

We consider dynamic optimal trading strategies that minimize the expected cost of trading a large block of securities over a fixed finite number of periods and the endogenously determined price impact function that yields the execution price of an individual trade. This analysis has enormous significance for explicitly introducing market participants other than institutional investors and constructing a general equilibrium model. As a result, institutional investors are much more likely to speculate with huge sums to exploit private information and price impact function changes over periods, unlike previous literature.