EF4323: TRADING ROOM WORKSHOP

Effective Term
Semester A 2024/25

Part I Course Overview

Course Title
Trading Room Workshop

Subject Code
EF - Economics and Finance
Course Number
4323

Academic Unit
Economics and Finance (EF)

College/School
College of Business (CB)

Course Duration
One Semester

Credit Units
3

Level
B1, B2, B3, B4 - Bachelor's Degree

Medium of Instruction
English

Medium of Assessment
English

Prerequisites
CB3410 Financial Management or FB3410 Financial Management
EF3320 Security Analysis and Portfolio Management

Precursors
EF3333 Financial Systems, Markets and Instruments

Equivalent Courses
Nil

Exclusive Courses
EF4322 Trading Room Workshop

Part II Course Details

Abstract

Several studies, such as Flanegin and Rudd (2005), suggested that the divergence in subjects covered in university finance programs and those used by practitioners on a fairly consistent basis in their jobs do exist. This course aims to bridge the gap. To achieve the objective, the course is divided into four major parts. The first part of the course describes the various activities that go on inside a trading room. The second part of the course is technical analysis. The third part of the course is trading simulation using the Rotman Interactive Trader (RIT). The forth part is group project. This course aims to provide students with: actual trading experience to supplement various segments of an investment course via experimental learning and simulated trading; the ability to apply finance theories to actual trading in different financial market; the ability to utilize popular professional databases to enhance financial analysis; an understanding of how insights of behavioural finance complement the traditional finance paradigm; and an understanding of major applications of technical analysis.

Course Intended Learning Outcomes (CILOs)

	CILOs	Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Apply the finance theories to make informed investment decisions, such as identifying arbitrage opportunities, managing risk by hedging and portfolio management, and using financial leverage effectively in a laboratory trading environment; identify the activities that go on inside a trading room, the job descriptions and skill sets required for practitioners.	30	x	x	x
2	Identify key differences between traditional finance and behavioral finance frameworks, including irrationality and limits to arbitrage, and understand key psychological biases that affect investment decision-making; identify and apply finance theories to make informed investment decisions, such as identifying arbitrage opportunities and using financial leverage effectively, in a trading environment.	30	x	x	x
3	Explain and apply technical analysis in financial markets; justify the technical analysis techniques for securities.	20	x	x	x
4	Discuss the effectiveness of technical analysis, design a trading strategy, and critically evaluate its effectiveness.	10	x	x	x
5	Demonstrate skills in conducting financial analysis and trading using electronic trading platforms (e.g., financial trading systems) with popular professional databases.	10	x	x	x

A1: Attitude
Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability
Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments
Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Learning and Teaching Activities (LTAs)

	LTAs	Brief Description	CILO No.	Hours/week (if applicable)
1	Simulated trading games and after-game discussions (RIT system)	Students will apply finance theories to make informed investment decisions and apply technical analysis in trading simulation. Students will discover effective actions, alternatives, and solutions to different situations in trading simulations and apply the knowledge and skills they acquired in a traditional classroom.	1, 2, 3, 4, 5	9 weeks, 2 hours per week
2	In-class discussions	Students will discover technical analysis and behavioral finance theories through case analysis and in-class discussions. An in-depth discussion will encourage students to integrate their acquired concepts and knowledge.	1, 2, 3, 4, 5	10 weeks, 1.5 hours per week
3	Peer discussion and presentation	Students will engage in groups to share and present conclusions from their findings and discussions to the class. Other students will respond by critiquing the arguments and points of view.	2, 3, 4	"1 week, 3 hours"
4	Demonstration and self practice by using professional financial databases	Students will trade using professional financial databases and understand market conventions for equity trading. Students will understand the prevalent trading quotes, explore and interpret popular technical analysis indicators, and practice buying/selling trading tickets.	1, 2, 3, 4, 5	1 week, 3 hours

Assessment Tasks / Activities (ATs)

	ATs	CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	Group Project of Trading Simulation	1, 2, 3, 4, 5	50	
2	RIT system trading games	1, 2, 3, 4, 5	30	
3	Participation and Attendance		20	

Continuous Assessment (%)

100

Examination (%)

0

Assessment Rubrics (AR)

Assessment Task

Group Project of Trading Simulation

Criterion

Effective trading strategy; successful VBA/Python coding; high-quality report; informative presentation

Excellent (A+, A, A-)

The trading strategy generates high profits; efficient VBA/Python coding; accurate and informative report; excellent presentation.

