

RITC2020 – Quantitative Outcry Tutorial

OVERVIEW

There will be 2 heats with 4 team members competing in each entire heat.

The 4 team members will comprise of:

- 2 Analysts
- 2 Traders

During each heat, the Analysts of each team will work at a single computer located in the Rotman Finance Lab (upstairs, 2nd floor). At the same time, the Traders of each team will trade with the Traders from the other teams in the Fleck Atrium (ground floor). It is mandatory that each team rotates these roles (Analyst and Trader) between the two heats and no substitution is allowed. For instance, if you were a Trader in the first heat, you have to be an Analyst in the second heat and vice versa.

Each team will receive a Quant Package at the beginning of the Quant Outcry Case, which contains:

- 2 Team Stamps
- Trading Tickets – to be used by Traders only (see Figure 1)
- Analyst Estimate Forms
- 2 Spot Trade Tickets for Heat-1 to be used by Analysts only (these tickets will have 1 FRTL stamp as shown below in Figure 2)
- 2 Spot Trade Tickets for Heat-2 to be used by Analysts only (these tickets will have 2 FRTL stamps as shown below in Figure 3)

Figure 1: Sample Trading Ticket

Figure 2: Sample Spot Trade Ticket for Heat 1

Figure 3: Sample Spot Trade Ticket for Heat 2

As shown above, the Spot Trade Ticket for heat 1 will have only one FRTL stamp and the Spot Trade Ticket for heat 2 will have two FRTL stamps. If an Analyst uses the wrong Spot Trading Ticket for the wrong heat, the spot trade transaction will not be recorded. No additional Spot Trade Tickets will be issued.

Only Analysts may use Spot Trade Tickets, and only Traders may use (regular) Trading Tickets. These roles will switch between heats. It is the team members' responsibility to ensure they have the correct trading tickets for each heat.

GENERAL RULES

1. The 2 heats are independent. At the end of each heat, the team's position will be settled by closing out its open contracts at the final spot price.
2. Each team has a soft trading limit of **200 contracts** and a fixed hard trading limit of **500 contracts** on its **net positions**. Violation of the hard limit will result in **disqualification** from the current heat for which the team will be ranked last. In case a team violates the hard limit during the first heat, they will be able to trade the 2nd heat. Heats are independent and positions are not carried over onto the second heat.
3. **Use of any electronic device** as a method of communication during the Quantitative Outcry Case is strictly forbidden; it will result in immediate disqualification from the case and the team will be **ranked last in the Quantitative Outcry Case**.
4. **Use of electronic devices by Traders in the Fleck Atrium** for calculation purposes is also strictly forbidden. This includes pocket calculators. RITC staff will be monitoring the trading floor. Any use of electronics will result in immediate disqualification from the case and the team will be **ranked last in the Quantitative Outcry Case**.
5. Each futures transaction by Traders has a maximum volume of **20 contracts per trade** if a trade is done between Traders from different teams. If a trade is done between a Trader and an RITC Liquidity Provider, each futures transaction has a maximum volume of **5 contracts per trade**. Analysts in the Rotman Finance Lab are allowed to make **up to 2 spot trades** during each heat, with a maximum volume of **50 contracts** per trade.
6. Spot trades and futures have the same multiplier. Therefore, if you buy 1 contract spot and sell 1 futures, your net position on the underlying will be zero. There will be a brokerage commission of \$1 per contract for both futures and spot trades.
7. It is the team member's responsibility to ensure their writing on the trade ticket is legible – illegible tickets will not be recorded.

TRADERS

Traders will be trading futures contracts on the RT100 Index. Traders will only have access to news headlines and the index chart. The news headlines and the RT100 Index chart will be displayed on the screen in the Fleck Atrium.

Traders should find a method of communicating with their Analysts to facilitate optimal trade in the futures contracts. Remember that Analysts are located one floor above the trading floor (Fleck Atrium) separated by windows and that it is neither practical nor permissible for Traders to leave the floor to speak in person with their Analyst(s). In addition, electronic communication is not permitted. Traders and Analysts should devise a non-verbal and non-electronic system of communication. Commonly, communication is done via hand signals.

During each heat, Traders will use their team stamp (provided in the Quant Package) to identify themselves as either a buyer or seller on the trading ticket before submitting it to the RITC staff acting as ticket taker. Additionally, Traders will have to write the volume and price of the trade on the trading ticket. At the end of each heat, all submitted trading tickets will be reviewed and each team will be given a counterparty score based on the number of different trading counterparties with which it transacted throughout the trading heat. Note: Traders can obtain additional trading tickets from RITC staff in the Fleck Atrium.

Spot Price: indicates the actual level of the index. Traders will be trading futures contracts for which the underlying is the RT100 Index.

ANALYSTS

Throughout each heat, Analysts will have access to news headlines, news details and the index chart on the RIT Client at their computer in the Rotman Finance Lab. Analysts may access their proprietary Excel model, which will not be provided by Finance Lab personnel. Teams must prepare the model in advance of the competition if Analysts wish to use it during the competition.

Analysts should submit a point estimate of where they forecast the RT100 will settle at the 15 and 30 minute marks of each heat (each heat is 30 minutes) in order for their team to obtain cash bonuses. Analysts may choose not to use any or all of their estimate forms – submission is only counted towards bonus calculation. These analyst estimate forms are due by 10 and 25 minutes of each heat. Since these forms are colour-coded for each heat (as shown in table below), it is the Analysts' responsibility to use the correct analyst estimate form for submission in each heat. The analyst estimate forms will be included in the Quant Package.

Note that there will be updates of actual GDP figures for each country at the 15-minute mark of each heat. This provides an opportunity for Analysts to calibrate their estimates for the next 15 minutes. At the 30-minute mark of each heat, the actual GDP figures for each country will be released again. This will also be the final index value for the current heat.

