Persistent Patterns in Trading Firms’ Actions

NEDA ZAMANI, University of Sydney, Australia / Santa Fe Institute, N.M., USA, J. DOYNE FARMER, Santa Fe Institute, N.M., USA — To understand the dynamics of price formation in financial markets, we take the approach of investigating the actions of market participants. We examine the impact of the participating firms on the price and find that different firms have different patterns of impact. Each firm can be representative of many traders with different trading habits and strategies but nevertheless we observe statistically significant differences in the firms’ market impacts. We also investigate a method of clustering the firms based on a simplified conception of strategies. We find consistent clusters and patterns in firm strategies and show that these relations are statistically significant.