Ch.12 Market Microstructure and strategies

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Microstructure
↓
Procedure of trading stocks

trading strategy

→ market order → اريد الشراء او البيع بـ Current Market Price

→ limit order → حدد او { Maximum buying Price
ف Minimum selling Price

عند موافقة الشروط تتحول الى market order ويتم العملية

→ Placing the order → اتصال لشركات الوساطة بغرض تملك الاسهم . وفي مركز الايداع يتم تبادل الملكية

Limit order :- Types

→ stop loss order → sell order → To Protect gain or minimize loss

→ stop buy order → Buy order

Purchase Price $50

Current Market Price $60

We Do a limit → stop less order → $55

عند وصول لـ 55 بيع

__stop buy order :-__

Current market Price $10

→ stop buy order $12

لماذا لا اشتري على 10$ واشتري

ب 12 ؟

لانه مهتم بتصرفات الـ investors

↑Demand → ↑Price

__Margin Trading :-__

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أشتري اسهم على الدين

Current Market stock 4,000,000 → اصبح

Purchasing Market stock 6,000,000 → مموّل بالكامل

غير منطقي ولكن يجوز

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initial margin Requirment "Currently 50%"

Purchase Price 6,000,000 → 3m (0.5×6m) Cash investor → 3m ~~Bank~~ قرض

Current Price 4,000,000 → 3m قرض → $1m

البنك بأمان لأنه له الحق في تملك الأسهم في حال التعثر هو استثمر 3m و يسوى 4m

25% maintenance margin → 25% × 4m = 1m

ممنوع ملكيتك تقل عن 25%

4m × 0.25 = $1m

لا يجوز أقل

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5 days ago → 100 share at $60

initial margin = 50%

maintenance margin 30%

→ Two days after, the stock Price decline to $50

→ if the Price declined to $45 what is the equity Position

$60 \times 100 = 6{,}000$

$-3{,}000$ brokrage

$3{,}000$

→ $50 \times 100 = 5{,}000$

$-3{,}000$ brokrage

equity Position = $5{,}000 - 3{,}000 = 2{,}000$

$\frac{2{,}000}{5{,}000} = 40\% >$ maintenence margin Can't call me

→ $40 \times 100 = 4{,}000$

$-3{,}000$ → brokrage

$-3{,}000 + 4{,}000 = 1000$

$\frac{1{,}000}{4{,}000} = 25\%$

$30\% - 25\% = 5\%$

$5\% \times 4{,}000$

$200 You have to Pay before being Called.

Stock Return

$$R \rightarrow \frac{\text{selling Price} - \text{Investment} - \text{Loan} + \text{DiV}}{\text{Investment}}$$

$$R = \frac{S.P - \text{InV.} - \text{Loan} + \text{DiV}}{\text{Investment}}$$

ex 28

- stock Price — \$40
- DiV — \$1
- initial margin — 50%
- Annual IR — 10%
- one year later — \$60

Case #1: No initial margin

$$R = \frac{S.P - P.P + \text{DiV}}{P.P}$$

$$= \frac{60 - 40 + 1}{40}$$

$$= \frac{21}{40} = 52.5\%$$

Case #2: Initial margin = 50%

$$40 \rightarrow 20 \text{ brokrage}$$

$$40 \rightarrow 20 \text{ investor} \rightarrow 20 \times 0.1 = \$2$$

$$\text{Loan} = \text{Principle} + i = 20 + 2 = 22$$

$$R = \frac{60 - 20 - 22 + 1}{20} = 95\%$$

تضخم الربح و الخسارة

short-sale

* الإمتحان في كل المادة

مش أكثر من ٣ صفحات

Non-Depositary institution
→ Role
→ source of fund
→ Participants in each firm
→ where they go with the fund.
→ financial securities which it does work with

التسليم يوم الإمتحان
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* المشروع سؤال فاينل

* الخميس تسليم مشروع EXCel & Duration