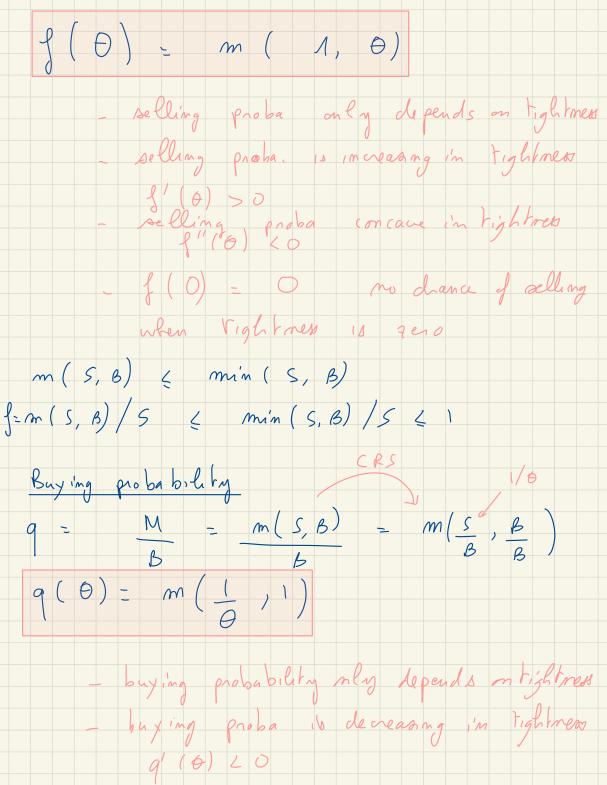
Market Tightness and Trading Probabilities

Pascal Michaillat https://www.pascalmichaillat.org/t5.html

_____*i*

matching function m M = m (S, B) # trades in a period S # se les B # buyers Trading probabilities . f. prababolity to pell g = M/S . q = probab, liky to buy q = M/B Selling probability & CRS $\frac{1}{S} = \frac{m(S, B)}{S} = m\left(\frac{S}{S}, \frac{B}{S}\right)$ $\frac{1}{S} = m(1, B/S)$ Market tightness 0 = B
5 0 - V/u Laba man het



q (+ e) = 0 probab, liky to buy is 0 ven tightnes it infinite Relation b/w buying and pelling proba $\{(\theta): m(1, \theta): \theta m(\frac{1}{\theta}, 1): \theta$