

Simplifying Trading Matters

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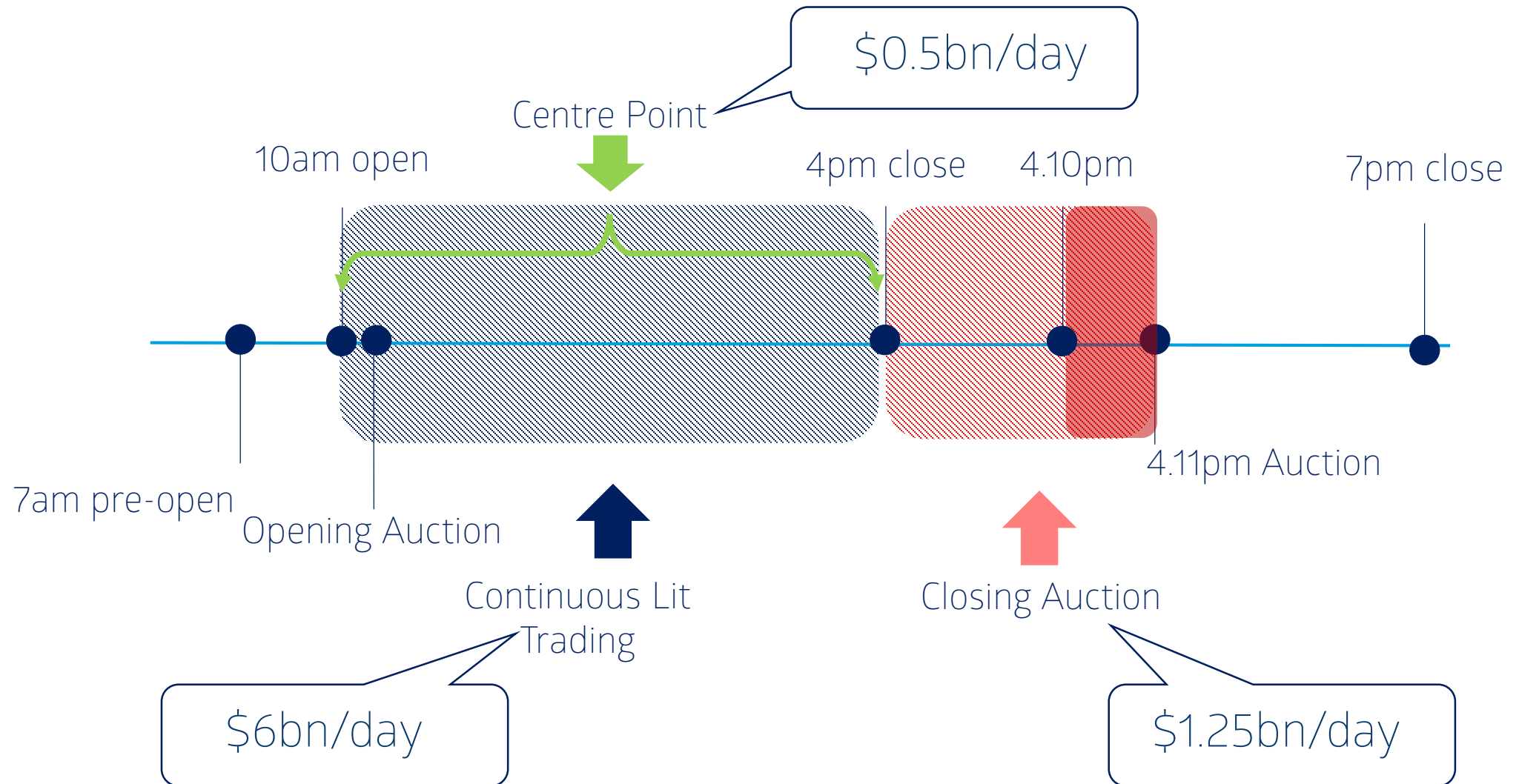
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Simplifying Trading Matters

Key topics to be covered include:

- **Market structure:** Understand key market phases such as pre-open, open and closing auction, and factors that trigger increased volumes such as index rebalances and derivatives expiry.
- **Trading styles:** Learn about different trading styles ranging from algorithmic, block trading as well as dark pools. We will discuss how each is used and how they contribute to price formation.
- **Trading algorithms:** Explore the relevance of trading algorithms and gain insight into why they are crucial in modern trading practices.
- **Short selling:** Unpack the mechanics of short selling and its impact on share price movements.

