

# The Liquidity to Price Transmission Mechanism: A Combination of Nonparametric Tests for Jumps

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## Abstract

In this paper, we propose a new approach to the determination of co-jumps using a combination of the most common nonparametric tests in the literature and study the transmission mechanism between liquidity and asset price dynamics. The methodology used allows us to assess the co-existence of endogenous and exogenous jumps and to detect spurious co-jumps in the series. Using data from EUR/USD FX, sampled at high frequency, we find evidence of contemporaneous and lagged co-jumps between available liquidity and underlying price.

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