Good (B+, B, B-)

The trading strategy generates average profits; effective VBA/Python coding; good report; good presentation.

Fair (C+, C, C-)

The trading strategy generates low profits; mediocre VBA/Python coding; mediocre report; mediocre presentation.

Marginal (D)

The trading strategy breaks even; VBA/Python codes bearly work; report is readable; mediocre presentation.

Failure (F)

The trading strategy loses money; VBA/Python codes do not work; report is painful to read; bad presentation.

Assessment Task

RIT system trading games

Criterion

Effective reaction to market information and the use of profitable trading actions

Excellent (A+, A, A-)

Top 10% trading profit

Good (B+, B, B-)

Top 11% to 40% trading profit

Fair (C+, C, C-)

Top 41% to 70% trading profit

Marginal (D)
Top 71% to 90% trading profit

Failure (F)
Bottom 10% trading profit

Assessment Task
Participation and Attendance

Criterion
Show up on time and be proactive in class

Excellent (A+, A, A-)
Show up > 90%; very active in class

Good (B+, B, B-)
Show up > 80%; more active than an average student

Fair (C+, C, C-)
Show up > 70%; somewhat active

Marginal (D)
Show up > 70%; marginally active

Failure (F)
Show up < 70%; not active

Part III Other Information

Keyword Syllabus

1. Market Efficiency.
2. Portfolio Theory.
3. Valuation Models.
4. Derivatives.
5. Technical Analysis.
6. Behavioral Finance.

Reading List

Compulsory Readings

	Title
1	Larry Harris, Trading and Exchanges: Market Microstructure for Practitioners, Current Edition, Oxford University Press
2	John Teall, Financial Trading and Investing, Current Edition, Academic Press
3	Kirkpatrick, Charles D., and Dahlquist, Julie. R., Technical Analysis: The Complete Resource for Financial Market Technicians, FT Press, Pearson.
4	Pring, M., Technical Analysis Explained, McGraw Hill.
5	Shleifer, Andrei, Inefficient Markets: An Introduction to Behavioral Finance, Oxford University Press.
6	Shefrin, Hersh, Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing, Oxford University Press.

7	Thaler, Richard H. (ed.), Advances in Behavioral Finance, Vol. II, Princeton.
8	The Reuters Financial Training Series, The Reuters.
9	Bauer Jr. R. J., and Dahlquist, J R., Technical market indicators: analysis & performance, John Wiley & Sons, 1999.
10	Benninga, S., Principles of Finance with Excel, Oxford University Press, 2006.
11	Bulkowski, Thomas N., Encyclopedia of Chart Patterns, 2nd Edition, John Wiley & Sons, 2005.
12	Kirkpatrick, Charles D., and Dahlquist, Julie. R., Technical Analysis: The complete resource for financial market technicians, FT Press, Pearson, 2008.
13	Murphy, J., Technical Analysis of the Financial Markets: A comprehensive guide to trading methods and applications, New York Institute of Finance, 1999.
14	Pring, Martin J., Technical Analysis Explained, 4th Edition, McGraw-Hill, 2002.
15	Park, Cheol-Ho and Irwin, Scott H., The Profitability of Technical Analysis: A Review, AgMAS Project Research Report, 2004.
16	Nison. S., Japanese Candlestick Charting Techniques, New York Institute of Finance, 1991.
17	James Angel, L. Harris, and C. Spatt, Equity Trading in the 21st Century, Quarterly Journal of Finance
18	Jonathan Tse, X. Lin, and D. Vincent, High Frequency Trading – The Good, The Bad, and the Regulation, Credit Suisse.
19	Jonathan Tse, X. Lin, and D. Vincent, High Frequency Trading – Measurement, Detection and Response, Credit Suisse.

Additional Readings

	Title
1	Rotman Interactive Trader https://inside.rotman.utoronto.ca/financelab/rit-downloads/
2	Websites from the HKEx, SFC, Bloomberg, Reuters etc.
3	http://www.investopedia.com/
4	http://stockcharts.com/school/doku.php?id=chart_school
5	http://thepatternsite.com/
6	http://finance.yahoo.com/