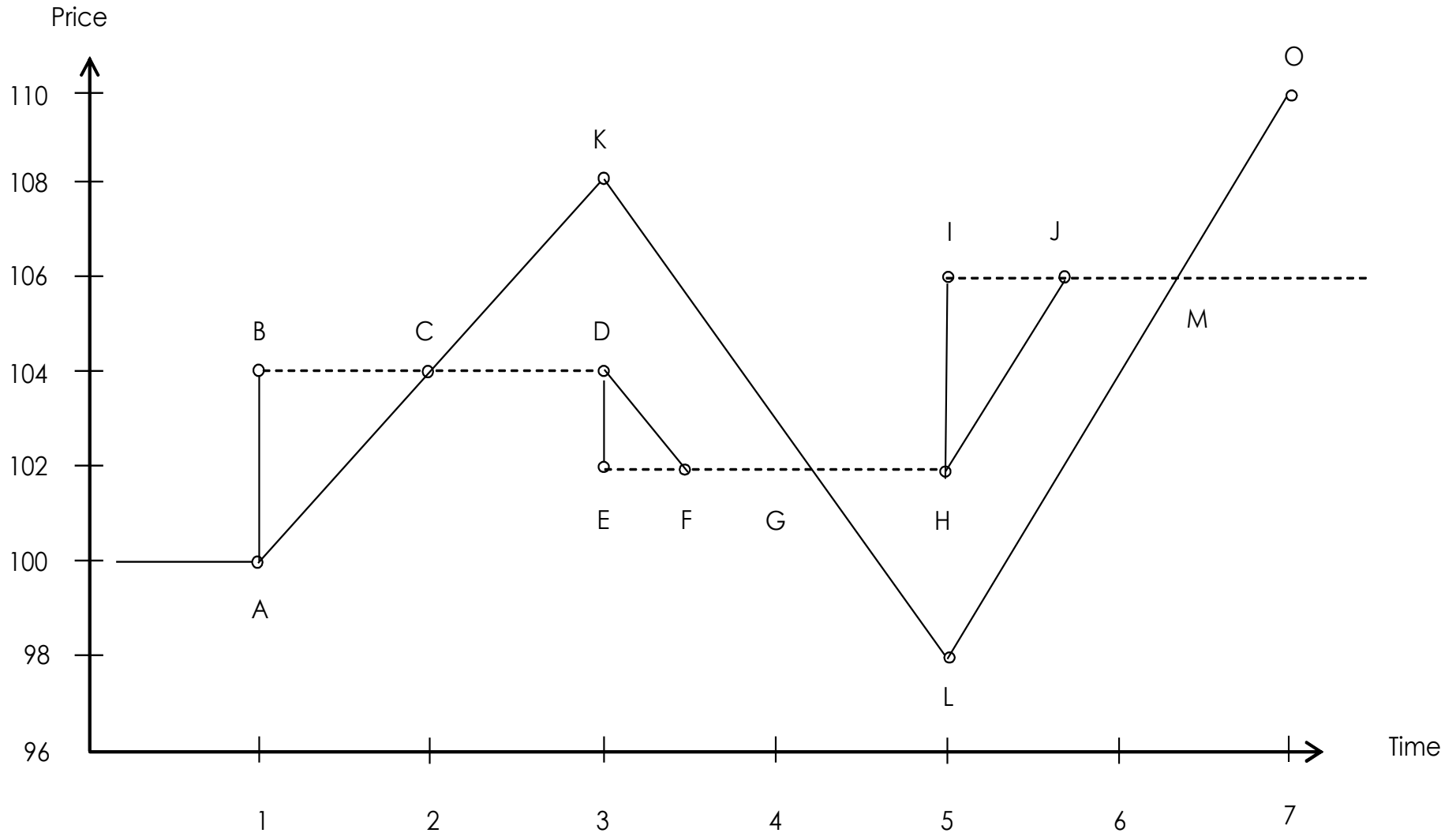


Stephan Schulmeister

Stabilizing of asset prices through transition from continuous trading to electronic auctions

