

Trading in Financial Markets - FINA20298A.A2020

A2020

A01

Presentation

Description

The purpose of this course is to introduce students to the practice of trading in financial markets by means of data and tools used by practitioners in the context of their daily practice.

Goals:

- 1) to become familiar with the sources of information available in financial markets;
- 2) to apply the main tools required to analyze financial information in order to execute the three types of financial transactions: arbitrage transactions; hedging transactions; and speculative transactions;
- 3) to understand the role played by macroeconomic indicators and technical analysis in making investment decisions;
- 4) to acquire some notions on the psychology of the investor;
- 5) to participate to trading sessions in real time in derivative products simultaneously with other teams.

All sessions are held in the trading room. Presentations made by the teacher are complemented with practical assignments and simulations.

Learning Strategy

In this course regular class lectures are complemented by assignments, trading cases and a trading simulation. Details are announced in class.

Contact Information

Lecturer(s)

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Learning Material

Bibliographic Resources

Valdez, Stephen (2000) . «**An Introduction to Global Financial Markets**» , McMillan Press Ltd

ISSN: 0333764463

[Book]

Murphy, John J. (1999) . «**Technical Analysis of the financial markets**» , New York Institute of Finance

ISSN: 0735200661

[Book]

Reilly, Frank K (2003) . «**Investment analysis and portfolio management** » , Thomson South-Western

ISSN: 0324171730

[Book]

Miscellaneous Resources

Other useful texts and documents may be referred to during the course

Evaluations

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Evaluation Guidelines

For the evaluation of learning outcomes, certain institutional guidelines have to be respected. [For more information...](#)

Your main duty: attending class

According to the [School's rules](#), students are expected to attend classes (or course activities). Instructors are not required to provide any additional help or adapt courses or evaluations due to a student's absence.

Intellectual integrity: everybody wins!

Note that any evaluation may be run through software analysis to detect similarities. Find out how to avoid plagiarism and be careful when working on group assignments and co-operating with other students outside the classroom. [For more information on intellectual integrity.](#)

Exams: things to check before the big day

1. Make sure your student card is valid. [For more information](#)
 2. Check the exam time and location on [HEC en ligne](#).
 3. Find out what materials you are allowed to bring into the exam, on your [course's site](#).
 4. Is your calculator the approved type? [For more information...](#)
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1 - Trading Labs (15 %)

Location : In class / At home

Work Mode : Individual

Description

Exercises to be made during a session. During the course there will be 4 sessions with trading cases. Participation in all these is required although only the results of the best three sessions will count towards the final grade.

Each trading case is described the week **before** the Lab. Students will have the opportunity to practice by connecting to the practice server. Connection information will be provided during the session preceding the lab.

2 - Bloomberg Market Concepts Certification (5 %)

Location : At home

Submission : Electronic

Term : Written

Work Mode : Individual

Description

1. Information: [Bloomberg Market Concepts](#) web site

(<https://www.bloomberg.com/professional/product/bloomberg-market-concepts/>)

2. You must register to the Bloomberg Market Concept online course through a Bloomberg station of the trading lab (BMC <GO>) or online (<https://www.bloomberg.com/professional/expertise/universities/>).

The class code for the registration is : **BX9FD8RVSW**. You must register by using your @hec.ca email address.

BMC completion date: Oct 20, 2020. You must complete only the **Core Concepts** section of the certification.

3 - Practical work (10 %)

Location : At home
Submission : Electronic
Work Mode : Team

Description

Team of 4 students. Objectives of this assignment is to recommend a position on futures contracts instruments based on technical analysis concepts. Your recommendations must respect strict risk exposure constraints.

4 - Trading Simulation (25 %)

Location : At home
Submission : Electronic
Term : Oral / Written
Work Mode : Team

Description

During the four weeks following the semester break, you will have the opportunity to measure your talents as traders. In groups of 4-5 students you will participate in a simulation exercise where you trade in real world markets with fictive holdings.

Important dates are:

- **Session 7:** Introduction, presentation management rules
- **During the break:** prepare the simulation. Build your trading model.
- **session 8:** In class presentation of your investment model and hand in Fund Fact Sheets
- **November 2nd:** Simulation Begins
- **November 27th:** Simulation Ends
- **Session 12:** In class presentation of your performance and hand in performance report

5 - Final Exam (45%)

Location: At home
Submission: Electronic
Work Mode: Individual

Description

60 multiple choices questions covering material of sessions 1 to 12.

