MARKET MAKING

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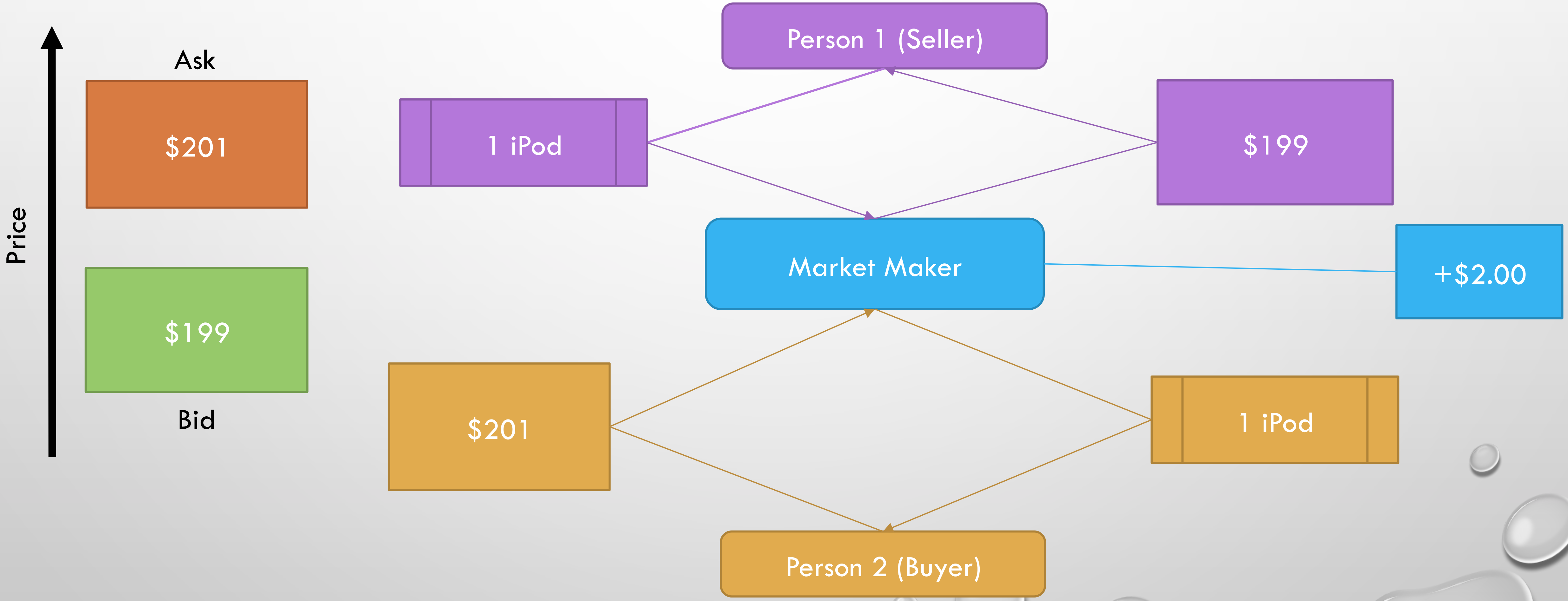
MARKET MAKING EXPLAINED