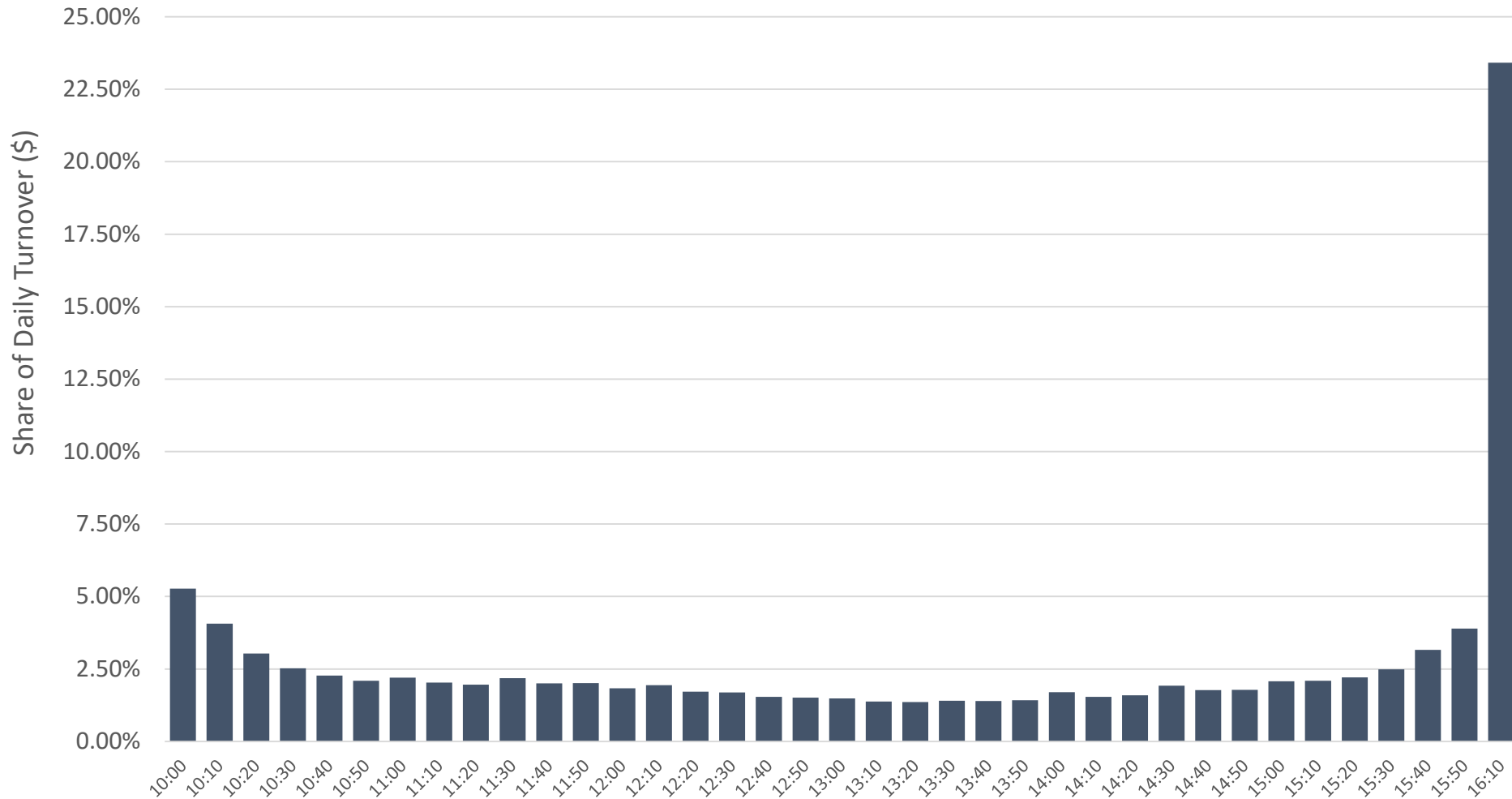
Market Structure - Equities



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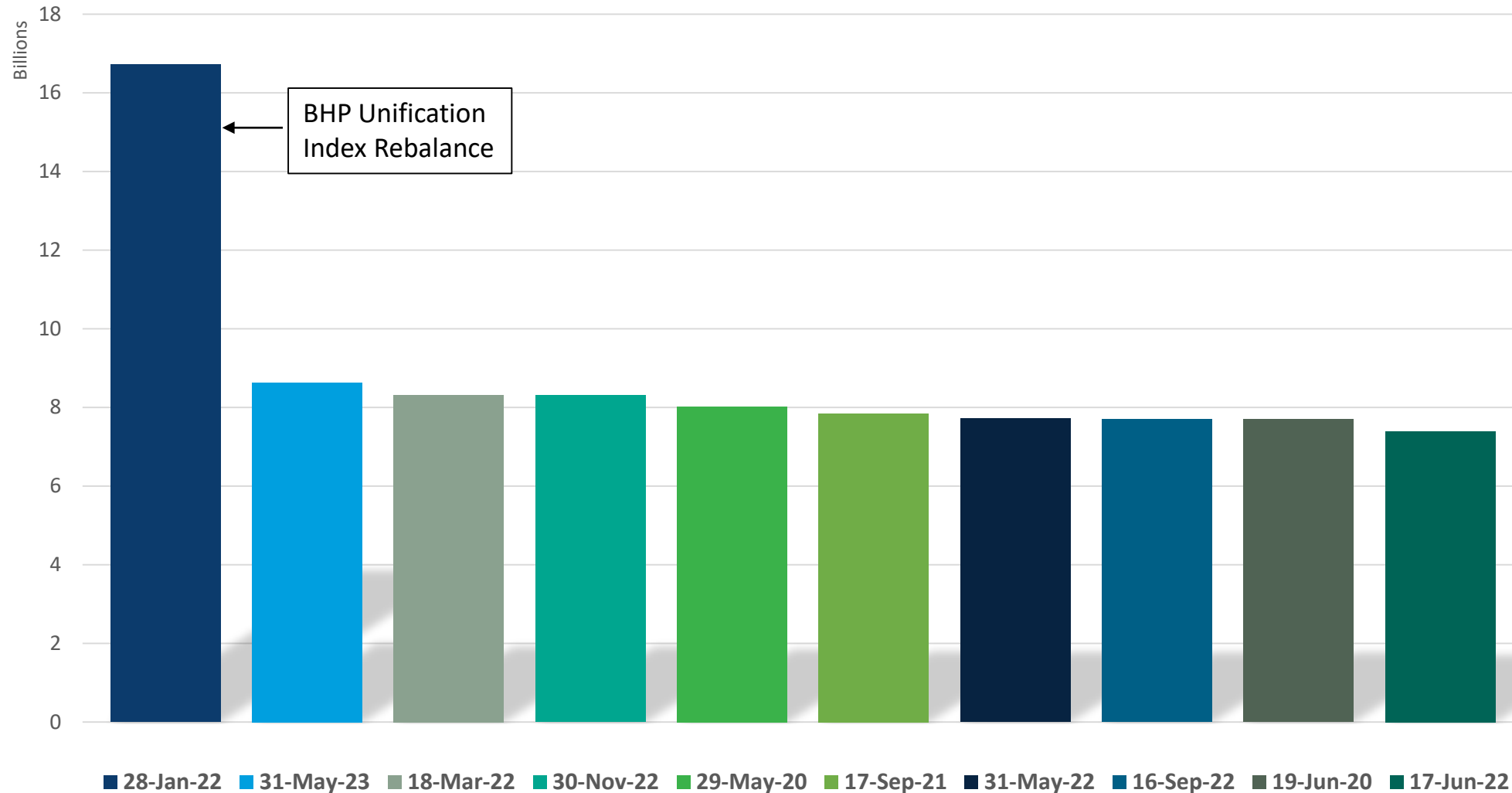
Equity Market - Intraday 'Smile Chart'
Q2 - 2023



Market Structure - Equities



ASX TOP 10 Closing Auctions by Value.



