

# Order and Order Properties

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- Orders are trade instructions. An order always specifies which instrument/s to trade, how much to trade, and whether to buy or sell.
- Importance of orders and their placement.
- Orders and speed of the traders.
- Significance of efficient and communication for trading through orders.

# Market Order

- Market order is an instruction to trade at the price currently available in the market.
- Market orders and liquidity.
- Price improvement and market impact of market orders.
- Execution certainty .
- Risk: Liquidity, price uncertainty.

- Limit order is an instruction trade at the best price available, but only if it is no worse than the limit price specified by the trader.
- Limit order and its placement
  - Marketable, In the, at the and behind the market limit orders.
- Limit order book
- Time expiration of the order
- Standing limit order as a option contract
- Implications of limit order for liquidity and expected compensation
- Absent traders and limit orders

# Limit Order...

- Limit order and its placement
- A graphical example of limit order placement
- Implications for liquidity and expected compensation
- Limit orders and contrarian trading strategies
- Absent traders and limit orders
- Limit order making new market
- Risk
  - Execution uncertainty - how to deal with it?
  - Ex post regret (adverse selection risk)

# Stop (loss) orders

- A stop instruction stops an order from executing until price reach a stop price specified by the trader.
- Difference between limit and stop orders
- Implications for liquidity
- Stop orders and momentum trading strategies

# Orders (others)

- Market if touched order is a market order that is activated when price reaches (touches) some pre-set touch price.  
-Implications for liquidity.
- Tick sensitive order are based on up, down and zero tick prices  
-Tick sensitive and limit orders.
- Market not held orders  
-Implications for liquidity.



# Validity and Expiration

- Open order
- Good order
- Day order
- Good Till cancelled (GTC) order
  - Good this week
  - Good this month
- Immediate or cancel order / Fill or kill orders
- Market on open order
- Market on close order

# Quantity and Display Instructions

- All or none
- Minimum or none
- Display Instruction: Undisclosed, hidden or reserve orders
- Special settlement instructions

**Reading.** Chapter 4, Trading and Exchanges