Annual Conference of the “Keynes Gesellschaft“ in Bamberg, February 12-13, 2024

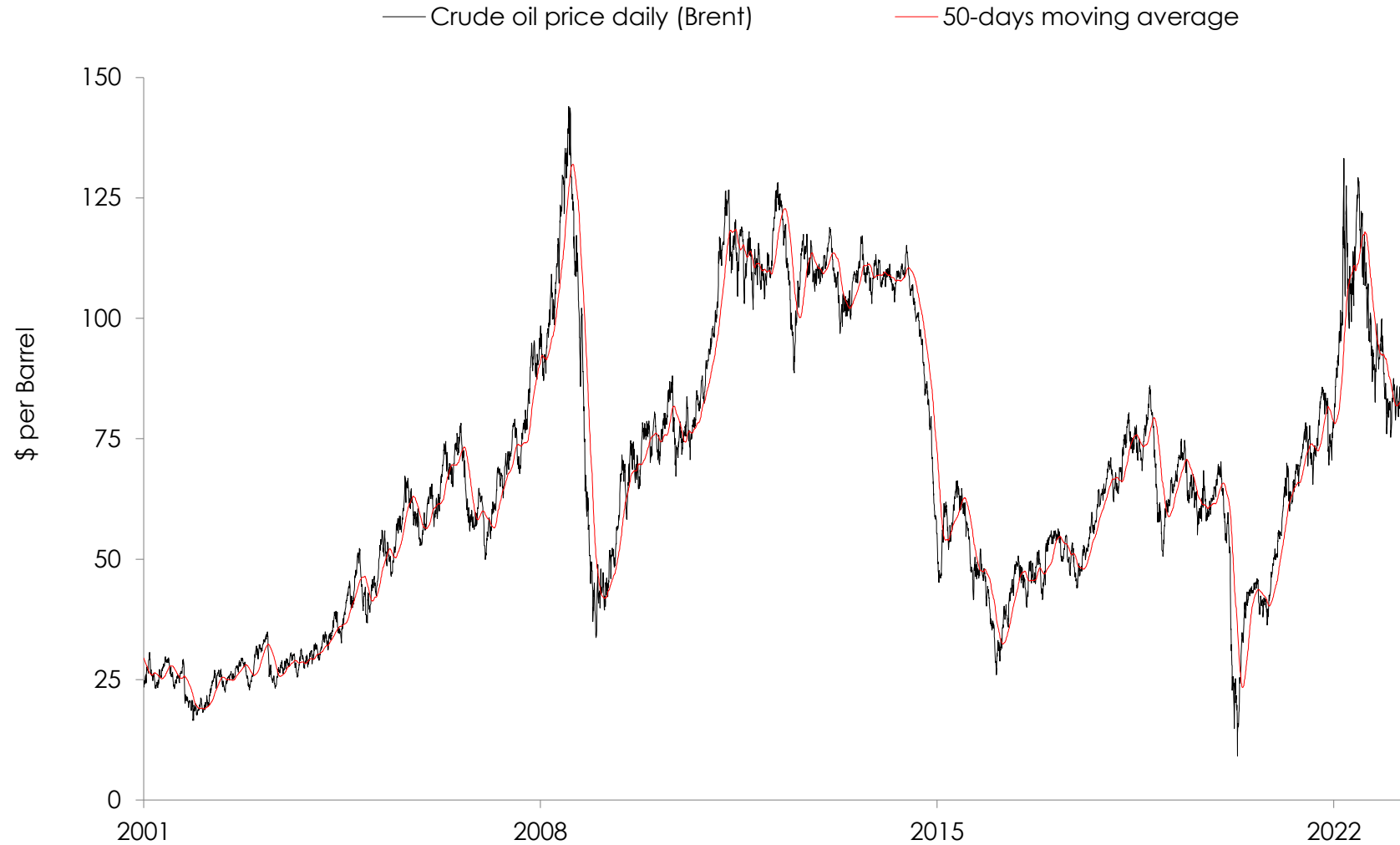
- **Asset prices: Sequences of bull & bear markets: Foreign exchange, stocks, commodities, real estate, crypto currencies, carbon emission permits, etc.**
- **Impact: Price shocks, redistribution, valuation effects >**
- **Oil prices shocks, debt crises, consumption booms, financial crises**
- **B & B are the result of the accumulation of (very) short-term trends across different data frequencies (time scales)**
- **Auctions would deprive the trading systems of their „food“, i.e., high frequency data**
- **Incentive to form expectations according to fundamentals**
- **Easy implementation as trades done, settled and cleared on electronic platforms**
- **Completely in line with neoclassical Theory (> Leon Walras)**



