JOURNAL OF TRADING

MiFID is a key component of the European Commission's Financial Services Action Plan, which was launched in May 1999. It replaces and expands the 1993 Investment Services Directive (ISD), by introducing competition among different order-execution systems and setting out the legal framework to their operations. We open our Spring issue with D'Hondt and Giraud's discussion of MiFID. They believe the focus of the most active industry representatives remains the immediate and short-term operational and technology implications, with very few discussions addressing the more strategic and long-term implications of the Directive notably on an investor's perspective. This is followed by Gomber and Chlistalla who examine new services that execution venues are implementing or intending to implement and evaluate the perspective of European execution venues concerning the impact of MiFID on competition in the industry, on key market quality indicators and on market structure. Kissell presents a framework for transaction cost analysis and introduces techniques to properly evaluate transaction performance using pre-trade estimates and z-score, market adjusted costs, relative performance measure (RPM), interval VWAP, and non-parametric statistical tests.

This is followed by Alexander and Peterson who examine the effects of the uptick rule on the quoting and trading of NYSE-listed stocks. Carter discusses the use of compression technology to overcome hardware deficiencies in the wake of penny option pricing. FXAll who discuss the implications of the rise of hedge funds and algorithmic trading in FX for the future of FX trading in terms of the more complex technological needs and increasing discernment of market participants in selecting trading venues. Smith examines the decrease in the size of trades executed on public exchanges in the US due to the increased use of electronic trading and the movement of that trend through Europe. Webb looks at whether specialized trading firms can capture the potentially substantial returns associated with large sudden price moves. We conclude this issue with Goetzmann and Massa who examine price, volume, and volatility attributable to the disposition effect.

As always, we welcome your submissions. Please encourage those you know who have good papers or have made good presentations on trading related subjects to submit them to us. Submission guidelines are included in this issue. We value your comments and suggestions so please email us at journals@investmentresearch.org.

Brian Bruce
Editor-in-Chief

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Allison Adams
Publisher, Institutional Investor Journals, aadams@iijournals.com