

Simulation *Limit orders*

Case note for participants

Your objective in the simulation



Your objective in this simulation is to hold 2,000 BestPizza shares at the end of the simulation.

At the start of the simulation, you own an account worth **€10,000 in cash** and **1,000 BestPizza shares**, which allows you to buy and sell stocks of the company.

During this simulation, you can send limit orders only.

Learning goals



The learning goals of this simulation are the following:

- Evaluate the impact of the passage of a limit order on the order book and market data (price and volume of transactions)
- Evaluate the risk associated with a limit order (uncertainty around the execution)
- Master the passage of limit orders

What you can do during the simulation

- You can launch the simulation several times. At each launch of the simulation, send one limit order only to evaluate its impact on the market:
 - A buy or sell order
 - Orders with different amounts or quantities
 - Orders with different price limits.
- Observe then the impact of your order on the market in the pages « Trading » and « My position » of the trading platform.
- Build a strategy that allows you to achieve your simulation goal (hold at least 2,000 BestPizza shares at the end of the simulation): how many orders? Which amount or quantity? Which price limit? Timing of the order? Buy orders only?

To help you

- Give the definition of a limit order and explain how it works (placement and execution). Determine the interest of limit orders in terms of trading and the risk associated with the use of limit orders. Then illustrate the interest and the risk of limit orders by placing various orders (especially orders with different price limits).

- On the « Trading » page:
 - Evaluate the impact of the placement of your order 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 why your limit orders have been executed or not.
 - Explain the link between your orders and your transactions.

- Questions that you can answer:
 - What is the market? How is it represented in the trading platform?
 - Why does the stock price go up or down?
 - When does a limit order behave like a market order?
 - Do limit orders allow you to reach easily the objective of the simulation?
 - Is it easier to reach the objective of the simulation with limit orders rather than with market orders?
 - How can you manage dynamically your limit orders? What interest?

To know more about limit orders



Take the course *Discover SimTrade* to know more about the SimTrade trading platform, especially the two main pages of the platform: the « Trading » page to send orders to the market and the page « My position » to monitor your position.



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