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This study examines how inventory control and private information affect trading prices and volumes in a centralized interdealer foreign exchange (FX) market. Using exogenous variation from FX auctions conducted by the Colombian Central Bank (2008-2014), we analyze settlement data from the COP/USD spot market before and after each auction.

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Comparing dealers with differing inventory and information shocks, we find that those with reduced inventories increase net USD purchases and pay higher prices post-auction.