Market Structure - Equities

- Difference between the opening and closing auctions?
- How much trading takes place during the opening & closing auctions?
- How do the index rebalances impact trading volumes?
- Other 'Liquidity Events' – Futures & Single stock expiry, End of Month
- Trading outside of Market Hours – Why and how does this happen?
- Are there limits to how much a stock can trade up or down?

Trading Styles

- Concept of On (Lit) vs Off (Dark) Market trading.
- Special size & Block Trading.
- Dark Pool Trading – ASX Centre Point, Broker Dark Pools
- Electronic Trading – Algorithmic, Market Making, High Frequency.
- Passive Index vs Active trading.

Trading Styles – ASX Centre Point

Depth : TLS.ASX - Telstra Group

TLS.ASX

+ Security	R	Last	+/-	%	Bid	Ask	Open	High	Low	MktVWAP	Volume	MVol	MPrice	M+/-	M%	Basis	Pr
⊕ TLS	▼	423	-3	-0.7	423	424	426	426	422.5	424.0563	3,606T						RE

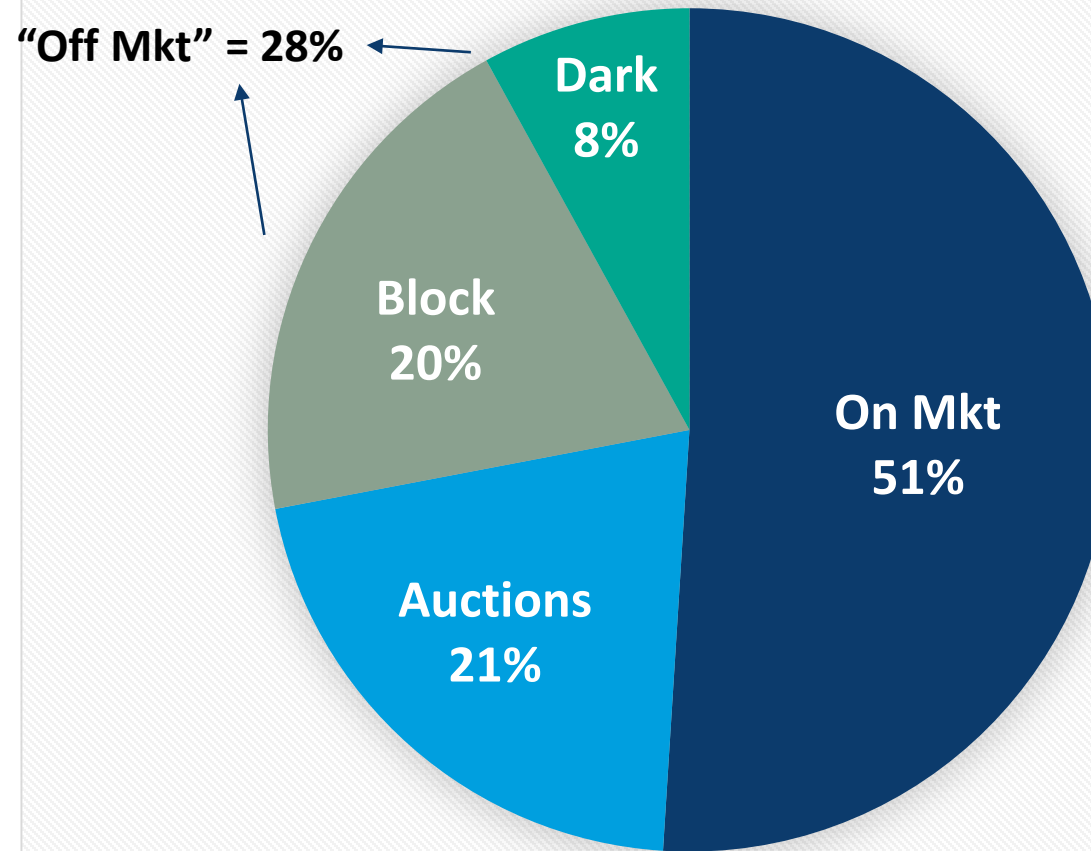
Bids				Asks				Trades							
No.	Volume	Price		Price	Volume	No.	DS	Time	Volume	Price	BuyBN	SellBN	ConCodes	Reason	DS
49	193310	423		424	364688	56	MIX	11:19:09	11	423.5			CX		TM
55	571471	422		425	393996	32	MIX	11:18:22	1803	423.5			CX		TM
66	539529	421		426	379660	54	MIX	11:18:22	1400	423				BID	TM
129	644853	420		427	294309	36	MIX	11:18:18	4323	423				BID	TM
44	322752	419		428	319614	24	MIX	11:18:18	17500	423				ASK	TM
36	278580	418		429	370710	30	MIX	11:18:18	6007	423				ASK	TM
22	319867	417		430	736082	64	MIX	11:18:15	977	423				BID	CXA
25	234165	416		431	170046	12	MIX	11:18:15	5839	423				BID	TM

