

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.

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Tick	RTX1F	Headline	R...
P1 : 170	RTX1F	Low oil prices a boon for manufacturers of fertilizer. Esti...	<input type="checkbox"/>
P1 : 166	RTX1F	Bitcoin prices display pronounced volatility. Estimated tar...	<input type="checkbox"/>
P1 : 159	RTX1F	Warm spring suggests a longer growing season for mid...	<input type="checkbox"/>
P1 : 151	RTX1F	Facebook users find that they are sometimes tagged mis...	<input type="checkbox"/>
P1 : 147	RTX1F	Fedex and UPS report strong increase in shipments. Esti...	<input type="checkbox"/>
P1 : 90	RTX1F	Concern builds regarding banks' exposure to student loa...	<input type="checkbox"/>
P1 : 85	RTX1F	Apple secretive about details of new iPad. Estimated targ...	<input type="checkbox"/>
P1 : 55	RTX1F	Test scores for US high school students fall behind those...	<input type="checkbox"/>
P1 : 36	RTX1F	Weak purchasing numbers suggest a pull-back. Estimate...	<input checked="" type="checkbox"/>

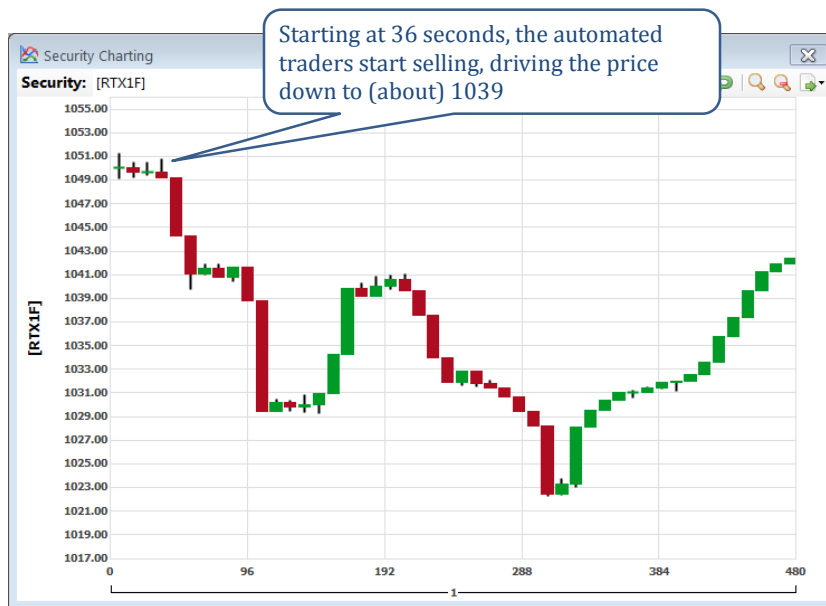
Ticker: RTX1F **Time:** P1 : 36
Headline: Weak purchasing numbers suggest a pull-back. Estimated target: 1039.

Weak purchasing numbers suggest a pull-back. Estimated target: 1039.

- ❑ 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.

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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.

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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.

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