Course Organisation

1 - Introduction to the course and to trading in financial markets

Description

- Course outline and evaluation method
- Introduction to the Trading Room
- Stock exchanges, OTC trading and ECN's
- Market microstructure and price formation, participants and order types
- Evaluation of trading and trading costs (if time permits)
- Introduction to RIT and to RIT Trading Case LT4

Activities/Resources before session

[Chapter 2: Introduction to the SDM](#)

(Chapter2Introduction to the SDM.pdf)

[Chapter 4: Market Microstructure](#)

(Chapter4MarketMicrostructure.pdf)

[Chapter 5: Fundamentals of Trading](#)

(Chapter5FundamentalsOfTrading.pdf)

Activities/Resources during session

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[Slides Lecture 1](#)

(Lecture 1_A2020.pptx)

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[Video Lecture 1. Course Overview](#)

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[Video Lecture 1.Intro to trading 1/2](#)

IMPORTANT

[Video Lecture 1.Intro to trading 2/2](#)

[Board Notes Lecture 1](#)

(Board Notes Lecture 1.pdf)

[Case Brief - LT4 - Microstructure](#)

(RIT - Case Brief - LT4 - Microstructure Capstone Case.pdf)

For practice purpose

Connection to the server 24/7 with the RIT client (must be installed on your station beforehand)

IP adress : 132.211.133.114

Port : 10009

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[Video: Trading case for lab #1 RIT-LT4 - Description](#)

Activities/Resources after session

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[Video : How to install and use the RIT Client](#)

[RIT Client Installation](#) [Website]

[HEC VPN Installation](#) [Software]

So you can connect to HEC Network from outside

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[Practice Questions - Session 1](#)

(Exercise Session 1.pdf)

Miscellaneous Resources

[World Federation of Exchanges Annual Report](#)

[An Introduction to Bloomberg](#)

(Bloomberg Guide SDM 2010.pdf)

[RIT Guide](#)

(RIT2 - Client Software Feature Guide_v1.0 _LT3 Case Tutorial_.pdf)

2 - Trading and Economic Indicators

Description

- Use of Macroeconomic Indicators
- Qualities of an indicator
- Major indicators and their influence on the market
- The monetary systems
- **Trading Lab #1: RIT Trading Case LT4**

Activities/Resources during session

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[Slides- Session 2](#)

(Session 2 W2020.pptx)

Activities/Resources after session

IMPORTANT

[Practice Questions - Session 2](#)

(Practice Questions - Session 2.pdf)

[Video Lecture 2](#)

Miscellaneous Resources

Baumohl, Bernard (2012-10-01) . «The secrets of economic indicators: hidden clues to future economic trends and investment opportunities, 3d ed» , *Reference and Research Book News* , vol. 27 , no. 5
ISSN: 0887-3763

[Article]

[Other link](#)

<https://tradingeconomics.com/>

3 - Behavioural finance and technical analysis

Description

- Valuation and trading
- Behavioural finance
- Technical analysis
- Position sizing and risk management

Activities/Resources before session

[Valuation and trading, fundamental vs. technical analysis, and standard vs. behavioural finance](#)

(Valuation and Trading.pdf)

Activities/Resources during session

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[Session 3 W2020.pptx](#)

(Session 3 W2020.pptx)

[Example of Divergences](#)

(DivergencesEnglish.pdf)

[Some Tech. Analysis examples](#)

(Technical Analysis Examples.ppt)

Activities/Resources after session

[Practice questions - Session 3](#)

(Practice Questions - Session 3.pdf)

[Systematic Model - Original Turtles Rules](#)

[Video Lecture 3](#)

[Video - Technicals and Capital Risk Management](#)

Miscellaneous Resources

Murphy, John J. (1999) . «**Technical Analysis of the financial markets**» , New York Institute of Finance
ISSN: 0735200661
[Book]

[CFA Institute January 2013.pdf](#)

(CFA Institute January 2013.pdf)

Harrington, Cynthia, The Biological Investor, CFA Institute Magazine, Jan/Feb. 2013, vol.24, num. 1, ISSN 1543-1398, p.38-43

[CFA Institute May 2013.pdf](#)

(CFA Institute May 2013.pdf)

Harrington, Cynthia, The Biological Investor, The Decision Code, CFA Institute Magazine, May/June 2013, vol. 24 , num. 3, ISSN : 1543-1398, p.26-28

[CFA Institute July 2013.pdf](#)

(CFA Institute July 2013.pdf)

Harrington Cynthia, The Biological Investor, Test Flights, CFA Institute Magazine, July/Août 2013, vol. 24, num. 4, ISBN: 1543-1398, p.40-43

4 - Futures contracts

Description

- Introduction to futures contracts
- stock Index Futures contract
- **Description of the Practical Work**
- **Description Trading Lab #2: RIT-H1**

Activities/Resources before session

[Chapter 9: Introduction to Derivatives](#)

(Chapter9IntroductionToDerivatives.pdf)

Activities/Resources during session

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[Slides - Session 4](#)

(Session 4.pptx)

Activities/Resources after session

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[Assignment FINA20298.pdf](#)

(Assignment_FINA20298.pdf)

team work. Submission by the beginning of session 7.

