

Type of Orders

1. Market Order

- ❖ Such orders instruct the broker or exchange to obtain the best price which is **immediately** available while filling the order.
- ❖ Generally executed immediately.
- ❖ Investor does not the exact price of the trade - hence there is price uncertainty.

2. Limit Order

- ❖ An instruction to purchase at a price other than that prevailing in the market currently.
- ❖ The instruction places a limit on the prices of the trade – hence price certainty is higher.
 - a) Limit Buy order – Not to purchase above the limit price specified (generally lower than the market price).
 - b) Limit Sell order – Not to Sell below the limit price specified (generally higher than market price).
- ❖ Might not be executed if desired prices levels are not achieved during the validity period.

Bid – Ask Spreads and Depths

Introduction to Investments
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- Brokers/dealers (also market-makers) are intermediaries who facilitate trading for a fee. They “make a market” in a stock, by agreeing to buy (BID) or sell (ASK) at specific prices.
 - **BID=> buy @ 40, ASK=> sell @ 40.5**
 - **Spread = 0.5 cents**
 - **Depth = number of shares offered**
 - No odd eighths, decimalization
 - Difference between transaction prices and quotes
 - Inside quote (highest bid and lowest ask)
- When markets open on any day, market makers post a quote. (talk about pre-open).
- Buyer may hit the ask (or sellers may hit the bid) if they are in a hurry. Else they may post their own. Say a buyer puts in a bid to buy at 40.3 and the market-maker “fills” the order. Then, a transaction price of 40.3 is visible on the tape.

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