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 2022-2023
Year	2
Credits	3
Modular	No

Total lecturing hours	18
Total lab hours	-
Total exercise hours	-
Attendance	Highly recommended. Student planning to regularly attend course, must register through UNIBZ course OLE (Open Learning Environment) platform **as attending student** in order to be able to actively participate to lectures and other classroom related activities. Student not attending course must register through UNIBZ OLE platform **as not attending student** in order to be able to download teaching material required to study for final exam preparation.
Prerequisites	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.
Course page	https://www.unibz.it/en/faculties/economics-management/master-accounting-finance/study-plan-finance-and-financial-markets/

Specific educational objectives	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 (8-10 hour sessions) on the theory and empirics of market microstructure. Subsequently the course will progress to the practice of trading with lectures (8-10 hour sessions) given by professionals of trading

	businesses. The initial part of the course will examine:
	- 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;
	- Limit and Market Order strategies.
	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:
	- 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.
	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.
	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.

Lecturer	Maurizio Murgia (12 hours) Office SER E501 Tel. 0471/013110 maurizio.murgia@unibz.it https://www.mauriziomurgia.com Luisella Bosetti (6 hours) Office SER E310 luisella.bosetti@unibz.it
Lecturer Scientific sector	SECS-P/11
Teaching language	English

Office hours	Please refer to the lecturer's web page
Guest Lecturers	Mauro Medizza (Borsa Italiana/Euronext), Gabriele Zeli (Borsa Italiana/Euronext), Massimo Giorgini (Borsa Italiana/Euronext), Marco Polito (Cassa Compensazione e Garanzia), Enrico Ferrari (IMI Investment Bank Gruppo Intesa SanPaolo), Davide Guzzi (Eurizon Capital SGR), Luca Filippa (FTSE Italy).
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.

	LEARNING OUTCOMES: Knowledge and understanding: 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. Applying knowledge and understanding: 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. Making judgments: 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. Communication and Learning skills: 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.

Assessment	<u>Attending Students</u> Students' assessment will be through a course paper. Topic of course paper will be selected by student with instructor assistance and agreement. <u>Non Attending Students</u> Non attending students will be assessed through a course paper. Topic of course paper will be selected by student with instructor assistance and agreement.
Assessment language	English
Evaluation criteria and criteria for awarding marks	Course paper contents should be consistent with class lecture activity and guest speaker presentations. Alternatively, student may select a topic related to recent trends in the trading industry. The instructor will mark student course paper by taking into account the following criteria: topic relevance, quality of analysis and discussion, and written English.

Required readings	Larry Harris, *Trading and Electronic Markets: What investment professionals need to know*, CFA Institute Research Foundation, 2015. Murgia-Pinna-Gottardo-Bosetti, *The impact of large orders in electronic markets,* International Review of Economics and Finance, 2019. 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.
Supplementary readings	Teaching Slides and lecture notes to be downloaded from course UNIBZ OLE Platform. Some further teaching material could be handed out during class sessions.