JOURNAL OF TRADING

To open our issue we have Flatley's discussion of the necessity for adopting new trading practices in a market where the forces of automation and uncertainty are rising in parallel with increasing volatility. He investigates market trends by illustrating changes in commonly used trading metrics. Chen examines profitability of proprietary trading by professional floor traders in four futures contract markets and concludes that there is some evidence that floor traders suffer performance mutation under the most stressful market condition. Schiereck and Voigt examine permission of dual trading in stock markets with regard to front-running/piggy-backing by analyzing an equity market which has unique features with regard to anonymity.

Murphy and Hellekson describe the relationship between the tracking error (TE) of the underlying portfolio in a large asset transition, and of the residuals to be traded. Garvey and Wu examine whether or not professional traders recognize transaction costs when making trade decisions and find that traders who experience higher and more frequent gross trading profits trade more actively, but they also end up losing the most money on a net basis. Schmidt discusses his simulations of maker loss in a limit-order market illustrating the advantage of maker trading strategy over taker. Schack and Gawronski review the changes occurring in Europe's equity market structure and compare and contrast those to the changes that took place in the U.S. markets. We conclude this issue with a commentary by Konstance on the evaluation of algorithmic performance.

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

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.

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

JOURNAL OF TRADING

Special Editors Letter

We would like to thank *The Journal of Trading* for supporting the Midwest Finance Association by publishing some of the best articles in market microstructure, which were presented at the conference in February and March 2008 in San Antonio, Texas. The first article, by Lucarelli, Mazzol, and Palomba, examines how pre-trade price transparency affects liquidity and price volatility. The article finds that pre-trade price transparency increases liquidity and reduces price volatility. The second article, by Mazin Al Janabi, presents a re-engineered model of liquidity trading risk management for multiple-assets portfolios. The article uses a Value at Risk (VAR) model under illiquid market conditions and within a multivariate context. The results suggest that ignoring liquidity trading risk can produce substantial underestimates of overall trading risk, particularly in emerging markets. We again would like to thank *The Journal of Trading* for accepting two of the best, most interesting articles in the market microstructure area presented at the Midwest Finance Association Annual Meeting this year.

Robert Van Ness, Tom McInish, and Li Wei
Special Editors