HINTS AND TIPS

1. The best way of performing well in this project is to simply correctly forecast what the decisions the government will make.
2. Remember, 50% of the marks in this project are for participation, which means making at least 5 trades every week the market is operating. It is important that you stay engaged with the market.
3. Many of the decisions that are presented in the prediction market have been flagged well in advance in a wide variety of media and academic reports. Research into these issues will allow you to identify the most likely answer, or identify possible options which won’t happen.
4. Remember that questions will be released throughout the execution of the market. It is important to keep tracking the market, so you are up to date on what questions are being asked.
5. You can maximise profits by making the correct prediction before everybody else. The sooner you buy the correct option, the greater your eventual return on investment will be.
6. You can also maximise profits by being right when everyone else is wrong. If you spot a possible option that is priced incorrectly, you can make large profits by buying it at a low price.
7. Remember, if you think something definitely won’t happen, it is possible to trade on this belief as well. However, trading in this manner carries more risk if you are wrong. (See FAQ below)

FAQ

FAQ 1: How do I make money?
Put simply, you make money for correctly selecting what will happen. How much you make will be determined by the price on the market when you invest (See FAQ 6). You will make more money by being correct earlier than other students, or being correct when most other students are wrong.

FAQ 2: How do I see what questions are available?

On the top menu bar, select the option labelled “Questions + Discussion”

FAQ 3: How do I see my current status?

On the top menu bar, select the option labelled “Dashboard”. On the right hand side, you will see a large figure directly labelled “Available Now”. This indicates how much money you have to trade. On the left hand side of the screen, you will see information on the options that you are currently holding.

FAQ 4: How do I trade?

First select the question you are interested in participating in. Once you have done this, you will be presented with a page which displays the various options available (Figure 1).
Next, select the option you are interested in trading. For example, in the illustration above, suppose you believe the corporation tax is likely to stay the same, as 12.5%. In this case, simply click on the relevant option.

A dialog box will pop up which will allow you to actually trade. By default, the market will display the simple option (Figure 2).

It is usually better to trade with the advanced mode, as it gives you more control over your decisions. To change to the advanced mode, simply click on the green or blue region in Figure 2. The dialog box will change slightly, and you will see an option at the bottom of the page saying “Advanced Mode” (Figure 3). Click on this link to display the advanced mode.
The advance mode is shown in **Figure 4** below.

You have the option to either Buy or Sell shares in the option that you have selected. On the right hand side, you will see detailed information on the effect of the trade that you make. Of particular note are:

- **Change price to:** This is the price of the share after you have made your trade.
- **Spend:** This is how much virtual currency you will need to spend to buy the number of shares you are interested in.
- **Available after:** This is how much virtual currency you will have left to invest in other options after you have made this trade.

Once you have selected the number of shares you wish to buy, **and indicated why you made selected the option you did** in the textbox labelled "Optionally, say a few words about your reasoning", simple press the button "Place trade" to execute the trade.

**FAQ 5 What if I think something won't happen.**

If you wish to indicate that you think something definitely won't happen, you can choose to sell that...
share, **even if you don’t own it.** This is a process known as shorting. The procedure that you use is the same as buying a share. However, if you sell a share you don’t own, the system will deduct (number of shares sold X 100) for every share you sell, in order to make sure that you can cover your position at the end of the market. You will get this money back at the end of the market, but if the option you select does in fact actually occur, you will lose this money. Short selling is a powerful tool, but you should be comfortable with how it works before you engage in it.

**FAQ 6 How much will I get for being right**

Please note, all the figures used in these examples are estimates. The prediction market uses an algorithm which dynamically recalculates prices in response to every individual trades. Figures given below are merely indicative. To see the precise effect of a particular trade, you will need to analyse the information on the trading screen (see Fig 4)

Consider the example of a question phrased in the form “What will the result of Ireland’s match be?”

There are three options. Ireland will win, Ireland will draw or Ireland will lose. Assuming for the moment, all these options are considered equally likely. The price of each contract will be (roughly) 33 cents.

If you buy 10 shares of the option Ireland will win, then it will cost you (10 x 33), 330 Virtual Euros

- If Ireland do in fact win, then when the market closes you will get (10 X 100) , 1,000 Virtual Euros.
- If Ireland do not win, then when the market closes you will get 0 Virtual Euros.

If you sell the shares you bought later in the market, but before the market closes, then you will receive the current price for your shares. For example, suppose everyone else believes that Ireland will win the match. This will lead to the price rising on the market. Suppose the price reaches 75 at some point after you bought the shares. You can now sell your shares for (10 X 75) , 750, which means you make a profit of 420, since it cost you 330 to buy the shares.

The situation is slightly more complex for shorting, which is to say selling shares you don’t own yet (See FAQ 5). Consider again the above example of Ireland winning. Suppose you think Ireland definitely won’t lose. In this case, you sell 10 shares in “Ireland Lose”. This will again cost you (10 X 33) 330 Virtual Euros.

If you started with 5000 in virtual currency, then you will have 5,330 after this transaction. **However, in order to make sure you can meet your potential obligations at the end of the market, the system will reserve (10 X 100) from your account,** meaning you will only have 4,330 left to trade with.

- If Ireland do not lose, then you will receive back the 1,000 virtual euros.
- If Ireland do in fact lose, you will forfeit the 1,000 virtual euros.

As with standard buying, it is possible to liquidate a short position at current market prices (see FAQ 8)

**FAQ 7: How is performance calculated?**

At the end of the market, when the budget is announced and the actual answers are known, all the shares every individual owns will be converted back to virtual currency. At this point, individuals will be ranked from the person with the most virtual cash to the least, and performance marks will be assigned accordingly.

**FAQ 8: I’ve ran out of cash**

If you run out of cash to trade, the most likely thing that has happened is that all your virtual currency is invested in various options. You can, if you choose, convert some of these shares back to cash at the current market prices. In order to do this, select “Dashboard” on the main menu. This page will list the
shares you currently own. You can convert some or all of your shares back to cash by selecting the Liquidate option (See Figure 5).

**Figure 5**

**FAQ 9: I am happy with the options I have selected, and don’t want to change them, but I need to trade to get performance marks. What do I do?**
If you are happy with the positions you have taken, but want to trade on the market to ensure you get participation marks, the simplest thing to do is to Buy 1 share in an option, and then immediately Sell it again. If you do this quickly, then it will have no effect on your virtual cash balance.

**FAQ 10: Where can I find more information on how prediction markets work?**
For information, view the support pages on [http://support.inklingmarkets.com/kb/trading](http://support.inklingmarkets.com/kb/trading)