

Mechanics of the Market

1 Shorting

To Sell Short:

1.1 Borrow Shares

1.2 Sell on the Market

When price goes down, Buy it again with the cash from the initial sale

1.3 Pay back the shares to the person they were bought from

1.4 Keep the difference

2 Hedgefunds : How they utilize Market Mechanics

2.1 Shorting when there are many more sellers than buyers

Optimized via co-location of servers near the exchange.

2.2 Arbitrage