

# Information Percolation in Segmented Markets

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## Abstract

We calculate equilibria of dynamic over-the-counter markets in which agents are distinguished by their preferences and information. Over time, agents are privately informed by bids and offers. Investors differ with respect to information quality, including initial information precision as well as market "connectivity," the expected frequency of their bilateral trading opportunities. We characterize endogenous information acquisition and show how learning externalities affect information gathering incentives. In particular, comparative statics for static and dynamic models may go in opposite directions. Information acquisition can be lower in more "liquid" (active) dynamic markets.