

**Date of the event:**

On Tuesday 23<sup>th</sup> November 2010  
From 01:00 PM to 2:00 PM

**Location:**

Luxembourg School of Finance  
University of Luxembourg  
4 Rue Albert Borschette  
2<sup>nd</sup> Floor  
Modigliani Miller Auditorium (E02-003)  
L-1246 Luxembourg

**Registrations:**

- Free seminar (with lunch included)
- Registrations by email before November 18<sup>th</sup>, 2010
- At the following address : [lsf-events@uni.lu](mailto:lsf-events@uni.lu)

**Information:**

Ms Caroline Herfroy  
Tel : +352 46 66 44 6335

<http://www.lsf.lu/index.php/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following lunch seminar:

**Short-Term Reversals,  
Returns to Liquidity Provision  
and the Costs of Immediacy**

***By Prof. Matti Suominen***  
*Aalto University School of Economics*  
*(Helsinki School of Economics)*



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# ***Short-Term Reversals, Returns to Liquidity Provision and the Costs of Immediacy***

***By Matti Suominen***

The **Luxembourg School of Finance**

Is pleased to invite you to the

**LSF Seminar**

We estimate a proxy for the returns to market makers from providing liquidity by looking at the returns to a zero-investment contrarian long-short trading strategy that utilizes short-term mean reversion. We argue that these market makers' returns from providing liquidity reflect a real cost of immediacy to other investors. We then estimate mutual funds' costs of immediacy by running regressions, fund by fund, where we explain mutual funds' monthly returns with our estimate of the monthly returns from providing liquidity. We find that equity mutual funds on average lose annually 0.7% of their assets under management in costs of immediacy. Mutual funds' costs of immediacy vary significantly by fund style and are different for funds with different levels of performance.

