

Evaluating VPIN as a trigger for single-stock circuit breakers

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Highlights

- VPIN rarely signals abnormal illiquidity.
- VPIN only occasionally anticipates price changes leading to actual trading halts.
- The capacity of VPIN to anticipate truly toxic events is limited.
- VPIN limits cannot substitute traditional price limits.
- VPIN-based circuit breakers can be costly in terms of unnecessary trading cessations.

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