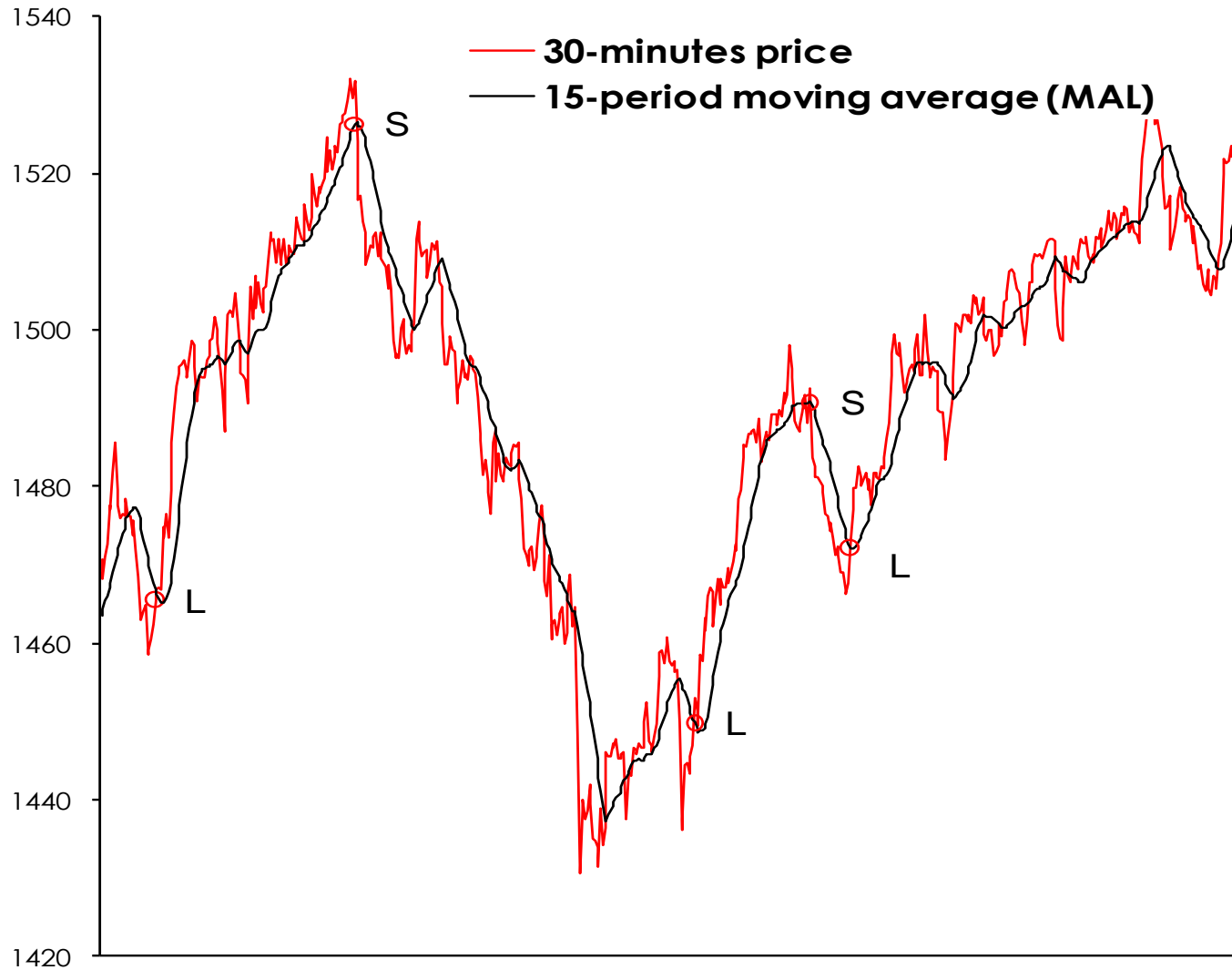
Daily US dollar/euro exchange rate

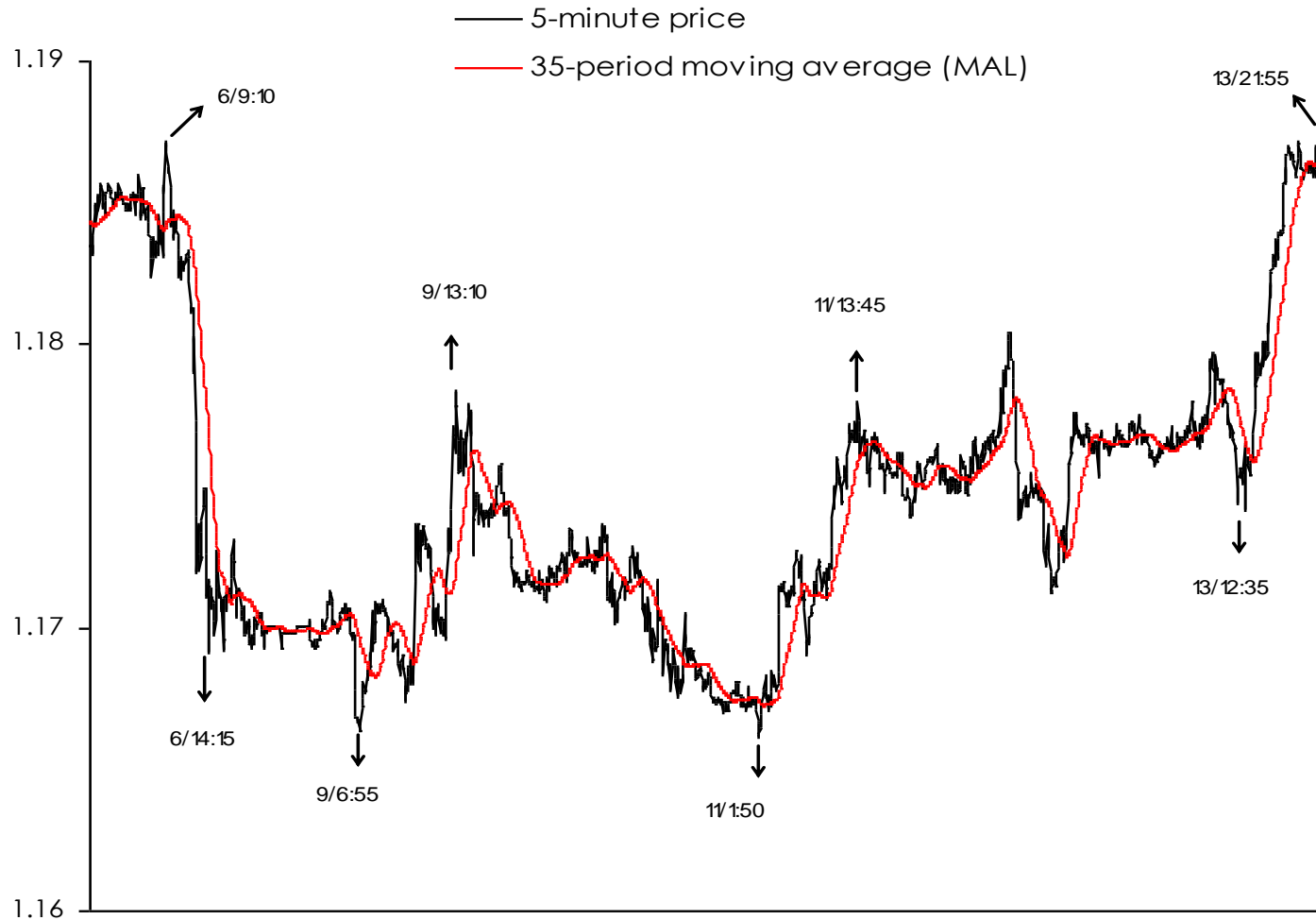


