



MODULE 5 UNIT 1

Interactive Infographic Transcript

The strategic trading ecosystem

People from many different backgrounds are involved in the strategic trading ecosystem. This component explores the roles of a few of these participants. Depending on your own background, one of these profiles may resonate more with you.

Participants in the strategic trading ecosystem

James: Finance professional

James is a finance professional who has worked in the field of asset allocation for a major UK pension fund for more than six years, but has not worked with algo firms before.

His expertise lies in understanding how traditional finance firms operate and conduct business. James has excellent decision-making abilities and strategic knowledge. Recently, he identified an inefficiency, or exploitable opportunity, in the futures market, and learnt that electronic trading would be well suited to exploit this inefficiency. The opportunity is roughly based on trend-following and is a medium- to long-term strategy.

What could James do to make his idea a reality?

- He could better define his idea using economics.
- He could seek advice on risks associated with trading in the futures market, possibly by hiring someone with this knowledge.
- He could hire someone with the quantitative knowledge and coding skills to create a model.

Mellany: Quantitative expert

Mellany is a quantitative expert. She has worked as a lecturer for a number of years, teaching the modelling of natural disasters. She has excellent coding skills and quantitative knowledge in non-parametric modelling, but she has no experience in algo trading.

By looking at the supply and demand nature of order books, she identified an inefficiency in the structures of how orders are filled, specifically relating to how the order book is used by large firms. This is a short-term strategy that would require many trades each day.

What could Mellany do to make her idea a reality?

- She could seek guidance from a finance professional on how the market operates.
- She could research where to obtain trade data, as this is of special importance for short-term strategies (e.g. high-frequency trading).
- She could research the selection of an appropriate API. This is of special concern for time-sensitive trading strategies.
- She could hire a risk specialist who can advise on the relevant controls and legal concerns for creating an algo model.

Brett: Fintech professional

Brett is a fintech professional. He is in his early 30s with an MBA and some experience working for a large insurance firm. He has decided to leave the formal banking industry and focus on new technological advances in the provision of financial services.

Brett does not have an idea to base an algo model on, but wants to create a platform for greater accessibility for investment in algo funds. He feels the increase in electronic services and people being more comfortable with aspects of their lives taken care of electronically create an opportunity to bring algo to the masses. His plan is to do this via a smartphone app. In 2020, 6.95 billion people had access to a cell phone, with this number projected to increase to 7.1 billion in 2021 and 7.41 billion by 2024 (Statista, n.d.).

What could Brett do to make his idea a reality?

- He could define his plans for practical implementation of his idea.
- He could better define what type of technologies are needed to achieve his goals.
- He could engage with an algo expert to help him navigate the industry.
- He could research the competition to see if this is being done already, and if it is, how he can do it better.

Bibliography

Statista. n.d. *Forecast number of mobile users worldwide from 2020 to 2025*. Available: <https://www.statista.com/statistics/218984/number-of-global-mobile-users-since-2010/> [2021, June 21].