NEONET ALGORITHMS

Neonet's algorithms enable you to streamline your workflow, enhance your execution quality and limit your market impact and market risks. All algorithms are fully integrated within Neonet Smart Order Router, with access to over 40 trading venues and dark pools.

ALGORITHMS

Algorithms are different ways of participating and interacting with the market when executing a block order, using linear, historical or actual market volume as a base for volume distribution with different benchmarks and targets.

Compared to a single limit order, algorithms are used to avoid market impact by dynamically sending slices of an order to the market. To further avoid market impact all algorithms have anti-pattern recognition functionality.

KEY FACTORS

Liquidity
Available liquidity in relation to order size, based on the present volumes available in the market and historical average daily volume.

Volatility
Volatility in price and volatility in volumes traded.

KEY PARAMETERS

Urgency
The balance between market impact, when trading too fast, and the market risk when trading too slowly.

Target
What is the target and the benchmark for the execution?

LIT AND DARK WOULD

In order to minimize the market risk that slicing an order over time contributes to, the dark and lit would functionality scans for block opportunities to finish as early as possible.

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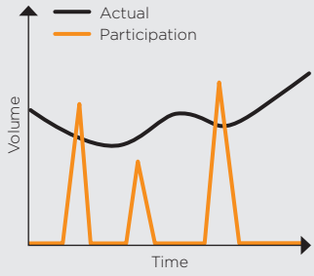
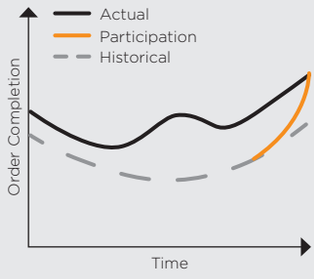
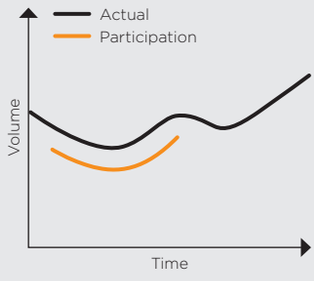
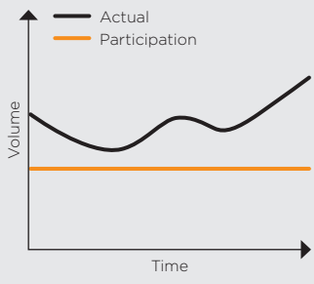
ALGORITHM	WHAT IT DOES	WHEN AND HOW TO USE IT	TRADING PATTERN
DARK	The Dark algorithm scans available dark pools and aims to complete the order as soon as possible, thereby decreasing the market risk. By using dark pools market impact is kept to a minimum. The dark would function can be used in combination with all algorithms.	Useful for accessing liquidity with a minimized market impact. Gets more large fills than available at best bid/offer in the lit market (beating EBBO). The minimum accepted quantity and limit can be set to prevent information leakage and unwanted fills.	
MOC	The MOC algorithm targets the closing price. If the order quantity is too big to execute in the call, a VWAP is executed just before the call with the "extra" volume.	Useful for trading orders where the closing price is used as a benchmark.	
PARTICIPATE	The Participate algorithm follows trading activity in the market, targeting a specified percentage of the volume executed in the market.	Useful for trading in line with volume for both illiquid and liquid instruments.	
SOFTSTOP	The Softstop algorithm is designed to minimize market impact when entering into or exiting out of a position. A softer exit of a position compared to just hitting the offer in the lit market with the entire quantity at once.	At trigger price, starts a Participate algorithm with a minimum and maximum participation rate.	
TWAP	The TWAP algorithm trades at a constant rate over the specified time period.	Suitable for instruments without an apparent and repeated trade pattern, or lower liquidity. Also fits high volatile instruments and a passive execution targeting to trade with high spread capture.	
VWAP	The VWAP algorithm follows the historical normal distribution pattern of volumes over the day.	Suitable for instruments with an apparent and repeated trade pattern, and high liquidity. Useful for trading an order over a set time duration, when the volume weighted average price for the duration of the order is used as benchmark.