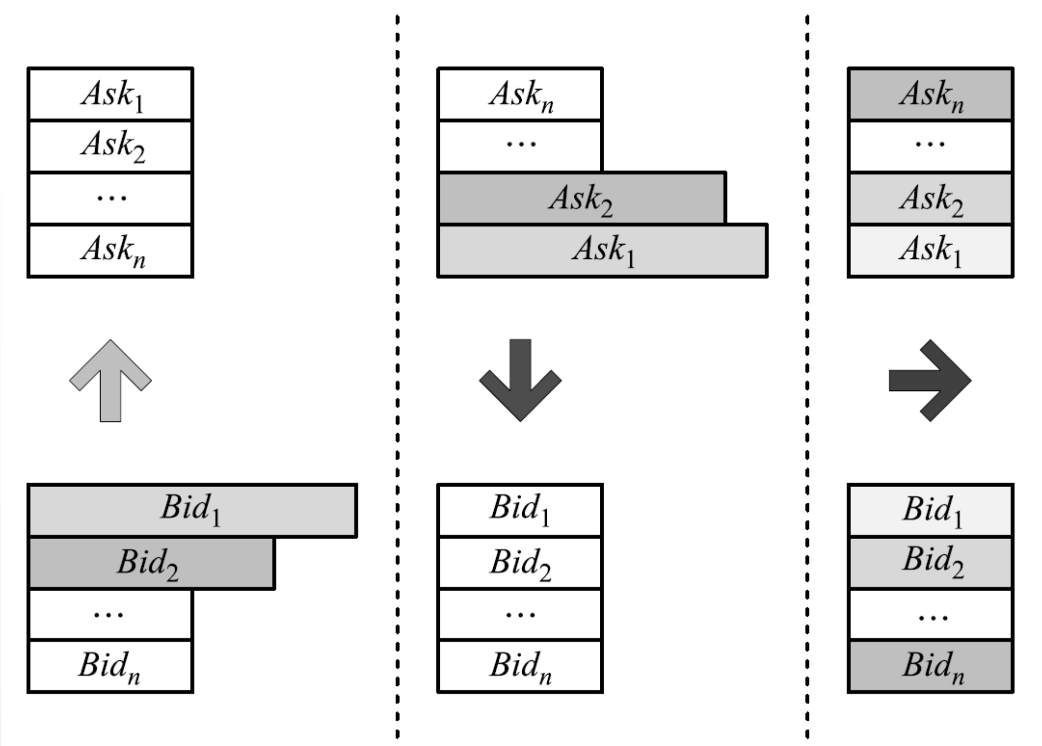
- MARKET MAKERS PROVIDE LIQUIDITY IN AN EXCHANGE BY QUOTING BOTH A BID AND ASK PRICE IN A FINANCIAL INSTRUMENT
- MAKE PROFIT BY TAKING ADVANTAGE OF THE BID-ASK SPREAD

MARKET MAKING EXAMPLE



STRATEGY OUTLINE

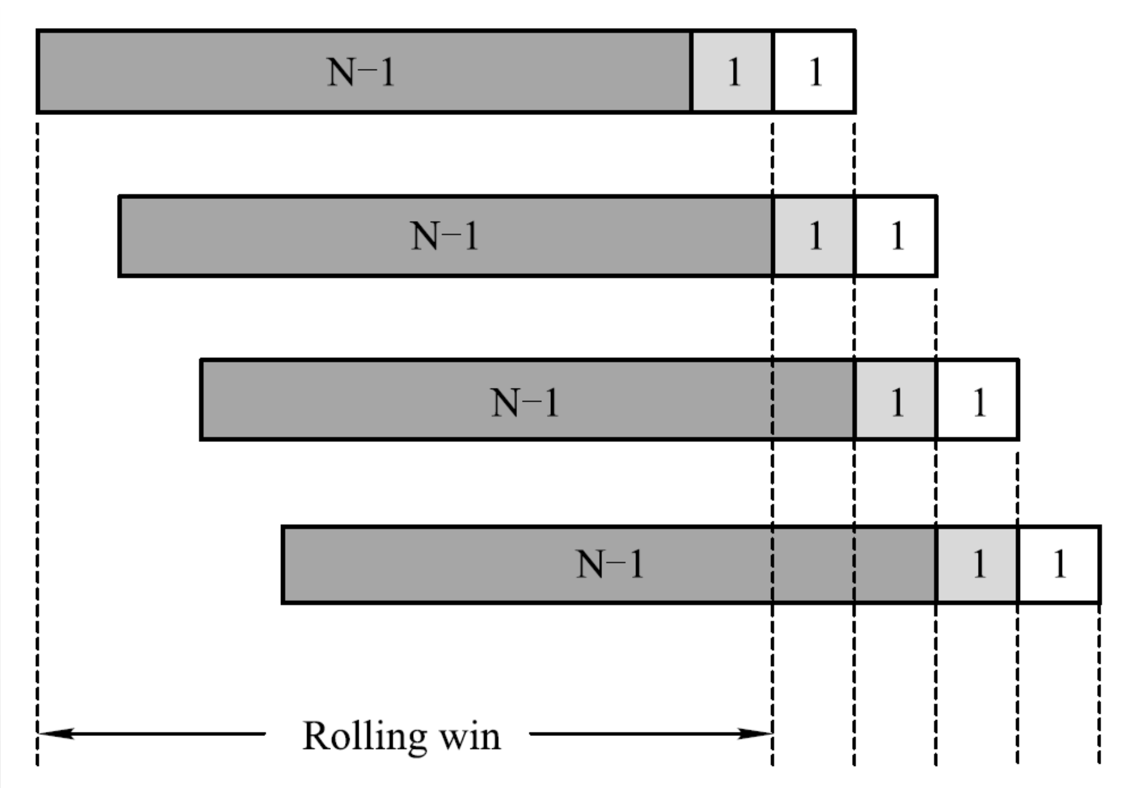
- LOOK AT MARKET BOOK DATA AND PERIODICALLY GENERATE SIGNAL INDICATING EVOLUTION OF STOCK PRICE
- POST BID AND ASK ORDERS ADJUSTED FOR THIS EVOLUTION
- IF ONLY ONE SIDE ONLY IS HIT AFTER A WAITING PERIOD, CANCEL ORDER AND POST NEW ADJUSTED QUOTES