Trending and speculation in the crude oil futures market

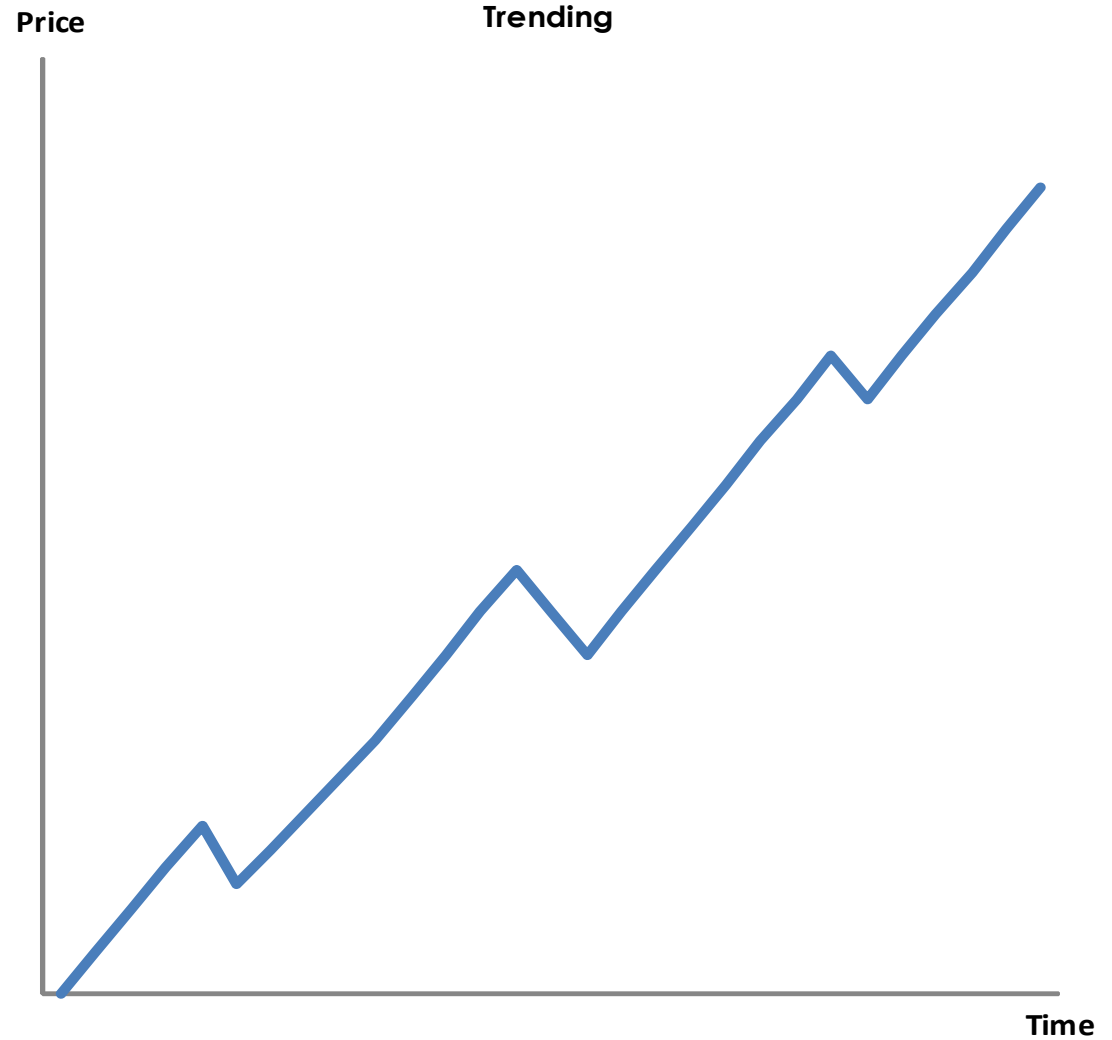
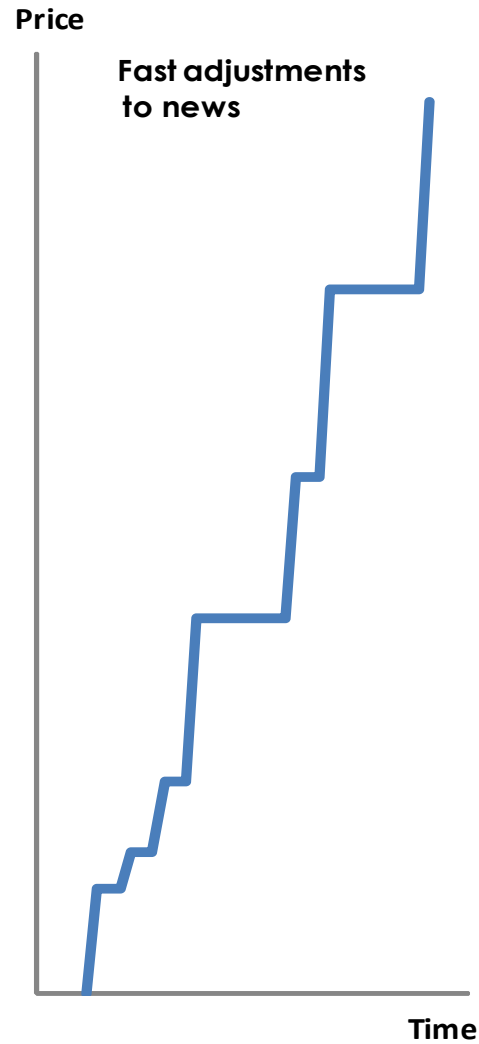


Long-term trends as accumulation of short-term runs:
S&P 500 futures price, July and August, 2000



