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# The microstructure of a U.S. Treasury ECN: The BrokerTec platform\*

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## Abstract

We assess the microstructure of the U.S. Treasury securities market following its migration to electronic trading. We model price discovery using a vector autoregression model of price and order flow. We show that both trades and limit orders affect price dynamics, suggesting that traders also choose limit orders to exploit their information. Moreover, while limit orders have a smaller price impact, their greater variation contributes more to the variance of price updates. Lastly, we find an increased price impact of trades and especially limit orders following announcements, suggesting that the private information derived from public information is disproportionately exploited through limit orders.

*JEL classification:* G12; G14; C32

*Keywords:* microstructure; Treasury market; bid-ask spread; price impact; information

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