

Simulation *Stop limit orders*

Case note for participants

Your objective in the simulation



Your objective in this simulation is to hold 2,000 BestPizza shares at the end of the simulation.

At the start of the simulation, you own an account worth **€10,000 in cash** and **1,000 BestPizza shares**, which allows you to buy and sell stocks of the company.

During this simulation, you can send stop limit orders only.

Learning goals



The learning goals of this simulation are the following:

- Evaluate the impact of the passage of a stop limit order on the order book and market data (price and volume of transactions)
- Evaluate the risk associated with stop limit orders (uncertainty around the execution once triggered)
- Master the passage of stop limit orders.

What you can do during the simulation

- You can launch the simulation several times. At each launch of the simulation, send one stop limit order only to evaluate its impact on the market:
 - A buy or sell order
 - Orders with different amounts or quantities
 - Orders with different trigger prices
 - Orders with different price limits.
- Observe then the impact of your order on the market in the pages « Trading » and « My position » of the trading platform.
- Build a strategy that allows you to achieve your simulation goal (hold at least 2,000 BestPizza shares at the end of the simulation): how many orders? Which amount or quantity? Timing of the order? Buy orders only? Which trigger price? Which price limits? Which market scenario?

To help you

- c Then illustrate the interest and the risk of stop limit orders by placing various orders (especially orders with different trigger prices and price limits).

- On the « Trading » page:
 - Evaluate the impact of the placement of your order for the following elements: your available cash and your available assets, the order book and the history of transactions (price and quantity). *Reminder: your impact on the market (order book and transactions) appears in blue on the « Trading » page.*
 - Explain how the gain (in green) or the loss (in red) of your position evolves through time. *Reminder: the gain or the loss during the simulation corresponds to the variation of your position since the beginning of the simulation.*
 - Identify the market conditions for which a stop limit order is triggered or not, and once triggered transformed into a limit order or not.

- On the page « My position »:
 - Explain why your stop limit orders have been triggered or not.
 - Explain how the status of your stop limit orders evolves over time and why transactions appear or not.
 - Explain the link between your orders and your transactions.

- Questions that you can answer:
 - What is the market? How is it represented in the trading platform?
 - Why does the stock price go up or down?
 - Do stop limit orders allow you to reach easily the objective of the simulation?
 - Is it easier to reach the objective of the simulation with stop limit orders rather than with other types of orders such as market or limit orders?
 - How can you manage dynamically your stop limit orders? What interest?
 - Why stop limit orders should also be called start limit orders?

To know more about stop limit orders



Take the course *Discover SimTrade* to know more about the SimTrade trading platform, especially the two main pages of the platform: the « Trading » page to send orders to the market and the page « My position » to monitor your position.



Take the course *Exchange orders* to know more about stop limit orders (sending an order to the market, order execution, impact on the order book, impact on market liquidity, use of stop limit orders).