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Authors: Ritesh Kumar Dubey, Yogesh Kumar Chauhan, Sudhakara Reddy Syamala



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Evidence of Algorithmic Trading from Indian Equity Market

Ritesh Kumar Dubey*, Yogesh Kumar Chauhan, and Sudhakara Reddy Syamala

IBS Hyderabad, IFHE University, Hyderabad, India

*Corresponding Author

Email: riteshdubey@ibsindia.org

Abstract

Technology and innovation have been the driving forces behind financialization across the globe. One such technological advent, in the pursuit for minimizing the risk and maximizing the return and in order to adhere to the financial sector changes, is Algorithmic Trading (AT). Though AT is being used extensively across the world, there is a lack of academic research on the evidence of AT in most of the markets. The lack of evidence stems from the ambiguity in definitions of AT and High Frequency Trading (HFT) and their usage interchangeably. The lack of evidence also hinders the understanding and interpretation of the impact of ever-increasing unprecedented growth in the velocity of financial transactions on the social machinery of global economies. We take advantage of the clear definition and identification of AT in the Indian equity market to provide evidence of AT and interpreting it as the transaction velocity element of financialization. We also attempt to decipher the impact of AT, symbolizing the transaction velocity element of financialization, on the price discovery process.

Keywords

Algorithmic Trading, AT, Financialization, India, High Frequency Trading, HFT

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