

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	<p>Highly recommended.</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 to lectures and other classroom related activities. The course OLE platform self-enrolment key that is adopted every year is LABFTyyyy, where yyyy is the calendar year when course is taught. Thus, for the academic year 2022/2023 will be LABFT2023. 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. See above for self-enrolment procedure.</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 (3-hour session) on the theory and</p>
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empirics of market microstructure. Subsequently the course will progress to the practice of trading with lectures given by professionals of trading businesses. The course concludes discussing a practical case-study where investor(s) engage in strategic trading, by trading off the typical liquidity and price-impact consequences of trading decisions.

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. However, ultimately, just like in a sport, the trader must know the other players and their weaknesses.

Lecturers	<p>Maurizio Murgia (12 hours) Office SER E501 Tel. 0471/013110 e-mail: maurizio.murgia@unibz.it www.mauriziomurgia.com</p> <p>Luisella Bosetti (6 hours) luisella.bosetti@unibz.it Office SER E310</p>
Lecturer Scientific sector	SECS-P/11
Teaching language	English
Office hours	Please refer to the lecturer's web page
Guest Lecturers	Mauro Medizza (Euronext Group/Borsa Italiana), Gabriele Zeli (Euronext Group/Borsa Italiana), Vincenzo Riflesso (CAT Financial Products AG), Marco Polito (Euronext Clearing), Enrico Ferrari (IMI Investment Bank Gruppo Intesa SanPaolo), Davide Guzzi (Eurizon Capital SGR), Martin Oberkofler (Syntrix GmbH, Germany), 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.

	<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</p>
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	<p>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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<p>Assessment</p>	<p><u>Attending Students</u></p> <p>Student assessment will be a two-way process. In the first, student takes in-class quick tests performed through OLE Platform (12 marks overall or 40% of final grade), which requires student to have available an electronic device (smartphone, tablet or laptop) to interact with OLE platform managed by UNIBZ ICT Services. To obtain the passing grade (see detailed syllabus and timetable available into course OLE platform) in each quick test student must respond correctly to 50% of questions/quantitative problems. However, the final case study discussion is also included in the in-class participation for a further 2 marks, taking the overall assessment for in-class tests and participation to 14 marks or about 47% of final grade. In the second, student take a final exam at scheduled exam sessions, earning the remaining 16 marks or 53% of final grade. The final exam consists of a prepared final course paper that attending student must work through during lecture time. The course final paper should be consistent with topics presented at LABFT and should be with Lecturers assistance and agreement. However, student may also inquiry with Guest Lecturers to</p>
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	<p>identify a suitable final course paper to be delivered at exam session.</p> <p>As the LABFT is a short course and one-month compressed, if a student misses more than one session, she/he will not be allowed to take “attending student” assessment in-class tests and case study valuation, but she/he will be directed to take “not attending student” final exams (see below). Notice that student attendance will be enforced.</p> <p><u>Not Attending Students</u></p> <p>Not attending students will be assessed through a written final exam on the theory and empirical analysis of financial market microstructure. To prepare final exam students are encouraged to work through the required readings as well as the supplementary readings (see below).</p>
<p>Assessment language</p>	<p>English</p>
<p>Evaluation criteria and criteria for awarding marks</p>	<p><u>Attending student:</u></p> <p>Quick OLE-based tests are either multiple choice or short quantitative problems with detailed earned points.</p> <p>Course final paper will be marked by considering the following criteria: topic relevance, quality of analysis and discussion, and written English which should be at C-level as required for a second year Master student. Student will get a lower grade if paper writing is: ungrammatical, unclear, journalistic.</p> <p><u>Not Attending Student:</u></p> <p>Final exam will consist of a mixture of quantitative problems and essay questions. The instructor will mark student final exam by taking account of correctness of answer(s) and methodology. On the essay questions high quality of written English is necessary to obtaining course passing grade.</p>
<p>Required readings</p>	<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)</p>

	<p>or handed out in advance of specific class sessions. However, ULRC could be accessed through Course OLE Platform.</p>
<p>Supplementary readings</p>	<p>Teaching Slides and lecture notes to be downloaded from course UNIBZ OLE Platform.</p> <p>Further useful references for gaining a better understanding of the theory, empirical analyses, practical ideas and regulation of microstructure of financial markets are:</p> <p>Madhavan, 2000, Market microstructure: a survey, <i>Journal of financial markets</i>, Vol. 3, pp. 205-258.</p> <p>Hasbrouck, 2007, <i>Empirical market microstructure: the institutions, economics and econometrics of securities trading</i>. Oxford University Press, New York.</p> <p>Angel-Harris-Spatt, 2011, Equity trading in the 21st Century, <i>Quarterly Journal of Finance</i>, Vol. 1-1, pp. 1-53.</p> <p>Amihud-Mendelson-Pedersen, 2012, <i>Market Liquidity – Asset pricing, risk and crises –</i> Cambridge University Press.</p>