

Simulation *Market maker - Spread*

Case note for participants

Your objective in the simulation

MARKET MAKER 1. SPREAD



Your objective in the simulation is to **animate the market for EasyPlane stocks** by being ready to buy and to sell stocks anytime.

At the beginning of the simulation *Market maker - Spread*, you own an account with **€50,000 of cash** and **5 000 EasyPlane shares** (ticker symbol EYP).

What you can do during the simulation?

- During the first launch of the simulation (duration of 10 minutes), you can **observe the evolution of the stock price of EYP shares**. What are the characteristics of the price evolution during this simulation? How to take advantage of it? During the following launches, you can **try different trading strategies** in terms of type of order used (MAR, LIM, etc.), of numbers of orders sent to the market, of the timing for sending orders, etc.
- You can observe the impact of your orders on the market and the evolution of your position through the pages « Trading » and « My position » of the trading platform.
- You can evaluate your performance by looking at the cash (and the number of shares) of your position at the end of your simulation.

To help you

- Recall the definition of market making.
- Questions to answer:
 - Which trading strategy could you define for your market making activity at the beginning of the simulation? Which type of order should you use to make the market?
 - What is the remuneration of your market making activity? What are the factors influencing your remuneration? Propose a simple mathematical formula to describe the remuneration of your market making activity.
 - What is the impact of your orders on the market? What is the impact of your market making activity in terms of market liquidity? How does your position evolve during the simulation?
 - Explain the terms: price-taker, price-maker and spread.

To know more

- Take the course *Orders*.
- Take the course *Market making*.