

1163-91-208

Eunjung Noh and **Kim Weston*** (kimberly.weston@gmail.com). *Price impact equilibrium with transaction costs and TWAP trading.*

In this talk, I will discuss an equilibrium model with transaction costs and price impact where two agents are incentivized to trade towards a target. The two types of frictions – price impact and transaction costs – lead the agents to two distinct changes in their optimal investment approach: price impact causes agents to continuously trade in smaller amounts, while transaction costs cause the agents to cease trading before the end of the trading period. As the agents lose wealth because of transaction costs, the exchange makes a profit. I will also discuss the existence of a strictly positive optimal transaction cost from the exchange's perspective. (Received August 27, 2020)