

Timing of Order Submissions and Cancellations in the Reuters Dealing 3000 Spot Matching System

Abstract

We seek to investigate a dynamic process of order submissions and cancellations in the order-driven market for interbank trading of the EUR/PLN currency pair. With our generalized multistate version of the Asymmetric Autoregressive Conditional Duration (MAACD) model of Bauwens and Giot (2003) we investigate the timing of different types of order submissions and cancellations that take place on the bid and ask sides of the market and are classified according to the level of aggressiveness. We examine the transition probabilities between different events changing the shape of the order book and investigate different liquidity or information-oriented factors that exert an influence on the order dynamics.