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[RIT - Case Brief - H1](#)

(RIT - Case Brief - H1 - Hedging with Futures.pdf)

[RIT Trading Case - Support File](#)

(Hedging 1 Data Supplement-1.xlsx)

[Practice Questions - Session 4](#)

(Practice Questions - Session 4.pdf)

[Rogue Trader](#)

[Illustration Futures Daily Settlement](#)

(Futures position_ Margin.xlsx)

[Video Lecture 5 \(lecture 4 material\)](#)

5 - Trading of commodities

Description

- The commodity markets
- The market for commodity derivatives
- **Trading Lab #2 : RIT-H1**

Activities/Resources during session

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[Slides Session 5](#)

(Session 5 _Commodities_.pptx)

Activities/Resources after session

[Practice Questions - Session 5](#)

(Practice Questions - Session 5.pdf)

[Video - Trading of commodities and Intro to FX](#)

6 - Foreign exchange markets

Description

- Introduction to Foreign Exchange Markets
- FX Derivatives

Activities/Resources during session

[Slides - Session 6](#)

(Session 6 FX.pptx)

Activities/Resources after session

[Chapter28ForeignExchangeAndTrading.pdf](#)

(Chapter28ForeignExchangeAndTrading.pdf)

[Practice Questions - Session 6](#)

(Practice Questions - Session 6.pdf)

[Video - FX Markets](#)

7 - Introduction to the simulation

Description

- Introduction to the simulation

Activities/Resources during session

IMPORTANT

[Simulation Instructions](#)

(Session 7_Simulation Instructions_A2020.pptx)

[Illustration Ratio Omega](#)

(Illustration Ratio Omega.xlsx)

Activities/Resources after session

[Chapter5FundamentalsOfTrading.pdf](#)
(Chapter5FundamentalsOfTrading.pdf)

[Intermarkets analysis](#)
(Session 7_Intermarket Analysis_.ppt)

[Trade record sheet](#)
(Trade record.docx)

[CME Institute Trading Simulator User Guide](#)
(CMEInstituteTradingSimulatorUserGuide (003).pdf)

[Joining Trading Challenges Guide](#)
(Joining Trading Challenges Guide (003).pdf)

[Video - Lecture 7](#)

8 - Speculative bubbles

Description

- Presentation of simulation strategies
- Overview of market crisis and bubbles

Activities/Resources during session

[Slides S8](#)
(S8-Slides.pptm)

[Slides - Session 8](#)
(Session 8.pptx)

9 - Option trading strategies (1/2)

Description

- Review of option basics
- Option strategies

Activities/Resources during session

[Slides session 9&10](#)

(Session 9_10.pptx)

[Board notes Session 9 and 10.pptx](#)

(Board notes Session 9 and 10.pptx)

Activities/Resources after session

[Chapte 10 - Advanced Options Trading Strategies](#)

(Chapter10AdvancedOptionTradingStrategies.pdf)

10 - Option trading strategies (2/2)

Description

- Option sensitivity coefficients : Delta, Gamma, Theta and Vega
- Description trading lab #3: RIT-OP3

Activities/Resources during session

[Dynamic Delta Neutral Strategies](#)

(Delta neutral Dynamic .xslm)

Activities/Resources after session

[Practice Questions - Sessions 9&10](#)

(Practice Questions Sessions 9-10.pdf)

[RIT - Case Brief - OP3 - Trading Volatility.pdf](#)

(RIT - Case Brief - OP3 - Trading Volatility.pdf)

[RIT - Excel Support - OP3 - Trading Volatility.xslm](#)

(RIT - Excel Support - OP3 - Trading Volatility.xslm)

11 - Risks and risk management

Description

- Risk and risk management
- Types of risk
- Credit risk and the structured credit market
- **Trading lab #3: RIT-OP3**
- Description of trading lab #4: RIT-VAR

Activities/Resources during session

IMPORTANT

[Slides Session 11](#)

(session 11_W2020.pptx)

Activities/Resources after session

[VaR Case \(session 11\)](#)

(RIT - Case Brief - VaR - Value-at-Risk.pdf)

[VaR Case - Trader Support \(session 11\)](#)

(Copie de RIT - Excel Support - VaR - Value-at-Risk.xlsm)

Miscellaneous Resources

[Video on Credit Crisis](#) [Website]

12 - Synthesis and student presentations

Description

- Synthesis and students presentations
- **Trading lab #4: RIT-VAR**

Miscellaneous Resources