Discovery in FX Markets
   - macro news and exchange rates
   - order flow and predictability of exchange rates
   - front running
   - cross market trading

4. Arbitrage
   - algorithmic trading and arbitrage
   - cross-market arbitrage

5. Event Studies
   - policy announcements
   - Greek crisis
   - devaluation of the CHF
   - devaluation of the yuan
Grading:

Grading is based on three elements:

1. The worked out seminar paper (60 points). Each candidate has to submit a single-authored paper not exceeding 12 pages.

   The seminar draft has to be submitted one week prior to the presentation in electronic form. This version is distributed to seminar participants in order to allow them preparation. After the presentation the paper can still be improved.

   Final submission for all papers is June 27, 2016. Thereafter no corrections are possibly anymore.

2. Presentation of the seminar paper (20 points)

   Presentations can be shared, but each candidate will be assessed on his/her own part.

3. Course participation (20 points)

   Active preparation and active participation are required, which requires regular participation. You will be asked questions even if you are not presenting in order to generate discussions. If you are repeatedly denying answers, this will affect your grade. Likewise repeatedly missing sessions will not help to increase your score. You will not be able to score more than 5 points per meeting.

Basic Reading:


Literature:

