

**January 23rd, 2017**  
**KAP 414**  
**2:00 P.M. – 3:00 P.M.**

**Professor Yuhua Yu**  
(CTIA, Chicago)

**“A Tale of Two Crashes”**

**Abstract:** In this talk we will compare the 2010 stock market flash crash and the 2014 Treasury market flash crash. By highlighting the similarities in the initiation and reversal of both crashes, we are able to trace some patterns of “principal trading strategies”, characterized by deploying low latency technology and taking low inventory risk. We presented a model that characterizes interactions between algorithmic trading strategies. Such a “simple” model points to the endogenous nature of “Flash Crash”: they do not require extremely large orders and may be triggered through the combination of a gradual erosion of market depth and the action of market participants who tune their order flow to overall market volume. Further, our model provides an insight into the role of latency in the amplification of ‘flash events’.