Li, Deng, Zhu, Wang, Xie; *An intelligent market making strategy in algorithmic trading*

PREAMBLE STRATEGY TRAINING

- SVM FROM HISTORICAL DATA
- SAMPLING OF MARKET BOOK DATA
- STOP LOSS FUNCTION



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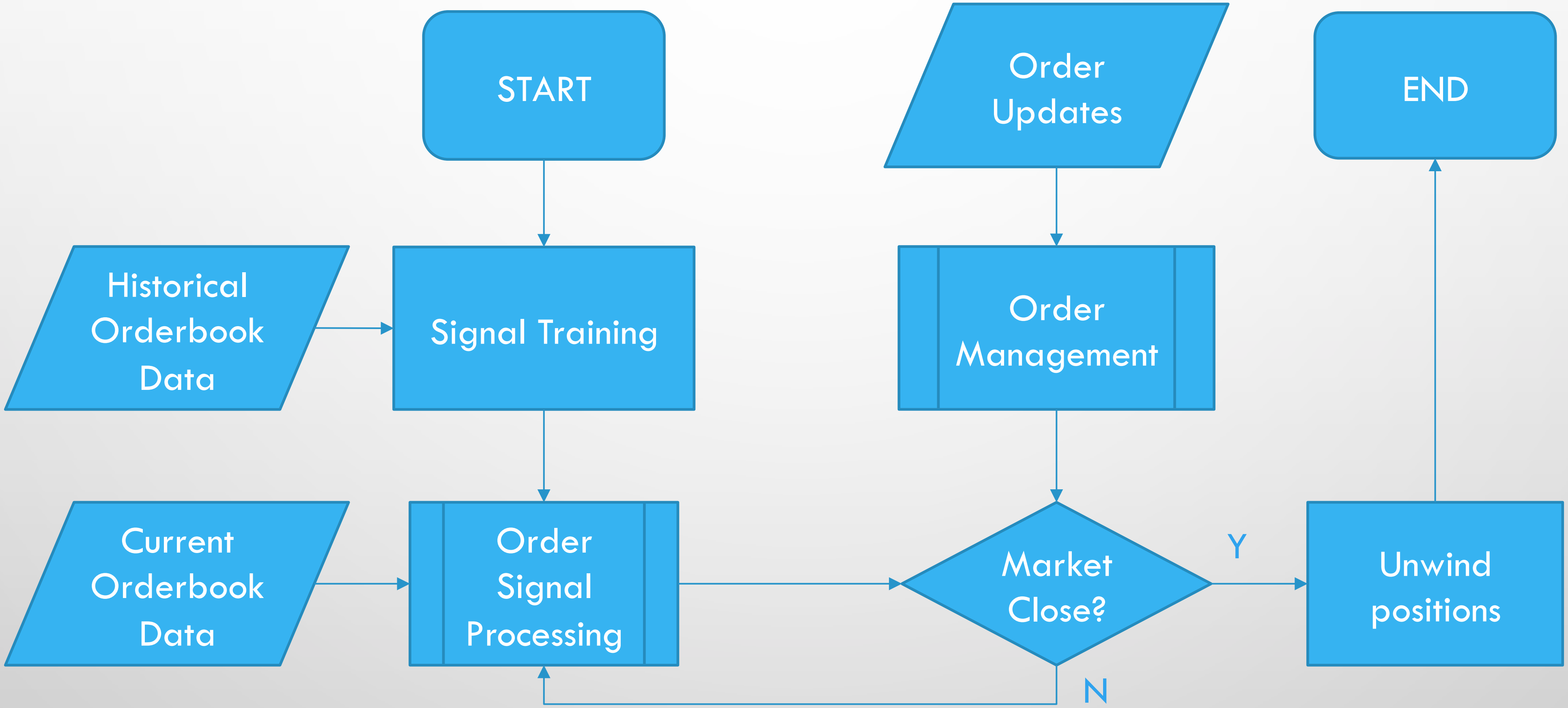
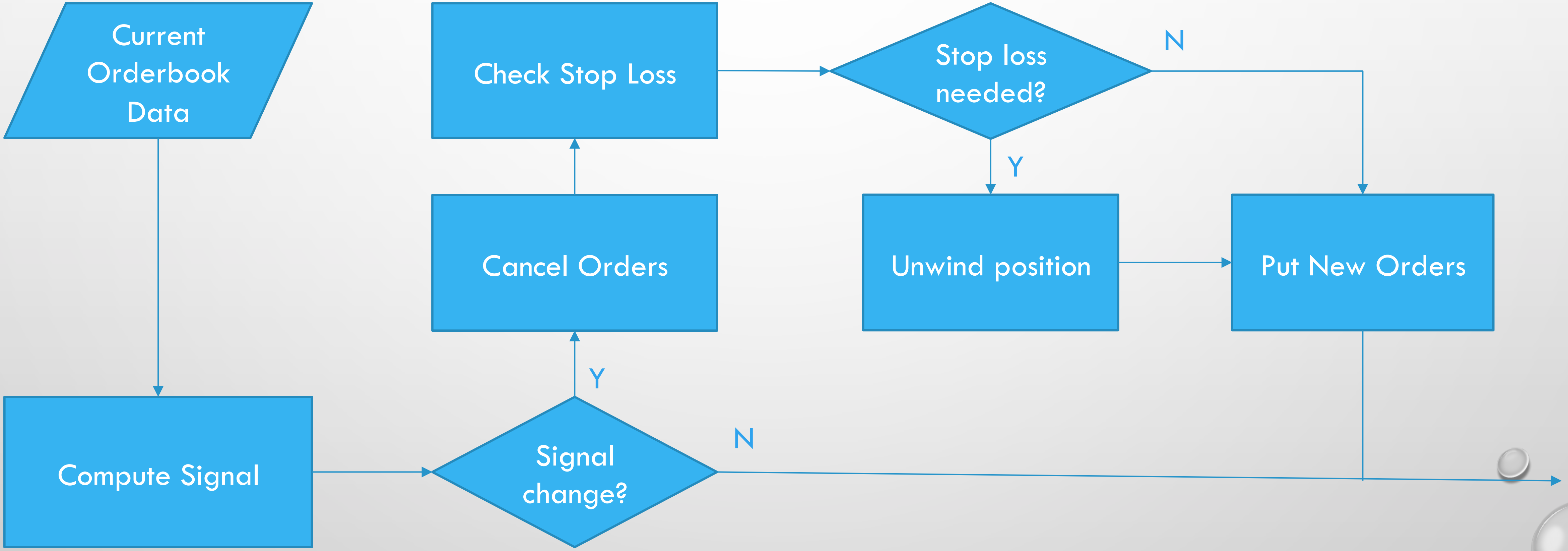
MAIN PROGRAM FLOW



ORDER SIGNAL PROCESSING



ORDER MANAGEMENT