



Liquidity

SS25 STG Meeting 5

Agenda

- Announcements
- Market Update
- Open Discussion
- Liquidity
- Q&A

New E-Board Members



Lila Laraki – Sophomore

- Double major in Finance (B.A.) and Economics (B.S.), Minor -Quantitative Data Analytics
- Summer Financial Analyst at AWBE, Paris
- Aspiring trader within an investment bank
- Experience trading gold futures and currencies



Buster Wurm – Sophomore

- Major – Finance, Intended Minor - Financial Planning and Wealth Management
- Summer internship with Herbert Financial Group
- Intend on becoming a Certified Financial Planner (CFP)
- Trading for ~3 years with long and short-term goals.



Gabe Snell – Sophomore

- Major – Accounting
- 2026 Winter Internship with Grant Thornton
- Planning on becoming a Certified Public Accountant (CPA)
- Trading for 2 years with a focus on short term goals.

Announcements - Trading Competition

- Update!
- This will be a chance to showcase your skills and compete against your peers to see who can generate the most profit during the semester
- Starts 01/30, ends 04/17
- **This will not require any capital on your end!**



Market Update

- S&P 500 5,521.53
- NASDAQ 19,225.48
- DOW Jones 40,813.57
- Crude Oil 66.81
- Gold 2,986.00
- 10-Year Yield 4.27%
- CPI 2.8%
- Core CPI 3.1%

What is Liquidity

- The ease with which an asset can be bought or sold without significantly affecting its price.
 - Market Liquidity: How quickly an asset can be traded.
 - Funding Liquidity: Availability of capital to traders and institutions.
- Examples of High liquidity vs Low liquidity
- High
 - SPY, QQQ, AAPL, MSFT, MCD
- Low
 - Penny Stocks, Halted Stocks, High Short Float Stocks

Why Liquidity Matters in Trading

- Liquidity is crucial in trading to ensure
 - Tighter Spreads
 - Faster Transactions
 - Less volatility
 - Lower price changes on high volume trades
 - Stability of the stock

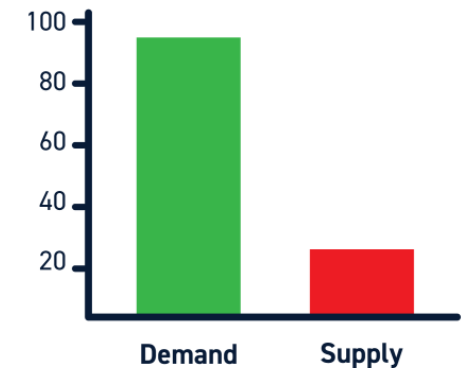


Liquidity Bid-Ask (Offer) Spread

- With more liquidity in the market the amount of offers closes the range between the sellers ask price and the buyers bid price
 - The closer together the spread is the more liquid the asset is
- Liquidity helps ensure quick transactions to allow for the most optimal entries and exits for trades.
 - High liquidity leads to less slippage and lower transaction costs

LEVEL 2 DATA					
EDGA	175.26	1	NASD	175.38	2
EDGX	175.25	1	BOST	175.38	1
NYSE	175.22	2	BATS	175.4	2
ARCA	175.20	1	NYSE	175.4	1
NASD	175.15	26	EDGX	175.45	2
BATS	175.15	5	ARCA	175.45	2
NSXX	175.1	45	PHLX	175.59	6
BYX	175.09	3	EDGA	175.61	3
PHLX	174.99	6	BYX	175.62	4

↗ Demand
 ↖ Supply



Penny Stocks

- Penny stocks often have low liquidity which leads to wider bid-ask spreads.
- Larger spreads mean higher trading costs for retail traders and more commission for market makers.
- Example: Buying at \$1.00, selling at \$0.95 = instant 5% loss. (bid = 0.95 – ask = 1.00)



