JOURNAL OF TRADING

This issue marks the first year for *The Journal of Trading.* We are very pleased with the growing interest in the publication. We look forward to your continued support and suggestions.

We open this issue with an analysis of the estimated costs of agency versus principal bid trading by Bystrik and Georgiou. They conclude that agency trading can offer significant savings over principal trading. Blau, Van Ness, and Van Ness provide a better understating of shorting behavior for NYSE-listed securities. With the increased emphasis on managing transaction costs, Badrinath, Chakravarty, Anand, and Wood investigate whether trading in the period surrounding analyst recommendation would incur lower transactional costs.

Standard models of algorithmic trading neglect the presence of a daily cycle. Almgren and Lorenz construct a model in which the trader uses information from observations of price evolution during the day to continuously update his estimate of other traders' target sizes and directions. We follow with Abrokwah and Sofianos who survey the state of liquidity in the U.S. equity markets, distinguishing between displayed and non-displayed liquidity. Lucas, Goodman, and Fabozzi present an empirically-driven methodology which allows market participants to analyze the risk associated with a single credit, a portfolio of credits, and a tranche of a CDO's. Burghardt, Hanweck, and Lei estimate the market impact of one-off trades in electronically traded futures markets. They believe this information is useful in optimal trading strategies, the design of tactical execution rules for working orders the analysis of benchmarks, tracking error, and execution costs.

This is followed by Karz and Wagner who discuss compensation packages for buy side equity traders. Munck examines the costs of trading from a general perspective and concludes that it is essential to distinguish between the different components of the trading costs. We conclude with Gomber and Wittner highlighting the MiFID requirements regarding SIs, to present the respective results of an empirical study among German investment firms, and to discuss prospects of this business model in the European trading landscape.

Submissions are the lifeblood of any new journal. Please encourage those you know who have good papers or have made good presentations on the subject to submit them to us. Submission guidelines are included in this issue. As always, we value your comments and suggestions so please email us at journals@investmentresearch.org.

Brian Bruce
Editor-in-Chief

Publisher's Note:

Institutional Investor, the Publisher of The Journal of Trading *wants to extend a special thanks to Goldman Sachs for its continued support of* The Journal of Trading. *Please note that Goldman Sachs does not have influence on the editorial content found in* The Journal of Trading. *Representatives from any firm are encouraged to submit an article to our independent Editor, Brian R. Bruce for review and prospective acceptance into the publication. All editorial submissions, acceptance and revisions are the sole decision of Mr. Bruce. The editorial submission guidelines are found on the last page of the publication. Thank you and I hope that you enjoy this and future issues of* The Journal of Trading.

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