Types of Instructions – Market, Limit, Stop Market, Stop Limit

Market Instruction

Buying instruction – shares will be bought for the lowest available price on the market.

Selling instruction – shares will be sold for the highest available price on the market.

Limit Instruction

Instruction parameters: Limit price (price condition)

Buying instruction – shares will be bought for the lowest available price on the market, at the maximum of the set limit price.

Selling instruction – shares will be sold for the highest available price on the market, at the minimum of the set limit price.

Stop Market Instruction

This instruction can also be described as a market instruction with an activation condition. It is used especially for a timely reaction to a rapid market change.

Stop Market Buying Instruction

Use:
The client instructs the purchase of a security provided that the price crosses the set barrier. (For example, the announcement is expected of a company's important results. In the event of extraordinarily good results, the price of shares may cross a signicant barrier and rise sharply. In such a case, the client already wants to make a prot from this rise.)

Instruction parameters:
Activation price: the price that activates the buying instruction. So that the buying instruction can be activated, securities must be traded once for this or a higher price.

The condition for setting the activation price: the activation price must be > the current price (price of the last closed transaction).

Example of the stop market for buying:
– current price: EUR 48
– the client instructs the purchase of a security provided that the price crosses the barrier of EUR 50

the client instructs: STOP MARKET
– activation price: EUR 50

If trading takes place on the market for a price higher or equal to EUR 50, then an instruction to buy is sent out to the market. The type of instruction is the market instruction. Securities are bought for the lowest available price on the market.

Stop Market Selling Instruction

Use:
The client owns securities and wants to be insured against loss from a possible sharp price fall. (For example, the announcement is expected of a company's important results. In the event of the surprisingly negative results the price of shares may fall sharply. The client wants to be insured against a big loss and therefore instructs a stop limit for selling.)

Instruction parameters:
Activation price: the price that activates the selling instruction. So that the selling instruction can be activated, securities must be traded once for this or a lower price.

The condition for setting the activation price: the activation price must be < the current price (price of the last closed transaction).

Example of stop market for selling:
– current price: EUR 52
– the client wants to be insured against a sharp price fall, instructs the sale of securities provided that the price crosses the barrier of EUR 49

the client instructs to sell: STOP MARKET
activation price: EUR 49

If trading takes place on the market for a price lower or equal to EUR 49, then an instruction to sell is sent out to the market. The type of instruction is the market instruction. Securities are sold for the highest available price on the market.

Stop Limit Instruction

This instruction can also be described as a limit instruction with an activation condition. It is used especially for a timely reaction to a rapid market change.

Stop Limit Buying Instruction

Use:
The client instructs the purchase of a security provided that the price crosses the set barrier. But at the same time he also instructs to set maximum price for which he is willing to buy. (For example, the announcement is expected of a company's important results. In the event of extraordinarily good results, the price of shares may cross a signicant barrier and rise sharply. In such a case, the client already wants to make a prot from this rise.)

Instruction parameters:
Rule for security: Activation price: the price that activates the buying instruction. So that the buying instruction can be activated, securities must be traded once for this or a higher price.

The condition for setting the activation price: the activation price must be > the current price (price of the last closed transaction).

Rule for certificates traded on PSE:
Activation price: the price that triggers the buying instruction.

Offer quotation needs to exceed or be equal to the activation price for activation of the buying instruction.

Limit price (price condition): maximum price for which the client is willing to buy a security.

Example of stop limit for buying a security:
– current price: EUR 48
– the client instructs the purchase of a security provided that the price crosses the barrier of EUR 50, but also for a maximum of EUR 51

the client instructs to buy: STOP LIMIT
– activation price: EUR 50
– limit price: EUR 51

If trading takes place on the market for a price higher or equal to EUR 50, then an instruction to buy is sent out to the market. The type of instruction is the limit instruction. Securities are bought for the lowest available price on the market, at the maximum of the set limit (EUR 51).

Stop Limit Selling Instruction

Use:
The client owns securities and wants to be insured against loss from a possible sharp price fall. (For example, the announcement is expected of a company's important results. In the event of the surprisingly negative results the price of shares may fall sharply. The client wants to be insured against a big loss and therefore instructs a stop limit for selling.)

Rule for security:
Activation price: Activation price: the price that activates the selling instruction. So that the selling instruction can be activated, securities must be traded once for this or a lower price.

The condition for setting the activation price: the activation price must be < the current price (price of the last closed transaction).

Rule for certificates traded on PSE:
Activation price: the price that triggers the selling instruction.

Bid quotation needs to descend or be equal to the activation price for activation of the selling instruction.

Limit price (price condition): minimum price for which the client is willing to sell a security.

Example of stop limit for selling a security:
– current price: EUR 52
– the client wants to be insured against a sharp price fall, instructs the sale of securities provided that the price crosses the barrier of EUR 49, but also for a minimum of EUR 45

the client instructs to sell: STOP LIMIT
– activation price: EUR 49
– limit price: EUR 45

If trading takes place on the market for a price lower or equal to EUR 49, then an instruction to sell is sent out to the market. The type of instruction is the limit instruction. Securities are sold for the highest available price on the market, at least for the set limit (EUR 45).