CQG Smart Orders

by Thom Hartle

CQG traders have "Smart Orders" that go beyond the standard limit and stop orders by having additional instructions. For example, the standard sell stop order becomes a "sell at market" order if the market trades once at the stop trigger price. CQG developed Quantity Triggered Stop (QTS) orders as a solution for traders to avoid having their stop orders selected by one trade at the stop trigger price. QTS orders use a trader-set threshold that the order queue must drop below before the order is elected.

In this article, we will walk through the details of the QTS and other Smart Orders. Here is a list of current CQG Smart Orders offered to traders in CQG:

- Quantity Triggered Stop (QTS)
- Trailing Stop/Stop Limit
- One-Cancels-Other (OCO)
- Iceberg

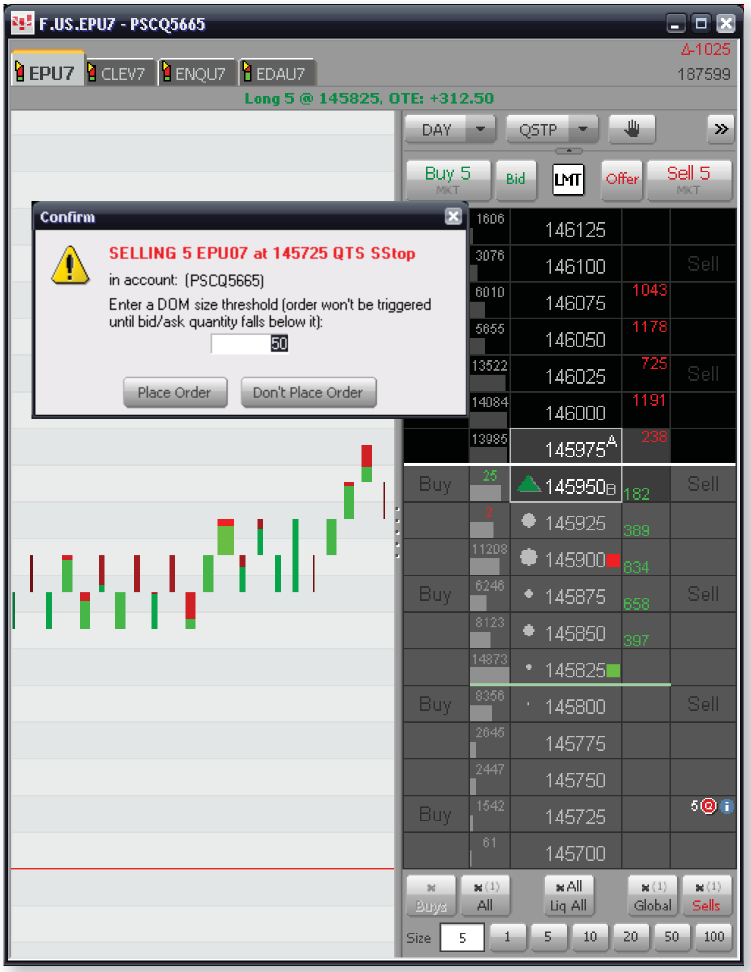
All of the Smart Orders are available in both the DOMTrader and the Order Ticket. Quantity Triggered Stop orders and Trailing Stop/Stop Limit orders can be set as the default orders in the Limits & Stops menu under Trading Preferences. You can also select QTS orders from the pull down menu at the middle top of the DOMTrader and the Order Ticket.

Quantity Triggered Stop Orders

Quantity Triggered Stop orders prevent trades from being stopped out of a long position on the low of a move or a short position on the high of the move.

QTS orders move your stop order from the front of the order queue to the back.

Figure 1 Source: CQG, Inc. © 2007 All rights reserved worldwide. www.cqg.com



When placing the QTS order, a window opens to set the threshold for that order. In this case, the sell stop order is elected if the bid order queue drops below 50 contracts.

The purpose of the QTS order is to avoid having your stop order triggered by a small quantity of trades at the stop order's trigger price. A QTS order is only triggered when the order queue level drops below a level set by the trader. Figure 1 shows a QTS order to sell 5 E-mini S&P at 145725 stop being placed on the price ladder of the DOMTrader. When the QTS order is placed, a window opens to set the threshold for that order. In this case, the sell stop order is selected if the bid order queue drops below 50 contracts. QTS is available for stop, stop limit, and trailing stop/stop limit orders.

Trailing Stop/Stop Limit Orders

Trailing stop and trailing stop limit orders enable traders to manage positions more efficiently. CQG will automatically adjust the stop as the market moves in the position's direction. This is a technique used by traders to lock in profits.

For example, a trader is long the E-mini S&P 500 and places a stop order just below the entry price to limit the loss on the trade. The market climbs and the trade moves into profitable territory. At that point, the stop is manually raised perhaps to break even on the position. The market continues to climb and the stop is manually raised again. Finally, the market peaks, reverses, and hits the stop order locking in a profit.

