

1 Simulation

As shown in the previous sections, the fundamental driving forces to price jumps are:

1. Nonlinear effect of market condition in buyers' search cost;
2. Buyer's personal belief bias in market condition;
3. Nonlinear effect of market condition in sellers' acceptance probability.

In this section, we will simulate all these three effects and show how these effects can drive up the transaction when there is shortage in supply.

1.1 Simulation of the Effect of Market Condition in Buyer's Search Cost

In this section we show the nonlinear effect of market condition in buyers' search cost and hence their optimal bid price using simulation.





