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Market Chameleon

Market Trading Sessions

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Trading Sessions

Discuss 5 Different Trading Sessions

1. Pre-Market
 2. Open Cross
 3. Regular Trading Hours
 4. Close Auction
 5. After-Hours
- Differences, Insights

Pre-Market (4 am to 9:30 am)

Characteristics:

Trader Cohort: Active trader

Needs Approval To Trade Pre-market

Reactionary to news cycles (e.g., earnings, economic updates).

Continuous trading, but not bound by regular market rules.

Runs Models to re-price fair value, anticipates order flow and opening print

Pre-market

Usually Excludes Certain Type of Traders

- Passive (IRA, Pensions, Etc..)

- Options Markets Are Closed (No spillover from Option Trades)

- VWAP Orders

- Strategies Based On Pegs (Baskets, Pairs Etc...)

- Institutions That Require Execution Quality

Pre Market Disadvantages

Less Liquid

More Volatile

Does Not have Access To Full Limit Order Book (Certain Order Are Designated For Regular Trading Hours Only)

The Opening Cross

A single price auction set by the listing exchange

Specialist Can Trade From Inventory To Offset Imbalance

Open Cross

Trader Cohort: Active and Passive Limit Orders

Trader That Can't Trade Pre-Market

Trading Strategy Needs Opening Price (Index Settlements)

Limit Order Book Matches

Regular Trading Hours (9:30 am to 4 pm)

Characteristics:

Involves all trader cohorts and strategies.

Key Insights:

Volume profile can vary by time of day:

Initial and final hours see peak volumes.

Noticeable surge in the last two minutes. Strategies may require rebalancing or anticipating the closing price.

The Closing Auction

Major liquidity event and determines the day's official closing price.

Key Insights:

Important for certain securities and strategies that depend on closing prices.

Significant for mutual funds calculating NAVs based on closing prices.

Create and Redeem Shares

Portfolio Rebalance

Functions as a single price auction matching buy/sell orders.

After-Hours Trading

Characteristics:

Similar to pre-market but occurs post regular trading hours.

Key Insights:

Dominated by active traders reacting to late-breaking news.

Typically less liquid than other sessions.

Volume Analysis

Methods:

Segmenting volume into buckets for refined insights.

Benefits:

Spotting trends and shifts in trader participation.

Identifying potential rotations.