Andreas Krause



Chapter 7.3.4 Security flipping



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Excess demand

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Investment bank profits

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Investment banks charge an underwriting fee on the proceeds of the issue

- Investment banks charge an underwriting fee on the proceeds of the issue and a brokerage fee on any trading activity
- Profits: $\Pi_B = \mathbf{f} S \hat{Q} + \hat{f} (1 \gamma) \hat{Q} S^*$

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