Sellers' Willingness to Compromise on the Price – A Novel Index to Identify Pricing Trends in the Housing Market

Dr. Itai Ater and Itamar Popliker

This paper offers a novel index to identify pricing trends in the housing market (`The Willingness to Compromise Index`) which is based on the difference between sellers' initial asking price and the final transaction price of the same property. We use individual listings from the "Yad2" website and final transactions data reported by the Israeli Tax Authority to apply this index on 28,933 real-estate transactions in 28 Israeli cities between 2015 and 2017. Our key finding is a significant increase in the willingness to compromise between the 3rd quarter of 2016 and the 3rd quarter of 2017. This increase was observed nearly in all cities in the sample also when taking into account changes in properties' characteristics. Our findings also suggest that in cities, where lotteries associated with the government "Mechir Lamishtaken" project took place, the increase in the willingness to compromise index was greater than the increase in other cities.

Liquidity and Competitiveness in Corporate Bond Trading at the Tel Aviv Stock Exchange

Prof. Avi Wohl and Dr. Menachem (Meni) Abudy

This paper investigates the case of the Israeli corporate bond market, where corporate bonds have always been traded by the same method as stocks on the Tel Aviv Stock Exchange. This is contrary to the common practice worldwide, where corporate bonds are mostly traded in over-the-counter markets. Comparing to the U.S corporate bond market, we find that the Israeli bonds are very liquid (low spreads), and even more liquid than their parallel Israeli stocks. In our opinion, the reason for this difference is the trading mechanism – an open limit order book– which enables traders to compete on liquidity provision. Indeed we find that the competition among liquidity suppliers is high (in absolute terms and especially relative to other bond markets) and as a result their trading profits are small. In addition, the limit order book trading mechanism enables institutional investors to provide liquidity, thereby enabling additional competition in liquidity provision, which in turn causes liquidity to increase further. Finally, the trading mechanism enables small investors to participate in bond trading, and we present evidence that their participation also enhances liquidity.