# Simulation *Efficient market? Inefficient market?*
## Case note for participants

## Your objective in the simulation

**Your objective in this simulation is to maximize your trading gains.**

In this simulation, the market may be <u>efficient or inefficient</u>. The market condition (efficient or inefficient) is determined randomly when you launch the simulation. You have to define a trading strategy to make profit in a market whose degree of efficiency has to be determined by you during the simulation.

At the start of the simulation, you own an account worth **€100,000 in cash** and **1,000 Blé de France shares**, which allows you to buy and sell stocks of the company.

During this simulation, you can send all types of orders: market orders, limit orders, best limit orders, stop orders and stop limit orders.

## Learning goals

The learning goals of this simulation are the following:
➢ Evaluate the degree of market efficiency
➢ Analyze the news flow
➢ Determine the impact of each news on the firm value
➢ Translate your analysis of the news flow into trading
➢ Manage your position

## What you can do during the simulation

☐ For each news try to determine its impact on the firm value and how to make a profit of it. Is it good news or bad news for Blé de France company? Is it already known to the market and incorporated in the market price? Was it expected or not?

☐ Knowing in advance the market evolution during trading day (the simulation is <u>reproducible</u>), build several strategies that allow you to reach your simulation objective (to maximize your trading gains).

## To help you

☐ Give the definition of market efficiency and its different forms (week, semi-strong and strong). How market inefficiencies translate into practice?

☐ On the « Trading » page:
➢ Evaluate the impact of the placement of your orders for the following elements: your available cash and your available assets, the order book and the history of

transactions (price and quantity). *Reminder: your impact on the market (order book and transactions) appears in blue on the « Trading » page.*

➢ Explain how the gain (in green) or the loss (in red) of your position evolves through time. *Reminder: the gain or the loss during the simulation corresponds to the variation of your position since the beginning of the simulation.*

☐ On the page « My position »:

➢ Explain the link between your orders and your transactions.

☐ Questions that you can answer:

➢ How does the concept of efficiency translate into practice? Is the market rather efficient or rather inefficient?

➢ Explain how can your trading activity contribute to market efficiency.

➢ What is the impact of each news on the firm value? Would the stock price increase or decrease following the news?

➢ How to exploit each news in terms of trading?

➢ What type of orders should you use to trade on the news flow?

➢ Does your trading strategy depend on the degree of efficiency of the market?

➢ What type of orders should you use to manage your position (money management / risk management)?

## To know more about orders

**MARKET INFORMATION**  Take the course *Market information* to learn concepts about information and market prices, especially market efficiency.

**EXCHANGE ORDERS**  Take the course *Exchange orders* to know more about orders (sending an order to the market, order execution, impact on the order book, impact on market liquidity, use of orders).