

The Good, the Bad, and the Ugly of Automated High-Frequency Trading

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Abstract

This article discusses the pros and cons of automated high-frequency trading (HFT). There appears to be much confusion of whether HFT is “Good, Bad, or Ugly.” In the terminology of this article, the “Ugly” category consists of undiscerning negative writing against HFT popularized by media. The category we label as “Bad” consists of more detailed research arguments against HFT. Perhaps surprisingly to non-professionals, the “Good” arguments outweigh the others by a milestone in academic studies. We review the commonly presented arguments as neutrally as possible and attempt to bring some additional insight to the discussion.

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