

**UNIVERSITY OF MACAU**

**FACULTY OF BUSINESS ADMINISTRATION**

**ORDER AGGRESSIVENESS DURING THE  
SUBPRIME FINANCIAL CRISIS**

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# Order Aggressiveness during the Subprime Financial Crisis

CONRAD CHENG<sup>1</sup>

## ABSTRACT

This thesis analyzes the order aggressiveness and order submission strategies in the United States option market, namely, the Chicago Board Option Exchange (CBOE). With over 900 millions observations, we find that traders react more aggressive when they observe aggressive orders on the same side. The observations of order cancellations result in the herding behaviors and the expectation changes by the investors. On our ordered probit analysis, we find that the investors are aggressive when (i) longer the order processing time; (ii) the closer the time to expiration; and (iii) the narrower the spread. Additionally, traders are more aggressive in trading in-the-money options than out-of-the-money options.

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