The Closing Note

AUSTRALIAN EQUITIES / ISSUE 01

Reading the auction

A share can finish continuous trading at one price and close at another. The difference comes down to the orders waiting when the exchange runs its closing auction.

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How the close is set

On the Australian Securities Exchange, the closing auction brings buyers and sellers together after continuous trading ends.

Orders gather	Brokers can enter, change or cancel orders before the auction. A buyer's limit sets the most they will pay. A seller's limit sets the least they will accept.
The auction matches	ASX looks for the price at which the most shares can change hands. If several prices qualify, further rules resolve the tie.
The close is recorded	Matching orders trade at a single price. If no buy order meets a sell order, the last trade before the close supplies the closing price.

Two days, the same close

Imagine a share that ends two separate sessions at the same price. On one day it reaches that level by lunch. On the other, it trades lower all afternoon and only reaches that level in the closing auction.

The closing price alone hides that difference. The last price before the auction shows how far the auction moved it. Auction volume tells you how many shares changed hands there. Checking the timing of a company announcement can help explain when the order book changed.

Further reading

ASX · How auctions work

ASX · Cash market trading hours