

## Simulation *Stop 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 stop limit orders only.

#### Learning goals



The learning goals of this simulation are the following:

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

#### What you can do during the simulation

- You can launch the simulation several times. At each launch of the simulation, send one stop limit order only to evaluate its impact on the market:
  - A buy or sell order
  - Orders with different amounts or quantities
  - Orders with different trigger prices
  - 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? Timing of the order? Buy orders only? Which trigger price? Which price limits? Which market scenario?

#### To help you

- c Then illustrate the interest and the risk of stop limit orders by placing various orders (especially orders with different trigger prices and 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.*
  - Identify the market conditions for which a stop limit order is triggered or not, and once triggered transformed into a limit order or not.
  
- On the page « My position »:
  - Explain why your stop limit orders have been triggered or not.
  - Explain how the status of your stop limit orders evolves over time and why transactions appear 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?
  - Do stop limit orders allow you to reach easily the objective of the simulation?
  - Is it easier to reach the objective of the simulation with stop limit orders rather than with other types of orders such as market or limit orders?
  - How can you manage dynamically your stop limit orders? What interest?
  - Why stop limit orders should also be called start limit orders?

## To know more about stop 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 stop limit orders (sending an order to the market, order execution, impact on the order book, impact on market liquidity, use of stop limit orders).