"Over the Counter Bilateral Trading Behavior in the Federal Funds Market"

Abstract:
We provide some empirical evidence of interdependence among financial institutions in the daily performance of the Fed Funds market, as well as implications for systemic illiquidity risk. Using transaction level data, we fit a model of the likelihood with which two market participants conduct a trade with each other, as a function of time of day and each participant's size and surplus or shortage of federal funds, relative to normal for the time of day.