Heat 1 and Heat 2 are independent of each other. The RT100 Index in Heat 2 starts from 1000.

Analyst Estimates Forms Details:

Heat	Time Due	Form Colour
Heat 1 Form 1	10 minute mark	PINK
Heat 1 Form 2	25 minute mark	BLUE
Heat 2 Form 1	10 minute mark	GREEN
Heat 2 Form 2	25 minute mark	PURPLE

Below, see an example of how the Heat 2 Analysts from team "FRTL" should submit their analyst estimate form for Heat 2, Quarter 2 by the 25-minute mark.

In the box "Index Estimate", the Analysts should write their estimate of where they forecast the RT100 will settle at the 30-minute mark (in the picture below they forecast that the spot index will be 1012). The team's code will be already pre-printed in the box "This Form Belongs To". Please ensure the code printed matches your assigned team code. There will be analyst estimate forms counters set up in the Rotman Finance Lab where RITC staff will announce when the forms are about to be due and to receive the submitted forms. Analysts can go to any counter to submit the form. An Analyst must bring a form to the counter in person. Late submissions after the due minute marks will not be accepted. Analysts may choose not to use any or all of their estimate forms - submission is only counted towards bonus calculation.

Heat 2 Form 2

Analyst Estimate Form

Please submit a point estimate of where the RT100 index will be at the 30 minute mark

Index Estimate:

1012

This Form Belongs To:

FRTL

Please submit this form before **25 minutes** of trading has elapsed

Spot Trades Explained

Spot Price:

Spot price indicates the actual level of the index. Traders will be trading futures contracts for which the underlying is the RT100 Index.

Using Spot Trade Tickets:

Note: Spot trades can only be executed by Analysts (not Traders).

There will be four spot trade tickets in the Quant Package. Each team has 2 spot trades per heat and can trade up to 50 contracts per trade. Spot trade tickets with one "FRTL" stamp are for Heat 1 while tickets with two "FRTL" stamps are for Heat 2. Analysts need not use any or all of their spot trade tickets, but they cannot transfer tickets between the heats.

Submitting Spot Trade Tickets:

There will be spot trade counters set up in the Rotman Finance Lab for the Analysts upstairs. To execute a spot trade, the Analyst needs to fill out the "Volume" and handwrite their team code under either "Buy" (if s/he wants to buy) or "Sell" (if s/he wants to sell). Please leave the "Price" and counterparty sections blank, as they will be filled by RITC staff when accepting the ticket, as explained below.

Analysts must go in person to a spot trade counter to submit the spot trades, and they can go to any one of the counters. The RITC staff at the counter will accept the ticket and fill the "Price" section with the last spot price as currently shown on the chart in the Fleck Atrium and RIT Client at the moment that the ticket is submitted. Spot trades are final and irretrievable. The counterparty section will be always filled with a general "FRTL" for recording purposes.

After submitting the spot trade ticket, the trades are considered executed. Therefore, for monitoring purposes, each team should make adjustments on the team's net trading position accordingly.

Spot Trade Example (Refer to the **Appendix** below)

The Analyst observes that the spot price of the index is currently at **1054** (Figure 1). Suddenly, the headline (on the RIT Client and Fleck Atrium screen) shows there was a pirate attack (Figure 2). Interpreting this as alarming news, the Analyst immediately clicks on the headline to read the details on RIT Client (Figure 3). The news detail indicates that the German Manufactured Good sector will be hurt by \$10B. Confronted by this apparent opportunity, the Analyst decides to short 10 contracts at the current spot price of 1054. The Analyst fills out one of the team's two spot trade tickets for the current heat (in this example: heat 2, as indicated in Figure 4 below) by indicating the desired volume of contracts (10 contracts in this case) in the "Volume" box and by handwriting their team code in the "Seller" box. Then the Analyst will bring the ticket to the RITC staff member at the counter who will then determine the price at which the spot trade will be transacted (the last price as currently shown

on the chart in the Fleck Atrium and RIT Client at the moment that the ticket is submitted) and complete the “Price” box on the form. Once the spot trade is complete, the RITC staff member will also stamp “FRTL” on the ticket as the counterparty of the transaction (which is in the “Buyer” box, in this case). RITC staff at the counter will keep the white portion of the ticket, and the Analyst will keep the remaining two portions (yellow and pink) for reference purposes. This transaction will be entered into the system, and soon be reflected in the team’s net position. Figure 4 below shows the ticket once fully completed.

SPOT TRADE EXAMPLE APPENDIX

Figure 1: The Index Chart



Figure 2: News Headline for Traders

Most Recent	PIRATE ATTACK TO GERMAN CARGO
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Figure 3: News Headline and Details for Analysts

News			
Tick		Headline	R...
P1: 4		PIRATE ATTACK TO GERMAN CARGO	<input checked="" type="checkbox"/>
P1: 0		Welcome to the Social Outcry	<input checked="" type="checkbox"/>
Ticker: Headline: PIRATE ATTACK TO GERMAN CARGO			
Time: P1: 4 Pirate attacked a fleet of German cargos off of the Somali coast. The ships were carrying manufactured goods to Japan and were not insured. As a result, the German manufactured goods sector is expected to decrease by \$10 Billions.			

Figure 4. Spot Trade sample:

Please remember that the price box on the ticket will be completed by a FRTL staff member at the counter, who will also provide the FRTL stamp.

Rotman Ticket# 059610

BUYER

ROTMAN INTERNATIONAL
FRTL
TRADING COMPETITION

INITIAL

SELLER

ROTMAN INTERNATIONAL
ROTA
TRADING COMPETITION

INITIAL

VOLUME

10

PRICE

1054

White: Report - Yellow: Buyer - Red: Seller