

MarketWatch – Virtual Stock Exchange

VSE (Virtual Stock Exchange), is an online simulation of the stock market. It is completely free and is a convenient means to test your trading strategies or even to just learn how to invest.

Overview of the site

You can build and manage virtual portfolios. You can trade actual stocks and Mutual Funds listed on NASDAQ, NYSE and AMEX exchanges. When you register with the site, you start off with an individual portfolio with \$1,000,000 of virtual cash. You can easily monitor your investments and see their percentage change in price for the day. Instead of just managing individual portfolios you can even create and participate in competitions (Create your own virtual stock league) to compare how different strategies perform in a given market situation. The site gives a ranking to all the participants of a competition based on their returns. In actual markets they even take into consideration the risk factor involved in the portfolio but on VSE it is purely based on your returns. In a competition you can set your own rules such as the amount of cash each one starts with. Or whether you want to allow the option to sell short, the interest rates, transaction costs and the volume of stock that can be traded.

Your Portfolio

You can log in and view your portfolio on the site at any time. The site will give you all the information on how each one of your stocks is doing in the market – any %change in prices during the day, your loss/gain due to each stock. You can keep track of your purchasing power which is the one million dollars of virtual cash you get at the beginning of the game, and part from that you can also borrow another million dollars which will be your margin. You earn a money market fund interest, on your uninvested cash which will vary depending on prevailing market conditions. This money market rate is usually around 4-6%. Margins will be charged with interest as well. Of course unlike the actual market you can reset the portfolio anytime you decide you are unhappy with it.

Transactions Supported

You can conduct most of the transactions that you would in an actual market. You can buy, sell and even sell short and buy to cover.

Sell short and buy to cover: When you want to bet against a stock by selling it short, you are selling the stock first and then buying it back later. When short selling a stock, you will be required to post collateral in your short account. This is to protect the broker in the event the shorted stock sees extraordinary gains in value and you are unable to buy it back. When buying back a stock you've shorted, you need to specify "buy to cover". This formality is required to facilitate the registration of the stock certificate as well as some esoteric capital gains treatment.

Types of orders you can execute

- Market Open Orders
All Market Open orders placed before the opening bell (9:30am EST) are executed, based on the opening price, at or around 9:50am assuming there is sufficient Market Volume for the order. If there is insufficient volume for the order to be executed or an opening price has yet to be established (i.e. there is zero volume), there will be an attempt to complete the order every 20 minutes until the market closes. If the stock does not generate sufficient trading volume by the closing bell, the order will expire. Also, orders are partially filled whenever possible (the remaining un-purchased shares will NOT be filled at a later time for Market Open orders).
- Market Close Orders
All Market Close orders will be executed at or around 45 minutes after the closing bell (4:00pm EST), assuming there is sufficient Market Volume for the order. If there is not sufficient volume to complete the entire order, they will be partially filled whenever possible. If there is no volume, the order will expire.
- Market Orders
All Market orders are executed within 2 minutes after placed. It is possible that, during periods of extremely heavy trading, the orders may be delayed slightly longer.
- Stop and Limit Orders
There are two kinds of limit orders you can specify---1. day orders and 2. good until canceled orders.
Stop and limit orders are checked every few minutes to see if the stop/limit price has been met until the market close. Day orders will expire if the Stop/Limit price is not met. GTC orders will remain open until executed, if ever. If you place a limit order (whether during market hours or during off hours) the order is submitted to the appropriate limit order book where it will wait for the market price to move up to your order price (if it is a sell order) or down (if it is a buy order). Note, in extraordinary situations where the market price overshoots your limit order, your order will be executed to your advantage. For instance, if you submitted a limit buy for shares of Company X at 120 and the market ask is only 119, you will purchase your shares at 119 each. On the other hand if you submitted a limit sell for shares of Company X at 117 while the market bid is 118, you will sell your shares at 118 each.

Information about securities

The site has a lot of information to get you started and intiate you into trading. On the home page you have a link to Market overview which gives you all the information

about how the major markets are doing and also how each industry is doing. It also lists the stocks that made significant moves and the most active stocks (determined by the volume of exchange of those stocks) of the day.

They also have a Marketwatch (75) Index. You can compare it to NASDAQ, DJIA & S&P500.

VSE vs Actual Stock Market

You cannot trade options or higher derivatives on VSE. Also VSE currently does not account for dividend payments made by companies. The brokerage fee for any transaction is fixed to flat fee of \$29.95 as opposed to a prorated fee in the actual markets (prorated on transaction size and value).