

Price Discovery in the Foreign Exchange Futures Market

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Abstract

We examine the relative contributions to price discovery of the floor and electronically traded Euro FX and Japanese yen futures markets and the corresponding retail online foreign exchange spot markets. Globex electronic futures contracts provide the most price discovery in the Euro; the online trading spot market provides the most in the Japanese yen. The floor-traded futures markets contribute the least to price discovery in both the Euro and the Japanese yen markets. The overall results show that electronic trading platforms facilitate price discovery more efficiently than floor trading. Futures traders may also extract information from online spot prices.