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Fariborz Moshirian, Xiaolin Qian, Claudia Koon Ghee Wee, Bohui Zhang



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# The determinants and pricing of liquidity commonality around the world<sup>☆</sup>

Fariborz Moshirian<sup>a,b</sup>, Xiaolin Qian<sup>c</sup>, Claudia Koon Ghee Wee<sup>a,b\*</sup>, Bohui Zhang<sup>a,b</sup>

<sup>a</sup>Institute of Global Finance, UNSW Business School, The University of New South Wales, Sydney NSW 2052 Australia.

<sup>b</sup>School of Banking & Finance, UNSW Business School, The University of New South Wales, Sydney NSW 2052 Australia.

<sup>c</sup> Faculty of Business Administration, University of Macau, Avenida Padre Tomas Pereira, Taipa, Macau, China.

f.moshirian@unsw.edu.au

xiaolinqian@umac.mo

c.wee@unsw.edu.au

bohui.zhang@unsw.edu.au

\*Corresponding author. Tel.: +61 2 9385 5834.

## Abstract

In this paper, we examine the determinants and pricing of liquidity commonality using intraday data from 39 markets over 15 years. We show that liquidity commonality is driven by both market-level and firm-level factors. Liquidity commonality is higher in weaker and more-volatile economic and financial environments, in areas with poor investor protection, and in opaque information environments. Liquidity commonality is also affected by cultural and behavioral factors, including individualism and uncertainty avoidance. Moreover, we find that liquidity commonality is priced in the world's stock markets and that the pricing effect is stronger in developed markets.

Keywords: Liquidity Commonality; Pricing of Liquidity; International Financial Markets

JEL classification: G11, G12, G15

## 1. Introduction

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