

The Relative Rate of Price Discovery and Liquidity between the Regular –sized Taiwan Index Futures and Mini Contract

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This article examines the liquidity hypothesis of price leadership, which suggests a positive influence of trading intensity to price discovery. We compare intraday price discovery between two futures contracts: the regular-sized Taiwan index futures (TX) and its mini contracts (MTX). Using data matching techniques to distinguish the impact of liquidity on price discovery, we find that a nontrivial portion (average 13%) of the TX information share can be attributable to its higher trading frequency. In addition, the information leading tendency of TX strengthens when the TX trading volume rises relative to the MTX volume.

JEL classification: G13; G14; G15

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