Take The Initiative And Use Trade Order Qualifiers

Look through these order qualifiers and decide which ones you'll use the next time you take the initiative in your financial game.

- **All or nothing (AON)**. When buying stocks, a trader may only be able to get a few hundred shares at a time for a client – and these may not all be at the identical price. Or, it may not be possible to completely fill the order in one day. If, under these circumstances, you would not want your order executed, you can specify, "All or nothing." If you're interested in a large quantity of stock and stipulate AON on your trade, your order may not be filled because no one is interested in taking the other side of the transaction. Many brokerage firms have "block trading" desks that specialize in handling such large single-stock orders.
- **Day order**. An order to buy or sell that expires at the end of the day, unless it is executed or cancelled by the client before the closing.
- **Good 'til cancelled (GTC)**. A GTC order, also called an "open order," stays in effect until executed or cancelled by the client. Some brokerage firms limit the length of time that open orders can remain active, so check with your broker when placing such an order.
- **Limit**. You can give instructions as to the price (or better) at which you are willing to buy or sell. The trading systems will not execute your order unless the fill will meet, or improve upon, your request.
- **Market order**. This is an instruction to buy or sell stock at the best price currently available.
- **Stop order**. This is an order to buy or sell a stock after it reaches or trades at the specific price that you have requested. After the stop price is met, an order then becomes a market order and is filled along with other market orders at the best price currently available. When would you use a stop order? Let's say you own a stock now trading at $80 per share and feel confident in its prospects. However, some rumors have surfaced that, if true, could severely damage the company. Should you sell it now, thus missing out on the upside potential, or adopt a wait-and-see attitude? If you can handle some loss, but don't want to lose more than $5 per share, you could enter a sell order with a $75 "stop." If the stock begins to tumble and hits $75, then, and only then, will your order go through. By using a stop order, you get out of the stock only if it drops to your stop price. But if its price stays fairly steady or goes up, you hold.
- **Stop-limit order**. This order combines a stop order with a limit order. As soon as your requested price (stop price) is reached, your order changes automatically to a limit order. Then, if your order can be transacted at your requested price (or better), it will be carried out. If it cannot meet this requirement, it will not be executed. For example, presume your shares of XYZ currently trade at $45. You could give an order to sell them at a stop price of $40 with a limit of $39. If the stock subsequently trades at $40, your order will become active, and as long as you can get $39 or better, your order will be filled. On the other hand, if terrible news causes the stock to drop from $45 to $35, you will not sell your shares. Why? Because your limit of $39 can't be met. Since the price of the stock passed through $40, your order will become a regular limit order to sell at $39. But if the market for the stock is at $35, then you will not be able to sell at your limit of $39. You'll have to wait and hope that the price of the stock goes back up to your price. Or, of course, you could just change your order to a market order and sell the stock at $35 if you believe it's destined to continue dropping.