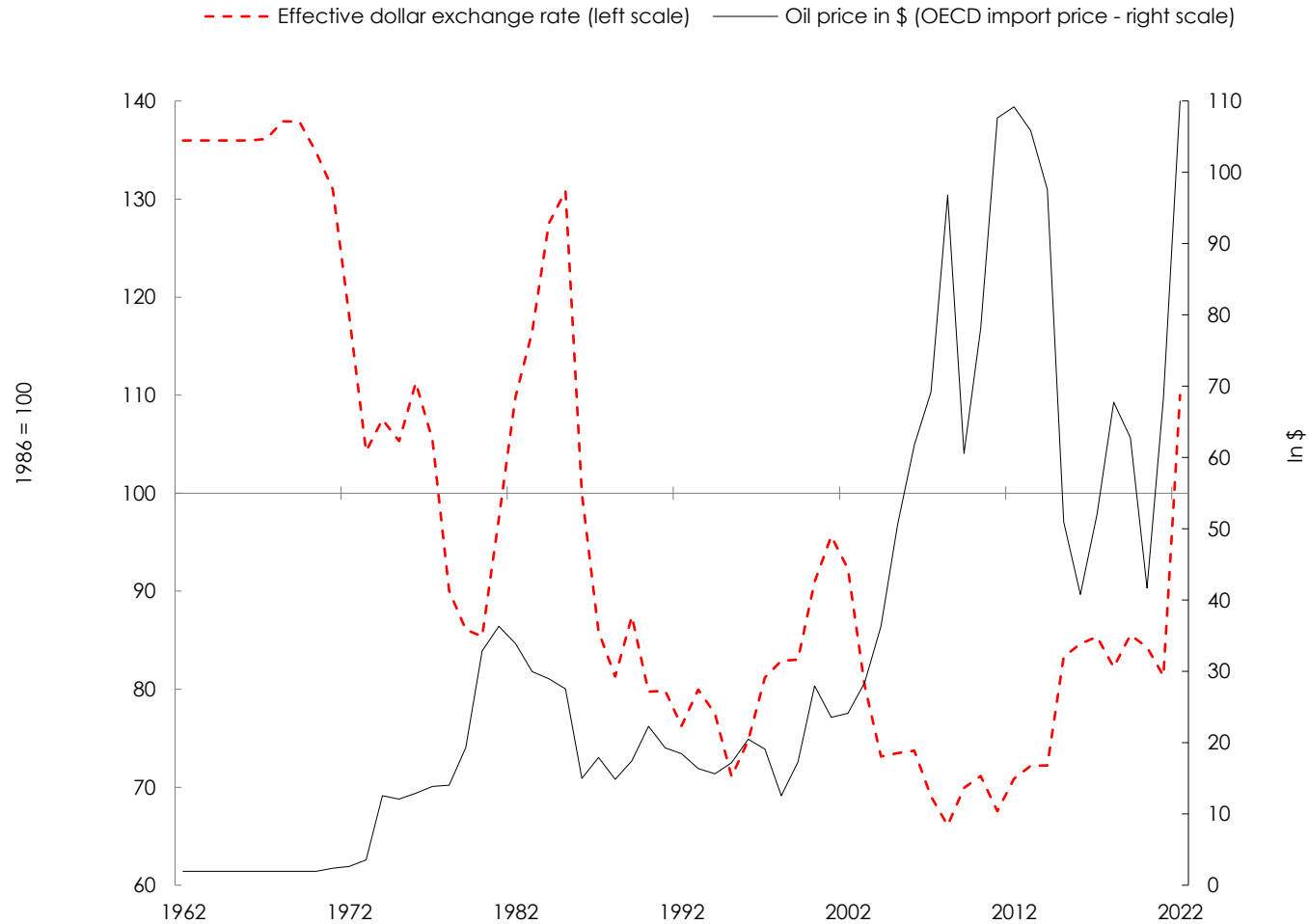






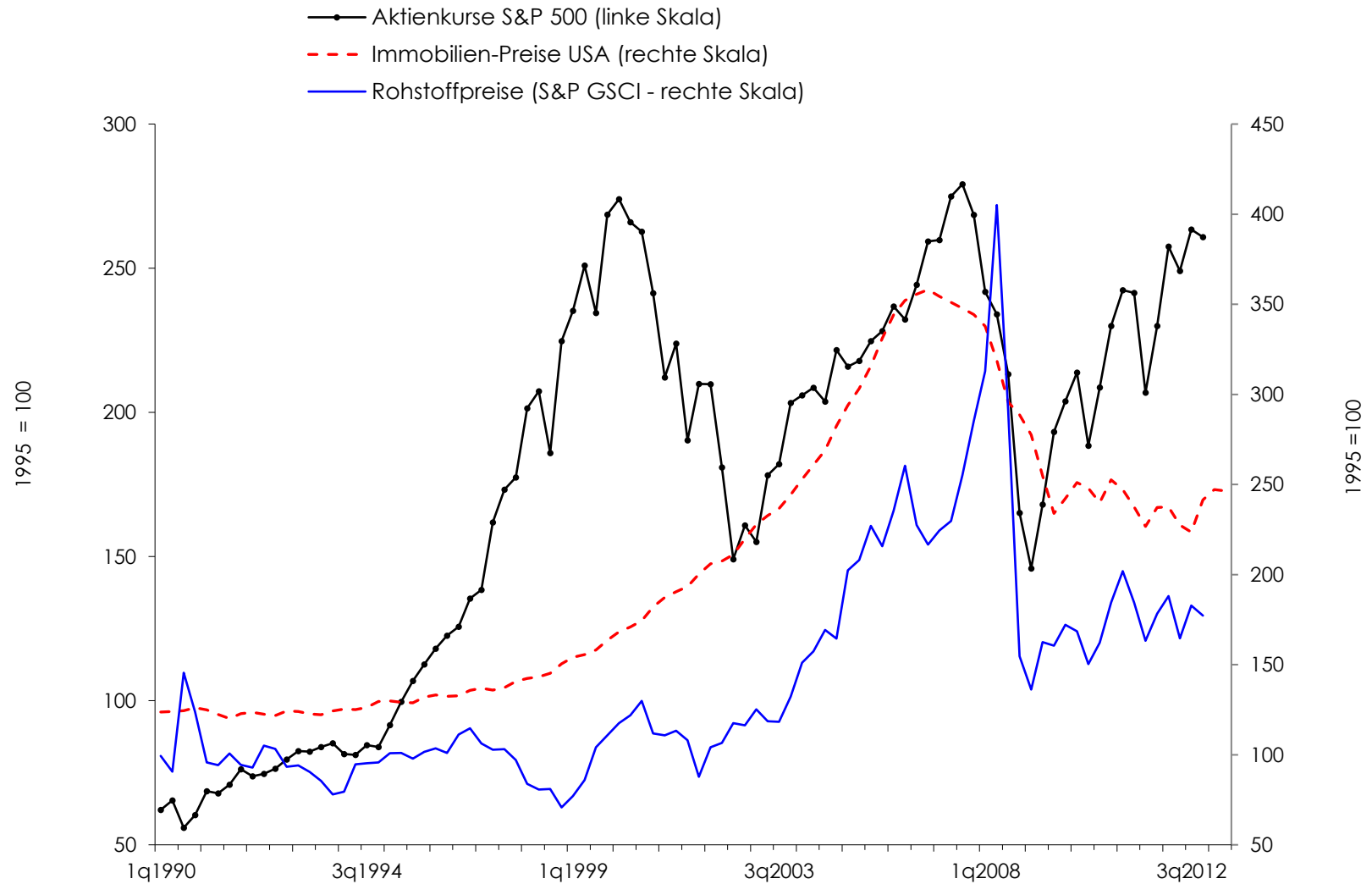
- **Distribution channel: Dollar exchange rates > commodities prices > distribution of trade revenues**
- **Valuation channel: Wealth effects of bulls and bears > (dollar) liabilities & “pure” assets like stocks, commodities and real estate (simultaneous bears > financial crises).**
- **Incentive channels: Financial instability as disincentive for activities in the real economy and as incentive for short-term & destabilizing speculation > long cycle of real and financial capitalism**

