

MIT SLOAN SCHOOL OF MANAGEMENT

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Trading Game Instructions and Tips

This is a step by step instruction sheet for how you should enter trades for the 15.407 Trading Game:

1. Login to your account with you pre-specified user id and password. **Only 1 team member can login at a time, otherwise your trades will not register correctly.** You may find it useful to designate 1 team member as “the trader” to avoid confusion. The website for 15.407 access to the game is:

<http://sloancf.mit.edu/tgame/407/login.cfm>

Please consult your TA for your assigned user ID and password. You may change your password via the password change function later on, but make sure you remember the new password and communicate it to your team.

2. Click on the “Enter/Change Trades” link for the account you wish to trade for, either your Equity or Fixed Income portfolio. For example, on the first Trading Game project, you will only need to trade Fixed Income securities.
3. Using your mouse to maneuver about the page, enter your trades. Keep in mind that you must trade fixed income securities in increments of \$10,000 par value and equities in increments of 100 shares. Any excess positive cash balance will earn the rate of interest implied by the on the run 3 month treasury security. Any negative balance (if you used leverage) will cost you 10% **per week**. Keep this cost in mind if you plan to use leverage . . . it is an exaggerated reminder of the risks involved with using leverage.
4. Make sure you click on the “Submit Trades” button after you finish your trades. If you get an error message, it means you are estimated to go beyond the allowed leverage or you have some error in your trades. Go back and fix them until you can submit your trades.
5. Go back to the “Enter/Change Trades” page, and **print out a copy**. You must provide this copy of your trades and positions when you feel there has been a bug or error in the trading game. Without this dated printout, we will not adjust your positions. Keep in mind that we do have a record of the times you enter trades in our database.

6. If you decide later in the week to amend your trades, simply follow the instructions 1-5 again. You will be able to see the last trades you entered and amend your trades on the “Enter/Change Trades” page.
7. Trade execution will be based on the closing prices on the day of trade execution. Typically, we will execute trades every Friday, but there will be special occasions where we execute on Wednesday. You will be informed in those cases. **Trading will be closed** on the trade execution dates at 4pm. Typically, execution date is Friday and trading for the next round will reopen on the following Monday at the open of US equity markets. When the execution date is any other day, trading will reopen on the 2nd business day after execution.
8. At any point in the trading game, you may view your trade history. This part is very intuitive and straightforward. Simply click on the “View Trade History” link for either equity or fixed income trades. You will then have either a display of your trade history.
9. At any point in the trading game, you may view your portfolio holdings (including cash). This part is very intuitive and straightforward. Select either Equity or fixed income and indicate which round holdings you wish to view. If you leave the round empty, then you will be presented with a history of your portfolio holdings. Then click on “Go!” This page will be useful in evaluating your performance and in writing up your project assignments.
10. Good luck!

Trading Game Reminders

1. Print out a copy of your trades after submitting them
2. Do not use the “enter” or carry return button on the enter trades screen. It may cause problems with your trade inputs.
3. Keep in mind that you will not know the exact price that the transactions will occur at. The estimated trade cost on the “Enter/Change Trades” page will estimate the cost based on the last week’s closing prices. Thus, you may want to check on current prices before submitting trades or use more conservative trading strategies, i.e. leave some extra cash balance.
4. Consult the trading game FAQ if you have further questions. In addition, you may ask any TA about the projects.
5. Cheating will not be tolerated and can result in a grade of 0. In other words, don’t enter several sets of different trades and come back the week after the trade execution claiming there was a bug in the trading game (and giving us a printout of the portfolio that did the best that week). You have no incentive to be the best performer in terms of final portfolio value. Instead, the main goal is to understand the arguments and analysis involved in choosing your trades/portfolios.
6. If you have any questions about how much time to spend or the goal of the assignment, ask a TA or professor. You can also use as a guideline the percentage weight each project is on your final grade as an indication of how much effort to put in.
7. If you feel you have encountered a bug, please contact Kevin Chu at kychu@mit.edu.

Trading Game FAQs

1. Can we sell short?

Not really. Yes, because the system will let you submit a short sale. (After a pop-up window warns you that you are about to sell short.) No, because after the system executes the short sale at the bid price, it automatically covers the short at the ask price. You lose the spread.

2. Can we leverage ourselves? That is can we spend more cash than we have?

Yes, but you are charged 10% interest **per week**. You better have some serious inside information to make that trade worthwhile.

3. What interest rate does my cash earn?

The annual interest rate implied by the current 3 month T Bill. The rate changes each week depending on the current price of the 3-month T Bill.

4. What rate can I borrow cash at?

10% per week.

5. Can I move cash between my Equities account and my Fixed Income account?

No.

6. Can I buy securities other than those offered to me in the security lists built into the system?

No.

7. Why are the execution prices for the bonds higher than the ask prices published in the financial press?

Because the prices published in the financial press are the “clean” prices. You must execute at the “dirty” prices to compensate the seller for accrued interest. For more on this, see the “Dirty Pricing Memo” in class website.

8. What is the bid/ask spread?

The difference between the price a broker will buy a security from you at (the bid) and the price the dealer will sell it to you for (the ask). This is the compensation the broker earns for arranging the trade. (If it is a dealer, it is the compensation he/she earns for taking the risk of holding the security in inventory.) Spreads depend on the liquidity of the security. The greater the liquidity, the lower the spread.

9. **When are trades executed?**

Trades are executed once a week. Usually the last trade you can enter is on Friday at 4pm. (See the exception below.) Then all of the trades entered in that week (that round) will be executed at the closing prices on that Friday.

During the first week, trades will be executed on Friday, 17th October.

10. **Where do the prices come from?**

The bond prices come from Bloomberg and Yahoo!Finance. The equity prices come from Yahoo!Finance. They are the **real** market prices for these securities.

11. **When can we trade?**

You can enter trades anytime you want until 4pm of each trade execution date. Most trades will be executed using Friday closing prices. Trades entered after 4pm on trade execution dates will be included in the next round (next week), not the current round (current week). After 4pm of the trade execution dates, we will close the system to new trades for 24-48 hours to execute trades.

12. **Where can we trade?**

Anywhere you want. The Trading Game is available from any web browser. The Sloan Trading Room is just a trading room in design, so you do not have to be there to trade.

13. **What resources are available to make my portfolio decisions?**

Anything you can find. Options include: the case assignment, the lecture notes, the textbooks, trading room analytics programs and software, web-based resources, the Bloomberg terminal in the computer lab, etc. Feel free to take advantage of anything you find useful. The point of this series of assignments is to give you a chance to apply some of the theory you are learning in class, so be resourceful and get the most you can out of this experience.

14. **How much time should I spend on these case write-ups?**

These cases are written with open-ended potential. However, you will not “permanently” solve the problems addressed in these cases during your write up. Instead, show that you understand the issues and how to use the tools you have learned in class to best tackle your responsibilities as a portfolio manager. If you are unsure of how much work to do, please ask a TA or the professors.

15. **What can I do if I suspect an error has occurred in trade execution?**

Contact Kevin Chu at kychu@mit.edu. You are required to have a printed copy of your unexecuted trades available for comparison. This can either be a screen print of the “Enter Trades” screen of the “Active Trades” screen. If you did not print either of these screens, or you do not have the copy, then there will be no way to fix the error you suspect . . . so please print a copy of your trades!