



TRADING

Trading Costs

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Using \$1.7 trillion of live trade execution data from a large institutional money manager across 21 developed equity markets over a 19-year period, we measure the real-world trading costs and price impact function of a large trader. We provide a novel description of how costs vary across trade type, stock characteristics, trade size, time, and exchanges globally to test various theories of price impact. We find actual trading costs to be an order of magnitude smaller than previous studies suggest, and describe the trading process leading to these costs. A model calibrated to match the distribution of actual costs across trade size, stocks, and time outperforms other models from the literature in out of sample tests that attempt to describe independent costs from brokers and realized costs of traded index funds. Our model based on realized costs from live trades portrays very different implementation costs than previous studies suggest.

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