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Evidence of Arbitrage Opportunities between Amazon and eBay Markets

Arbitrage is a practice in economics and finance that takes advantage of a price difference of an item between two or more markets. The difference between these market prices produces an opportunity for profit, and by extension, an arbitrage is a transaction that in principle is risk-free because it involves transactions with no expected negative cash flow.

Amazon and Ebay are two electronic commerce retailers on which users can buy and sell items in various categories. Because humans don't behave optimally in markets, there potentially exist opportunities for arbitrage. We use a ridge regression model to predict these occurrences, characterized by the existence of eBay auction bids that exceed the price of the same item as priced on Amazon. In this project, we investigate evidence of arbitrage opportunities (which occur in roughly 10% of our dataset) between Amazon and eBay.