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Marco Di Maggio , Amir Kermani , Zhaogang Song

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# The value of trading relations in turbulent times\*

Marco Di Maggio<sup>a,b,\$</sup>, Amir Kermani<sup>b,c</sup>, Zhaogang Song<sup>d</sup>

## ABSTRACT

This paper investigates how dealers' trading relations shape their trading behavior in the corporate bond market. Dealers charge lower spreads to dealers with whom they have the strongest ties and more so during periods of market turmoil. Systemically important dealers exploit their connections at the expense of peripheral dealers as well as clients, charging higher markups than to other core dealers. Also, intermediation chains lengthened by 20% following the collapse of a flagship dealer in 2008 and even more for institutions strongly connected to this dealer. Finally, dealers drastically reduced their inventory during the crisis.

Keywords: Corporate bond, Dealer network, Intermediation chain, Over-the-counter financial market, Trading relationship

JEL classification: G12, G14, G24

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<sup>a</sup> Harvard Business School

<sup>b</sup> National Bureau of Economic Research

<sup>c</sup> University of California, Berkeley, CA

<sup>d</sup> The John Hopkins Carey Business School

<sup>\$</sup> Corresponding author. Tel. (617) 495-6152; Baker Library 265, Soldiers Field Boston, MA 02163. E-mail address: [mdimaggio@hbs.edu](mailto:mdimaggio@hbs.edu).

Kermani: Tel. 510-664-4139; 545 Student Services Building #1900, Berkeley, CA 94720-1900; E-mail address: [kermani@berkeley.edu](mailto:kermani@berkeley.edu).

Song: Tel: 410-234-9392; 100 International Drive, Baltimore, MD 21202; E-mail address: [zsong8@jhu.edu](mailto:zsong8@jhu.edu).

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