

Syllabus

Course Description

Course Title	Lab in Financial Trading (FIN III)
Course Code	25432
Course Title Additional	
Scientific-Disciplinary Sector	NN
Language	English
Degree Course	Master in Accounting and Finance
Other Degree Courses (Loaned)	
Lecturers	Dott.ssa Luisella Bosetti, Luisella.Bosetti@unibz.it https://www.unibz.it/en/faculties/economics-management/academic-staff/person/44014
Teaching Assistant	
Semester	Second semester
Course Year/s	2
CP	3
Teaching Hours	18
Lab Hours	-
Individual Study Hours	-
Planned Office Hours	9
Contents Summary	The course is designed to introduce students to the theory and practice of trading and market microstructure, by encompassing trading venues, dealer networks, and new trading platforms. The course content is consistent with the "Trading curriculum program" adopted by the CFA Institute for students seeking designation as a Chartered Financial Analyst (CFA). The main subject areas covered in the course are: a) the theory and stylized facts of market microstructure; b) trading behavior and monitoring in high-frequency trading markets; c) trading strategies, algorithmic and high frequency trading; d) transaction cost analysis and exchange trading fee pricing.

Course Topics	<p>Laboratory in Financial Trading (LABFT) is a second-year course for students attending the M.Sc. in Accounting and Finance. LABFT is a graduate course designed to introduce students to the theory and practice of trading and market microstructure, by encompassing trading venues, dealer networks, and new trading platforms.</p> <p>LABFT will have an initial part (4-hour session) on the theory and empirics of market microstructure. Subsequently the course will progress to the practice of trading also with lectures given by professionals of trading and quantitative portfolio businesses. The course concludes discussing written assignments on topics connected to liquidity and market quality, trading strategies, and new dynamics in the Exchange industry environment.</p> <p>Attending LABFT provides students with an understanding that trading is not just about being smart. Winning in trading requires good ideas, which can come from, for example, a better understanding/analysis of news and quantitative metrics about a certain industry or company. However, ultimately, just like in a sport, the trader must know the other players and the rules of the game.</p>
Keywords	Market microstructure, trading strategies, trading behaviour, transaction cost analysis, quantitative portfolio management.
Recommended Prerequisites	
Propaedeutic Courses	
Teaching Format	Classroom activity will alternate background lectures, exercises, and trading simulations.
Mandatory Attendance	
Specific Educational Objectives and Learning Outcomes	<p>ILO (Intended Learning Outcomes)</p> <p>ILO 1 – Knowledge and Understanding:</p> <p>ILO 1.1 Knowledge of the characteristics associated with extraordinary corporate management events, such as capital operations, access to financial markets, mergers and acquisitions, corporate crises, and restructuring</p> <p>ILO 1.2 Understanding of issues and techniques related to the organisation and financial management of companies and financial intermediaries</p>

	<p>ILO 1.3 Knowledge of a wide range of investment, financing, and risk management tools, starting from the fundamentals of portfolio diversification and the classical models for asset pricing and risk measurement</p> <p>ILO 1.4 Understanding of specific Finance topics that characterise the roles of Financial Analyst, Portfolio Manager, Chief Financial Officer (CFO), Administrative Manager, Controller, Internal Auditor, and Business Consultant</p> <p>ILO 2 – Applying Knowledge and Understanding:</p> <p>ILO 2.1 Ability to analyse complex problems in a national and international interdisciplinary context</p> <p>ILO 2.2 Ability to identify, evaluate, and manage investments in financial markets</p> <p>ILO 2.3 Ability to design coherent financial management strategies in companies or financial intermediaries, applying acquired knowledge in risk management techniques, asset valuation, and derivative handling</p> <p>ILO 3 – Making Judgements:</p> <p>ILO 3.1 Ability to relate models and empirical evidence in the study of companies, intermediaries, and financial markets</p> <p>ILO 4 – Communication Skills:</p> <p>ILO 4 Ability to communicate effectively, both orally and in writing, the specialised content of individual disciplines, using different registers depending on the audience and the communicative and educational purposes, and to assess the educational impact of such communication</p> <p>ILO 5 – Learning Skills:</p> <p>ILO 5.1 Ability to frame a new problem systematically and to generate appropriate taxonomies</p> <p>ILO 5.2 Ability to develop general models based on the phenomena studied</p>
Specific Educational Objectives and Learning Outcomes (additional info.)	<p>ILO 1 - Knowledge and understanding</p> <p>ILO 1.1 Knowledge and understanding of operations of market structures and trading environments such as traditional exchanges, multilateral trading platforms, over-the-counter markets, private market platforms.</p>

