Slippage, and what the auctions do about it

> **AUCTION EXECUTION**
>
> Routing an order into the opening or closing cross instead of the continuous book: no spread is crossed - everything trades at one price - and the close's concentrated depth absorbs size that would move the intraday book. Equities is the only track whose market structure includes a daily remedy for its own slippage.

The slippage lessons of three tracks transfer to equities whole: thin moments cost more, stops become market orders, news hollows the book. What equities adds is a structural answer the other tracks never had.

Where equity slippage lives

The first minutes: module 2's sparse post-auction book - the same order costs more at 8:01 than 9:30, every day, in every name.Around the tape: announcements hollow the book mid-session exactly as commodity reports do - with the equity twist that halts can formalise the emptiness, and the resumption auction prints wherever it prints.Down the tiers: small-cap slippage is a size effect as much as a timing one - a retail order can be the day's event, and 'the price I saw' was only ever the price for someone smaller.

The auction as the remedy

An order routed into the close joins the day's deepest liquidity and pays no spread - one crossed price for everyone. For size in any liquid name, and for anything at all in thin ones, the closing auction is routinely the cheapest execution of the day; market-on-close is the professional default for unhurried business precisely because the benchmark machinery guarantees the depth. The trade-off is the only honest one on offer: certainty of the day's fair price, at the cost of not choosing the price at all.

The slippage ledger, equity edition

The standing habits carry over: measure your own fills against intended prices; double the budget around scheduled events - earnings here, reports there; and prefer depth you can see. The new line is the choice this track alone offers: for every unhurried order, ask whether it needs the continuous book at all, or whether the auction - the market's own batch remedy - does it better for free. Costs conclude next lesson, assembled.

Check your understanding

1. Why is the closing auction often the cheapest execution of the day?

a. Exchanges discount closing-auction fees

b. It concentrates the day's deepest liquidity at one crossed price - no spread paid, and size absorbed that would move the intraday book

c. Volatility is lowest at the close

Answer: b. The benchmark machinery obliges depth into the cross, and batch execution removes the spread entirely. The price is the market's, not yours - the honest trade-off for the depth.

2. What makes small-cap slippage different in kind from large-cap?

a. Small-caps have wider ticks

b. Size: a retail order can itself be the day's event, so the quoted price was only ever the price for someone smaller

c. Small-caps trade on different exchanges

Answer: b. In thin names the order moves the market it is trying to trade. The tier lesson again - and the auction remedy applies doubly, since the cross gathers what little depth exists.