Figure 2 shows a sell 5 E-mini S&P 500 on a QTS stop at 145950. The QTS order was originally placed with a trigger price of 145850. As the market climbed, the trigger price was automatically raised.

At this point, the market had climbed as high as 146075, and the stop was automatically raised to 145950 QTS. Rolling the cursor over the "i" icon next to the trailing QTS icon gives the details of the order. It is a trailing QTS order set to be triggered if the bid queue drops below 50 contracts and the trailing offset is 125.

Order-Cancels-Order (OCO)

Another useful order management technique is to bracket the market with orders. For example, one way to manage a long position is to place a sell limit order above the market to take a profit and to place a sell stop order under the market to limit the loss on the trade. CQG's Order-Cancels-Order (OCO) can be used to link the two orders. If one order is filled, then the other order is automatically cancelled.

OCO orders are placed by first clicking on the "chain link" icon, then placing the orders, and then clicking the chain link icon a second time to send the linked orders to the exchange. If either order is filled, then the other order is automatically cancelled.

Iceberg

Traders who need to execute an order of a large size but do not want other traders to see their intentions in the exchange order book use Iceberg orders. As the name implies, the tip of the order is displayed in the exchange order book. Iceberg orders are only accepted at Globex and the IntercontinentalExchange (ICE).

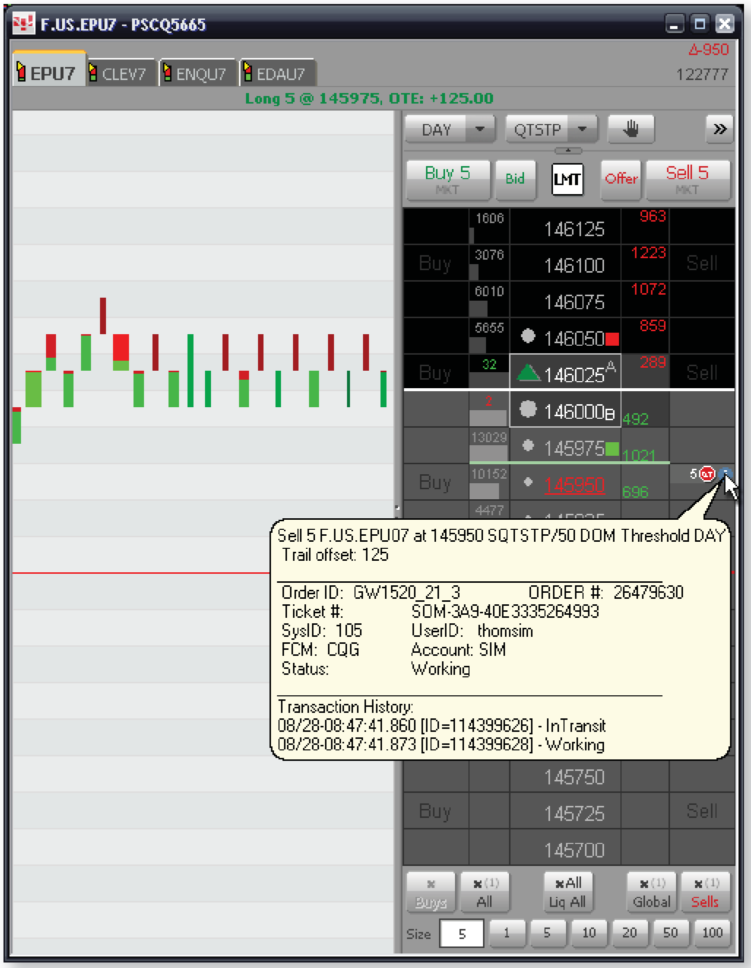
An Iceberg order is a limit day order that is shown on the book according to the display size you set rather than the total size of the order. The Iceberg qualifier can be found in the order duration drop down menu on the DOMTrader and Order Ticket.

Summary

CQG developed Smart Orders to make use of the opportunities available in today's electronically-traded markets. The Smart Orders can be used as stand-alone approaches or in combinations using OCO orders for better trade management.

Trading and investment carry a high level of risk, and CQG, Inc. does not make any recommendations for buying or selling any financial instruments. We offer educational information on ways to use our sophisticated CQG trading tools, but it is up to our customers and other readers to make their own trading and investment decisions, or to consult with a registered investment advisor.

Figure 2



Trailing sell/buy stop orders automatically adjust the trigger price as the market advances/declines. In this case, the sell stop order is elected if the bid order queue drops below 50 contracts.

Contact us:
Web: www.cqg.com | Email: websales@cqg.com | Or call your CQG sales representive...

- US 1 800-525-7082
- Japan +81 (0) 3-3286-6633
- UK +44 (0) 20-7827-9500
- Russia +7 495-795-2410
- France +33 (0) 1-44-88-21-00
- Germany +49 (0) 69-920-7920
- Singapore +65 6720-3165
- Australia +61 (0) 2-9230-6867