RIT Exercise F1

Trading on public information

**Overview**

- You’ll be trading a stock index futures contract.
  - The size of the contract is $250 \times RTX$
  - The starting “current” level of the RTX index is 1050.
  - The starting value of the contract is $250 \times 1050 = 262,500$
- The trading period lasts for 480 seconds (eight minutes).
- At various random times, you'll get random news.
  - Based on this news, you'll go long (if the news is positive) or short (if the news is negative)
- The automated traders also get the news, but they react slowly.
  - You should try to move before they do.
- Every run has a different random draw of the news.

- A news item contains text and an "estimated target".
- Your firm has a lexical analysis program that filters the news feed and tacks on a *target estimate* for the index.
- Some of the news is trivial and causes no revision in the target estimate; other news is substantial.
- In this run, the first news item (36 seconds into the run) sets the estimated target at 1039.
Starting at 36 seconds, the automated traders start selling, driving the price down to (about) 1039.

At 90 seconds, the traders start driving the price down to (about) 1029.
The play

- F1 will be looping through 6pm, Thursday, April 2, 2015.
- Your score is your profits on your best run.
  - You can play as often as you like.
- You have a position limit of 10 contracts.
- There is no penalty for using market orders.
  - Here, you’re trying to trade quickly. You *should* use market orders.

Suggestions

- In workspace, you should open:
  - The portfolio panel (which will report your profits).
  - The book trader panel (to enter orders).
  - The news panel (to view incoming news items)
  - The security charting panel (to plot the price)
- Note: real markets react much more quickly to news. Adjustment to new price levels can occur in a fraction of a second.