Source: ASX, Iress

Trading Styles

- Blocks > \$200k, >\$500k, >\$1m
- Dark < \$200k

Where trading 'actually' takes place



Trading Algorithms

- Electronic Trading – Algorithmic, Market Making, High Frequency.
- What are some examples of Algo's used?
- Are Algo's monitored & regulated?
- What is High Frequency Trading?
- Market Makers role in Exchange Traded Funds?

Trading Algorithms

ASIC's review of high-frequency trading reinforces strength of Australian market structure

Published 16 November 2018

ASIC has today reported on its latest review of the impact of high-frequency trading in the Australian equity and Australian-US dollar cross-rate markets. The review builds on ASIC's 2013 and 2015 analysis of high-frequency trading.

Notable findings from the review, outlined in [Report 597 High-frequency trading in Australian equities and the Australian-US dollar cross rate](#) (REP 597) are:

- High-frequency traders are responsible for a quarter of all market transactions in equities and the AUD/USD cross rate, and it is trending down.
- Traders continue to invest in faster technologies and are accessing markets more quickly. They are undertaking less arbitrage and more position taking, with less intraday trading and longer holding times.
- High-frequency traders contribute positively to price formation, benefiting all investors in the market. They also provide important liquidity during market stress or peak demand.
- There is a cost to natural market users from high-frequency trader intermediation, but this cost is small, and it is trending down.

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Source: ASIC

<https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-344mr-asic-s-review-of-high-frequency-trading-reinforces-strength-of-australian-market-structure/>

Short Selling

- What is Short Selling?
- How does short selling work in Australia?
- Is there a limit to short selling?
- What type of investors short sell?
- Short selling information sources – ASX, ASIC, etc?

Short Selling

ASIC issues information sheet on activist short selling in Australia

Published 1 June 2021

ASIC has today published Information Sheet 255 *Activist short selling campaigns in Australia* ([INFO 255](#)), considering the practice of 'activist short selling' in Australia and outlining ASIC's expectations to promote market integrity during these campaigns.

Activist short selling involves a person taking a short position in a financial product and then publicly disseminating information directly or through an agent that might negatively impact the price of the product (short report). A short report may, for example, call into question or directly criticise an entity's finances, management, public disclosures or future prospects.

INFO 255:

- describes the impact of activist short selling on markets
- provides an overview of the Australian regulatory framework relevant to these campaigns
- recommends better practices for activist short sellers and authors of short reports, market operators, target entities and market participants
- lists some of the actions that ASIC may take in response to these campaigns.

Source: ASIC

<https://asic.gov.au/regulatory-resources/markets/short-selling/activist-short-selling-campaigns-in-australia/>

Thank you.