A GENERAL CONTINUOUS AUCTION SYSTEM IN PRESENCE OF INSIDERS

We analyze in a unified form how the presence of an insider makes the financial market be efficient when the insider knows the release time of the fundamental value of the asset. We also establish a general relationship between the problem of finding rational prices and the enlargement of filtrations problem. Moreover we consider the case when the time of the announcement is just a stopping time for all traders. In this latter case the financial market is not fully efficient, nevertheless there is an equilibrium where the sensitivity of prices is decreasing in time according with the probability that the announcement time is greater than the current time. In others words, prices are becoming more and more stable when the announcement is coming.

Based on joint work with G. DiNunno, G. Farkas and B. Oksendal