The auctions at both ends of the day

> **CLOSING AUCTION**
>
> The batch process that ends each equity trading day: orders accumulate for a window, then cross at the single price that matches the most volume. Its print is the official close - the price that values every fund, settles every benchmark and anchors every chart - which is why the auction routinely trades more of a large name in one moment than whole hours of the continuous session.

The indices track showed you a market that opens and closes by auction, seen from the index's altitude. This is ground level: what those two batch events are, per name, and why the closing one is the most important five minutes of the equity day.

How a batch auction works

For a window before the bell, orders collect without executing while the exchange publishes an indicative crossing price. At the cut-off, one price is computed - the price at which the maximum number of shares can trade - and everything crossable executes at it, at once. No spread, no sequence, one print. The open auction absorbs the overnight's accumulated news the same way, which is why the first continuous-session price can sit far from yesterday's close without a single trade having happened between.

Why the close is the day's centre of gravity

It is the valuation print: index levels, fund NAVs and performance records all mark against the closing auction - so everyone obliged to match a benchmark is obliged to trade at it.Lesson 3's flow concentrates there: index funds replicate at the close because that is the price they are measured against - making it the deepest liquidity of the day for large names.It is the honest reference: the auction's single crossed price is harder to nudge than any thin moment of the continuous session, which is exactly why so much machinery insists on it.

What a retail trader takes from this

Two practical facts. Orders can be routed into either auction - a market-on-close instruction joins the crossing rather than the continuous book, and for size in a liquid name the close is often the fairest fill of the day. And the auction prints explain the charts: the gap between close and next open is two auctions disagreeing after news, not a mysterious jump - the equity version of a lesson every prior track taught about its own quiet hours.

Check your understanding

1. Why does the closing auction concentrate so much volume in large names?

a. Exchanges charge lower fees at the close

b. Funds are valued and benchmarked against the closing print, so everyone obliged to match it is obliged to trade at it

c. Volatility is lowest at the close

Answer: b. The close is the measurement moment. Index replication and NAV calculation both anchor there, pulling lesson 3's obligated flow into one crossing - which makes it the day's deepest liquidity.

2. A share closes at 200p and opens at 190p with no trades between. What happened?

a. The exchange corrected an error in the close

b. The opening auction crossed at the price that cleared the overnight's accumulated orders - two auctions disagreeing after news, not a traded decline

c. Short sellers drove the price down pre-market

Answer: b. Between the two prints, nothing traded. The gap is the batch mechanism repricing accumulated news at a single crossing - the same structure every track's overnight gap lesson described.