Hype vs. Substance:
Utilizing the University Trading Room as an Experiential Learning Tool

Submitted By:

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Abstract:

This is a funding request for the Think Big Grant proposal pertaining to the installment, development, and execution of a program that makes real trading experience accessible to our students, faculty, and even local businesses. The program is called TraderEX and it makes a real trading experience available in finance labs such as the W. Allen Tilley Trading Room in the Wilson School of Commerce. Participants are able to interact in a full day trading simulation that can take place in as little as fifteen minutes. Here, students will learn to combine market and limit orders, and develop tactics to trade against the class and/or the computerized market. The program provides a means of assessment of learning in a post-simulation period as traders evaluate their success in capturing profits and achieving the best average price with the least amount of risk.

Introduction:

In a study on Business Programs in North America, it was found that 20.44% of those programs had a finance lab or trading room. That translates into around 352 labs in North America (USA and Canada). Approximately, 193 schools with labs have Student Managed Funds. The Floyd T. Craven Investment Club at HPU has been managing a portfolio for over a decade. The question of form versus substance is a major issue for all trading rooms. The glitz is easily accomplished. The utilization of a Stock Ticker Display was quite high as 79% of the trading rooms had one. What’s inside the room is the most important factor. The most common lab software were Bloomberg and Factset. HPU has both and in addition offers Compustat and @RISK Monte Carlo Simulation. The piece that is the weakest across all business schools with labs is the availability of a Trading Simulation Platform. While it is true that students, for a fee, can access a platform such as STOCKTRAK, its degree of interaction with the user is limited and is almost passive. There is currently no unique interactive simulation platform at High Point University.
Think Big Grant Project Proposal

TraderEX is an interactive simulation model that allows students to execute orders into a computer driven market that generates order flow and reacts directly to the participant’s actions. Students are able to see their results in real-time and can assess their decisions after a simulation run. Participants gain experience by competing with each other in a networked environment.

Trading rooms usually allow students to obtain fundamental firm and market data that can be used in decisions related to trading and investing. However, as mentioned in the introduction, passively accessing financial data is not sufficient. There needs to be an ability to actively link this information with decisions based on the concepts taught in the classrooms and financial texts. This proposal argues that only when the student experiences what is involved in actually acting upon market news, will their trading room experience be meaningful.

Educators seek immersive opportunities for students to apply their ‘textbook’ knowledge to real world situations. The use of TraderEX can play a key role in accomplishing this. It is for this reason that I am asking for funds not just to offer another learning tool but to bridge the gap between education and real hands-on business experience.

TraderEX – The Power of Simulation

- A 12-month campus license is $9500 per year.
- They provide an administrative login and 50 transferrable student login names and passwords.
- The software is web-based and runs in a browser (e.g., Internet Explorer) as a Java application.
- There is no local installation, but the IT Department should be involved to ensure the latest Java version is available and that their firewall settings are compatible with Java applications.

Budget Worksheet:

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Amount</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>TraderEX</td>
<td>$9,500</td>
<td>Annual license fee</td>
</tr>
<tr>
<td>Summer Salary (Dr. Lifland)</td>
<td>$5,000</td>
<td>One 4-hour Course plus 1 credit hour</td>
</tr>
<tr>
<td>Full Funding</td>
<td>$14,500</td>
<td></td>
</tr>
</tbody>
</table>
Explanation of Budget Item:

**Summer Salary:** Due to past experience with other financial and statistical simulations, Dr. Lifland will be the faculty person involved with the development and execution of a program utilizing TraderEX. Time will be devoted to the creation of specific case studies that explicitly require the use of the software. Further, I want to incorporate this simulation into several of the current finance courses. I will work on tailoring the use of TraderEX to specific chapters in the Bode, Kane, and Marcus Investment textbook. The development of a ‘walkthrough’ guide for students and faculty will also be undertaken. The designated salary is based on one four-hour course in the summer session plus an extra amount that is equivalent to the pay for advising a student during the summer.

**Timeline:**

**Summer 2017**
- Development of the execution of the simulation
- Adapting to specific chapters in financial text
- Incorporating the simulation into the Finance Curriculum

**Fall 2017**
- Implementation of the TraderEX software in Investment classes
- Incorporate the TraderEX software in the meetings of the Floyd T. Craven Investment Club

**Groups Most Likely and Potentially Impacted:**

**Students** – A. Any student who is a member of the Floyd T. Craven Investment Club. The club is open to the entire student body of HPU.
   - B. Students seeking a Finance Major/Minor.
   - C. Students seeking an Accounting Major.
   - D. Students seeking a Bachelor of Science in Actuarial Science (required to take FIN 3020 Investment Analysis).

**Faculty** – A. Of course the faculty instructing any of the finance courses utilizing the TraderEX software.
   - B. Research work performed by faculty in the Departments of Finance and Economics as they deal with Equity Markets.

**Triad Investment Firms** – A. HPU will have the potential to attract Triad Investment Firms such as Merrill Lynch, AG Edwards, and Wells Fargo to utilize TraderEX in our trading room for educational purposes of their own.
Other Sources of Funds:

I have approached both Dean Wehrley of the Earl N. Phillips School of Business and David Bryden, MLS Director of Library Services for monetary help with this project but unfortunately, their budgets at this time were not able to contribute. I am appealing to the Think Big Grant Proposal Committee for financial funding.

Conclusion:

According to the Think Big Grant, funds are made available to faculty who try to address emerging learning opportunities. The grant awards seek to both improve the effectiveness of teaching and enhance student learning through innovative and rigorous projects.

This proposal for the purchase of the TraderEX Simulation Software addresses very important and critical aspects of the academic experience at High Point University.

1. Student Learning
   - The trading room itself gives a sense of authenticity so students feel they are in a ‘financial’ environment. The addition of this simulation can help build excitement and momentum in the learning process.
   - In an authentic trading room, its not set up for just show or hype, there is a real objective. It must have the tools that allow students to analyze and engage in the business world. TraderEX provides this. It’s exciting to know you are using the same business program that professionals utilize.
   - The benefit of this software is that it is not only the Business student who can use it but it will be available to the entire student body at HPU through their participation in the Floyd T. Craven Investment Club.

2. Academic Reputation
   - A trading room with real-world software enables professors to bridge the gap between the written text and dynamic real world situations. A by-product is that students from HPU will come into the marketplace with skills that will allow them to enter with a shorter learning curve as compared to students not exposed to this simulation.

   - All these components within our trading room come together to create a cutting edge setting for our students. However, it should be noted that not only does this give our current students a great education and experience; it will directly contribute to future students who come to look at and attend HPU.
3. **Student Leadership**

- Students adapt to a high-tech atmosphere. While on the surface, the trading room has all the digital displays, internally, it has substantive software like Bloomberg and Factset. In order to use this data to its fullest, it must incorporate a sophisticated simulation package like TraderEX. Students demand the high-tech surroundings.
- Continued exposure by individual students and/or student-teams to trading simulation, case studies on specific concepts, and practical applications of learned material, promote leadership and self-confidence.
- The hope is that the excitement that the trading simulation generates will encourage a life-long learning process. Something new happens every day.

Dr. Steven Lifland would like to express his appreciation for the Think Big Grant Proposal Committee's consideration of this proposal. Please contact me with any questions or concerns that may arise. Appendix A and B and the signature page follow.
Appendix A: Example of TraderEX Trading Simulation Page
Appendix B: Student Teams ‘Learning by Doing’