Dollar exchange rate and oil price fluctuations



Stock prices in Germany, the United Kingdom and in the USA




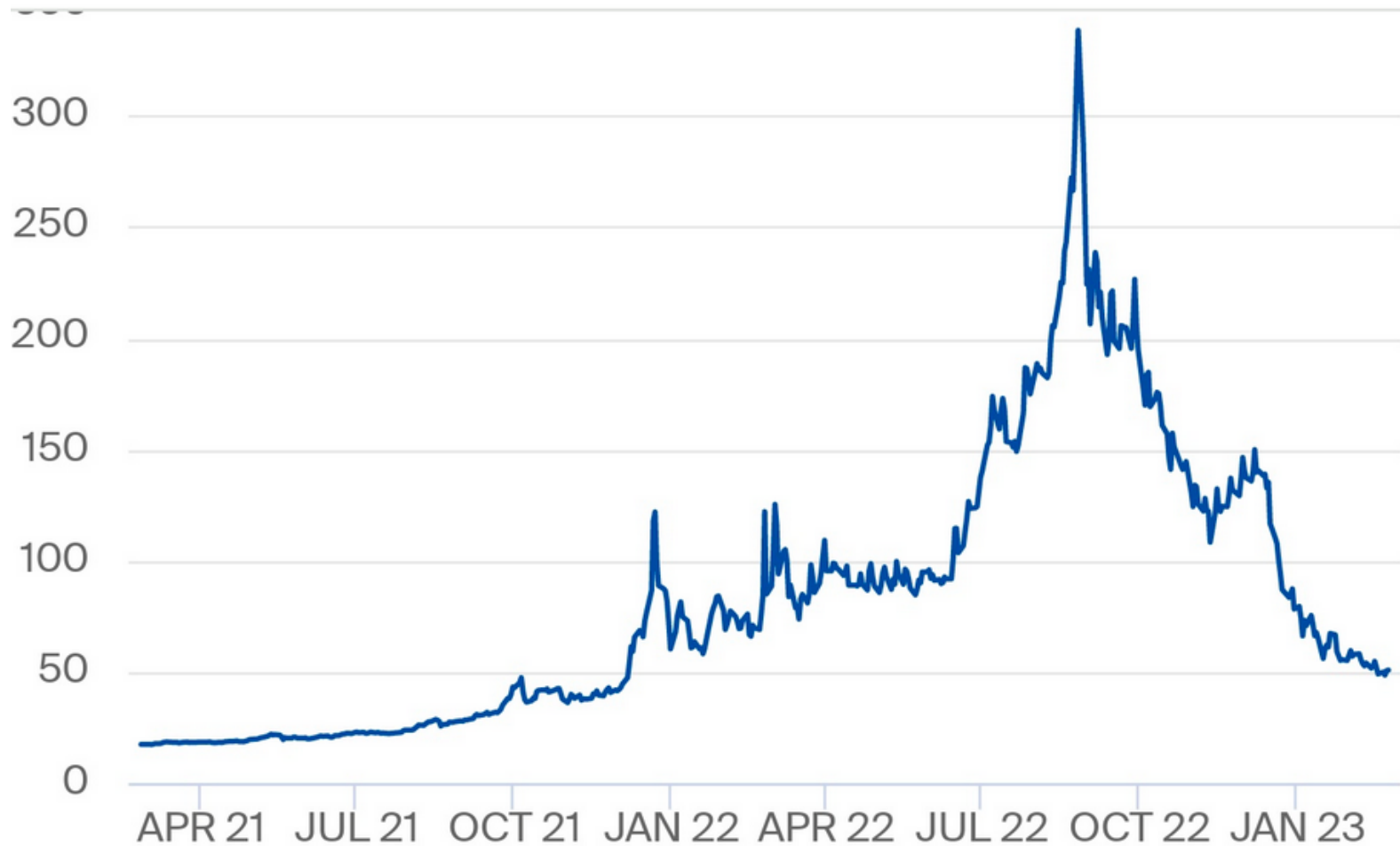


Schwankungen der EU-Zertifikatspreise für die Emission einer Tonne CO₂





✕  Dutch TTF Natural Gas Futures | ICE
theice.com





- **Growing discrepancy between real and financial transactions.**
- **Speculation in derivatives markets grows fastest.**
- **Asset prices fluctuate in a sequence of „bulls“ and „bears“.**
- **Due to the accumulation of short-term price runs.**
- **Objective: Making „fast“ speculation unprofitable**
- **Two options:**
 - **Financial transactions taxes**
 - **Electronic auctions as substitute for continuous trading**
- **Auctions: Theoretically more attractive, more radical, implementation technically easier than FTT (but no returns for governments)**

- **Exchange traded assets: Open prices have always been set by an (implicit) auction, electronically already for a long time**
- **OTC trading: In most cases already now cleared and settled via electronic platforms**
- **Should become obligatory at least for assets like foreign exchange or standardized credit default swaps (CDS)**
- **Also for reasons of transparency and surveillance (eliminating „dark pools“)**
- **Customized tailored instruments need not to be covered**
- **Main obstacle is political: Consensus needed between the countries with important market places (at least in each trading time zone)**