

Syllabus

Course description

Course title	LABORATORY IN FINANCIAL TRADING
Course code	25432
Scientific sector	NN
Degree	LM-77 Accounting and Finance
Semester and academic year	2nd semester 2019-2020
Year	2
Credits	3
Modular	No

Total lecturing hours	18
Total lab hours	-
Total exercise hours	-
Attendance	<p>Highly recommended, although not compulsory as per national regulation.</p> <p>Student planning to regularly attend course, must register through UNIBZ course OLE (Open Learning Environment) platform <u>as attending student</u> in order to be able to actively participate in class blog, coursework upload, and other classroom related activities.</p> <p>Student not attending course must register through UNIBZ OLE platform <u>as not attending student</u> in order to be able to download teaching material required to study for final exam preparation.</p>
Prerequisites	<p>Undergraduate introductory courses in finance, and in addition graduate/master level first year classes in Advanced Corporate Finance and Financial Mathematics. Further, attendance of second year master class in Asset Management and Performance Analysis is also recommended.</p>
Course page	<p>https://www.unibz.it/en/faculties/economics-management/master-accounting-finance/study-plan-finance-and-financial-markets/</p>

Specific educational objectives	<p>Laboratory in Financial Trading (LABFT) is a second-year course for students attending the M.Sc. in Accounting and Finance. LABFT is a graduate course designed to introduce students to the theory and practice of securities and contract trading at exchanges and in dealer networks. LABFT will have an initial part (6-hour sessions) on the theory and empirics of market microstructure. Subsequently the course will progress to the practice of trading with lectures (12-hour sessions)</p>
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	<p>given by professionals of trading businesses. The initial part of the course will examine:</p> <ul style="list-style-type: none"> - Why and how people trade; - The principles of proprietary trading; - Why market institutions are organized as they are; - How markets are changing in response to innovations in information technologies; - The origins of liquidity, volatility, price efficiency, and trading profits; - The role of public policy and regulation in trading markets. <p>Trading is, ultimately, a zero-sum game. Understanding why people trade, and with whom they are trading is very important. If an investor wishes to beat the market, she has to find out who is making mistakes. Among the most common mistakes that traders make are:</p> <ul style="list-style-type: none"> - I gambled when I intended to speculate. - I tried to speculate when I intended to invest. - I held on because I wanted to be right. - I traded on stale information. - I traded on the wrong financial model. - I traded when liquidity was scarce. - I traded too much. <p>In theory traders are categorized between information, noise and liquidity traders. In practice the taxonomy of traders includes economic agents performing the role of speculators, dealers, hedgers and tax avoiders.</p> <p>Attending LABFT provides students with an understanding that trading is not just about being smart. Winning in trading games requires good ideas, which can come from, for example, a better understanding/analysis of news about a certain industry or company. But, ultimately, just like in a sport, the trader must know the other players and their weaknesses.</p>
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Lecturer	Maurizio Murgia Office SER E501 Tel. 0471/013110 maurizio.murgia@unibz.it https://www.mauriziomurgia.com
Lecturer Scientific sector	13/B4 - SECS-P/09
Teaching language	English
Office hours	Please refer to the lecturer's web page
Guest Lecturers	Luisella Bosetti (London Stock Exchange/Borsa Italiana) Davide Guzzi (Eurizon Capital SGR)

	Mauro Medizza (London Stock Exchange/Borsa Italiana)
Teaching assistant	-
Office hours	-
List of topics covered	The main subject areas covered in the course are: a) Theory and stylized facts in market microstructure; b) Strategic trading and monitoring in high-frequency trading markets; c) Arbitrage and multi asset trading; d) Exchange trading fee pricing.
Teaching format	Classroom activity will alternate background lectures, exercises, and trading simulations through Bloomberg terminals.

	<p>LEARNING OUTCOMES:</p> <p><u>Knowledge and understanding:</u> Knowledge and understanding of operation of market structures and trading environments such as public organized financial exchanges, over-the-counter markets, industry organized networks, private market platforms. The cost and benefit from trading. Structuring order placement and trading strategies in competitive and fast-moving trading markets.</p> <p><u>Applying knowledge and understanding:</u> Ability to use background theory and trading techniques to implement order and execution in a trading platform. Students will learn what is and how to use the implementation shortfall, one of several industry standard metrics to measure cost and efficiency in trading.</p> <p><u>Making judgments:</u> The course combines the latest academic thinking with hands-on business practice and its main goal is that attending students should develop by the end of classroom activity an expanded ability to analyze and think about sound trading decisions, and to defend these decisions with analytical reasoning.</p> <p><u>Communication and Learning skills:</u> Students should carefully read book chapters and supplemental readings and be prepared to discuss all assigned exercises/simulations and to prepare trading simulation. They can expect to be asked in class to present their trading execution ideas and how to implement them. Exercises, Case studies and supplemental readings (to be found in the Library course shelf and Online Reserve Collection) are detailed in the course detailed syllabus and outline available in the course's OLE platform.</p>
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Assessment	<p><u>Attending Students</u></p> <p>Students' final grade will be a mixture of: a) computer trading simulations (50%) and b) final exam (50%). Please note that the trading simulation grade is valid for one academic year and cannot be carried over beyond that time.</p> <p><u>Non Attending Students</u></p> <p>Non attending students will be assessed through a final exam (100%) that covers all course material.</p>
Assessment language	English
Evaluation criteria and criteria for awarding marks	<p>Final exam is a computer written test. Students are allowed access to MS-Office software and quality of written English is essential to earn the passing grade. Excel quantitative analyses are a central part of final exam. Students must generate spreadsheet pdf of their exam and provide clear explanation of financial formula used to address exam questions.</p>
Required readings	<p>Larry Harris, <i>Trading and Electronic Markets: What investment professionals need to know</i>, CFA Institute Research Foundation, 2015.</p> <p>Murgia-Pinna-Gottardo-Bosetti, <i>The impact of large orders in electronic markets</i>, International Review of Economics and Finance, 2019.</p> <p>Some further readings and notes could be available in course UNIBZ Library Reserve Collection (ULRC) or handed out in advance of specific class sessions. However, ULRC could be accessed through Course OLE Platform.</p>
Supplementary readings	<p>Teaching Slides and case studies to be downloaded from course UNIBZ OLE Platform. Some further teaching material could be handed out during class sessions.</p>