



INSTRUCTIONS

Summary

Your task will be to complete a trading game on our online trading platform. There will be a practice session, to provide ample opportunity to familiarise yourself with the online marketplace.

In the main trading session, which counts towards your earnings, you have the opportunity to trade a single, 15-period-lived security called “stock.” The stock pays a random dividend at the end of each period. The expected dividend each period is 0.50 (experimental) dollar. You start with an endowment of cash and stock. You can sell stocks for cash, and/or use cash to buy stocks.

Your goal is to maximise your performance, measured by dividends received from holding stocks, plus cash accumulation through trading. You will be given an extra 10 (real) dollars as sign-up reward.

Online platforms

The trading games take place in an online trading platform called Flex-E-Markets. This online marketplace can be accessed through the following link: <http://flexemarkets.com>. Log on to the account and with the email and password given to you.

A. Practice Session

A1. Setting

During the practice session, participants will be given the opportunity to trade a single asset called ‘Apple’, in the marketplace is named ‘*Monash Apple Market*’. At the end of the session, all available apples will be bought back by us at a random price. The price will be one of 0, 4, 6 and 10 (experimental) dollars, with equal chance. This means that the expected payoff for each apple is $(0 + 4 + 6 + 10)/4 = 5$ dollars.

A2. Trading

The trading platform is organised as a continuous open book system, in which you can submit orders to buy (bids) and orders to sell (asks) at any time when the market is open. When your bid is at a price higher than the best standing ask, you will trade immediately with the originator of that ask, at the ask price. When you submit an ask at a price below that of the best standing bid, you trade immediately with the bid originator, at the bid price. If there are more than one order at the same price, earlier orders get executed first. Order submission and transactions are anonymous.