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QUANTITATIVE INVESTMENT ENGINEERING

ABSTRACT – DISSERTATION

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THE MICROSTRUCTURE OF EUROPEAN BOND MARKETS; ORGANIZATION, PRICE FORMATION, AND COST OF LIQUIDITY

Despite the large volumes outstanding in bond markets, research on the microstructure of financial markets is mainly focused on equity markets. Because of the differences between bond and equity markets, theoretical as well as empirical results from equity markets cannot be transferred to bond markets.

Based on unique datasets for German federal securities, EMU government bonds and Euro corporate bonds Volker Flögel analyzes the distinctive features of multiple dealer markets in general and bond markets in particular. Applying state-of-the-art econometric methods to this data, he focuses on the organizational structure of the market for German federal securities, the interaction between the interdealer and the customer-dealer market for EMU government bonds, and the cost of liquidity for Euro corporate bonds. His results are of interest to practitioners and researchers and refute some commonly held beliefs about bond markets.

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