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Keep in mind

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The paper examines the bidders behaviour in the Colombian government bond auctions during 2007 for the period in which there is no uncertainty in the supply. Three main findings are presented. First, in contrast with other treasury auctions (Castellanos [2]), the market clearing price in the Colombian auctions tends to be above the price in the secondary market. I explore this phenomenon and illustrate that a key institutional detail involving a secondary sale contingent on the primary auction may explain this difference with other auctions. Second, using identifiers that allow me to follow individual bidders across auctions I analyze the determinants of the stepwise demands. I find that predetermined variables explain the number of steps (bid-points) and the quantities. However, bid prices exhibit significant

unexplained variation. Third, for demands that have 3 or more bid-points, 93% of the variability is captured by a linear regression. This result is similar to what Hortacsu finds for Turkish auctions. Theoretically there is no reason for bid-points to be nearly co-linear. At the same time, game-theoretic models of share auctions are quite difficult to implement. This pattern in demands may play an important role in developing feasible and robust estimation methods.

The views expressed in the paper are those of the author and do not represent those of the Banco de la Republica or its Board of Directors. All the information in the paper corresponds to the applicable in 2007.