	<p>ILO1.2 The cost and benefit from trading. Structuring order placement and trading strategies in competitive and fast-moving trading markets.</p> <p>ILO 1.3 Link between quantitative portfolio management and trading strategies.</p> <p>ILO 1.4 Digital assets and related trading strategies.</p> <p>ILO 2 - Applying knowledge and understanding: Ability to use background theory and trading techniques to implement order management and execution in a trading platform.</p> <p>ILO 2.1 What is and how to use the implementation shortfall, one of several industry standard metrics to measure cost and efficiency in trading.</p> <p>ILO 2.2 How to implement trading strategies to execute quantitative portfolios.</p> <p>ILO 2.3 How to include digital assets in a portfolio and how to trade them.</p> <p>ILO 3 - Making judgments: The course combines the latest academic thinking with hands-on business practice and its main goal is that attending students should develop by the end of classroom activity an expanded ability to analyse and think about sound trading decisions, and to defend these decisions with analytical reasoning.</p> <p>ILO 4 - Communication and Learning skills: Students should carefully read book chapters and supplemental readings and be prepared to discuss all assigned exercises/simulations and to prepare trading simulation. They can expect to be asked in class to present their trading execution ideas and how to implement them. Exercises, Case studies and supplemental readings (to be found in the library course shelf and Online Reserve Collection) are detailed in the course syllabus and outline available in the course's OLE platform.</p>
Assessment	<p>A. Modality "Attending" Student</p> <p>Assessment 1: open-book in-class quick tests per each speaker Lecture. ILOs: I.1-1.4, 2.1-2.1, 3.</p> <p>Assessment 2: Take home essay on one of a series of suggested topics. ILOs: 1, 2, 3, 4</p> <p>As the LABFT is a short and compressed course, if a student</p>

	<p>misses more than one session, she/he will not be allowed to take "attending student" assessment in-class tests and paper/case study valuation, but she/he will be directed to take "not attending student" final exams (see below). Notice that student attendance will be enforced.</p> <p>B. "Modality "Non-Attending" Student</p> <p>Closed-book written final exam on the theory and empirical analysis of financial market microstructure. To prepare final exam students are encouraged to work through the required readings (the same assigned to attending students) as well as the supplementary readings (as detailed in the syllabus). (ILOs: 1, 2, 3)</p>
Evaluation Criteria	<p>Attending students: 50% in-class test and 50% paper/case study</p> <p>Non attending students: 100% written exam</p>
Required Readings	<p>Attending students:</p> <ul style="list-style-type: none"> • Teaching Slides and lecture notes to be downloaded from course UNIBZ OLE Platform. • Some further readings and notes could be available in course UNIBZ Library Reserve Collection (ULRC) or handed out in advance of specific class sessions. However, ULRC could be accessed through Course OLE Platform. <p>Non attending students, IN ADDITION to the above:</p> <ul style="list-style-type: none"> • Barry Johnson, <i>Algorithmic Trading & DMA - An introduction to direct access trading strategies</i> • Larry Harris, <i>Trading and Electronic Markets: What investment professionals need to know</i>, CFA Institute Research Foundation, 2015. • Murgia-Pinna-Gottardo-Bosetti, <i>The impact of large orders in electronic markets</i>, International Review of Economics and Finance, 2019.
Supplementary Readings	<p>Further useful references for gaining a better understanding of the theory, empirical analyses, practical ideas and regulation of microstructure of financial markets are:</p> <ul style="list-style-type: none"> • Madhavan, 2000, Market microstructure: a survey, <i>Journal of financial markets</i>, Vol. 3, pp. 205-258. • Hasbrouck, 2007, <i>Empirical market microstructure: the institutions, economics and econometrics of securities trading</i>. Oxford University Press, New York.

	<ul style="list-style-type: none"> • Angel-Harris-Spatt, 2011, Equity trading in the 21st Century, <i>Quarterly Journal of Finance</i>, Vol. 1-1, pp. 1-53. • Amihud-Mendelson-Pedersen, 2012, <i>Market Liquidity – Asset pricing, risk and crises</i> – Cambridge University Press.
Further Information	
Sustainable Development Goals (SDGs)	Quality education, Good health and well-being