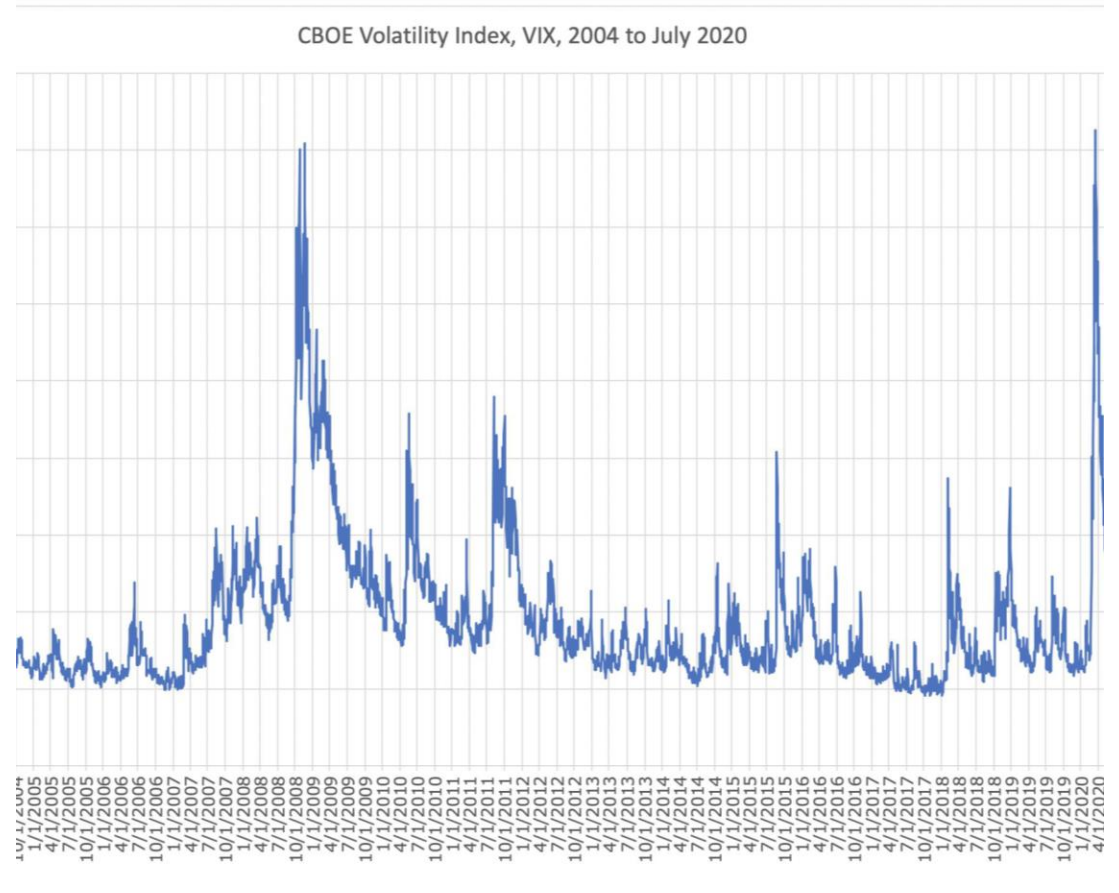
How Market Makers Profit from Spreads



- Arbitrage opportunities arise that allow market makers to make zero risk trades on low margin
 - Even with low margins the volume of trades allows for these companies to still make profits
- S&T and Capital/Trade Advisory
 - They buy at the bid and sell at the ask, pocketing the spread.
 - Wider spreads = More profit per trade for market makers.

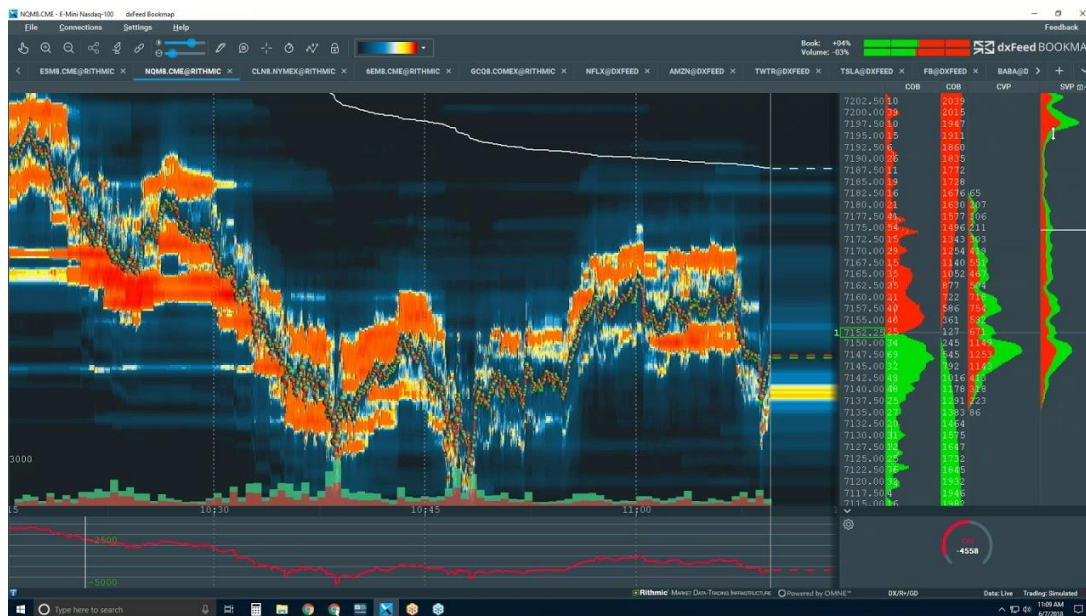
Volatility & Liquidity

- High liquidity stocks are less volatile than low liquidity stocks
 - Lower liquidity stocks are susceptible to market manipulation
 - Example: Earnings reports, FOMC meetings, and flash crashes.
 - Volatility = Fear which leads to decreasing market participants



Institutional Liquidity & Order Flow

- Institutions use liquidity strategically to execute large trades.
- Dark pools and iceberg orders help them avoid moving the market.
- Liquidity zones = Key support/resistance areas which have large limit orders (aka large amounts of liquidity).



Types of Markets

- Primary Market
 - IPO, security issues
- Secondary Market
 - New York Stock Exchange
- Third Market
 - Pink Sheets, Low float stocks (Wolf of Wallstreet)
- Fourth Market
 - Dark Pools

Types of Markets

⌘ First Market

- ☑ trading on exchanges of stocks listed on an exchange

⌘ Second Market

- ☑ trading in OTC market of stocks not listed on an exchange

⌘ Third Market

- ☑ trading in OTC market of stocks listed on an exchange

⌘ Fourth Market

- ☑ private transactions between institutional investors