UIAF 安信金融

CROSS-MARKET ARBITRAGE

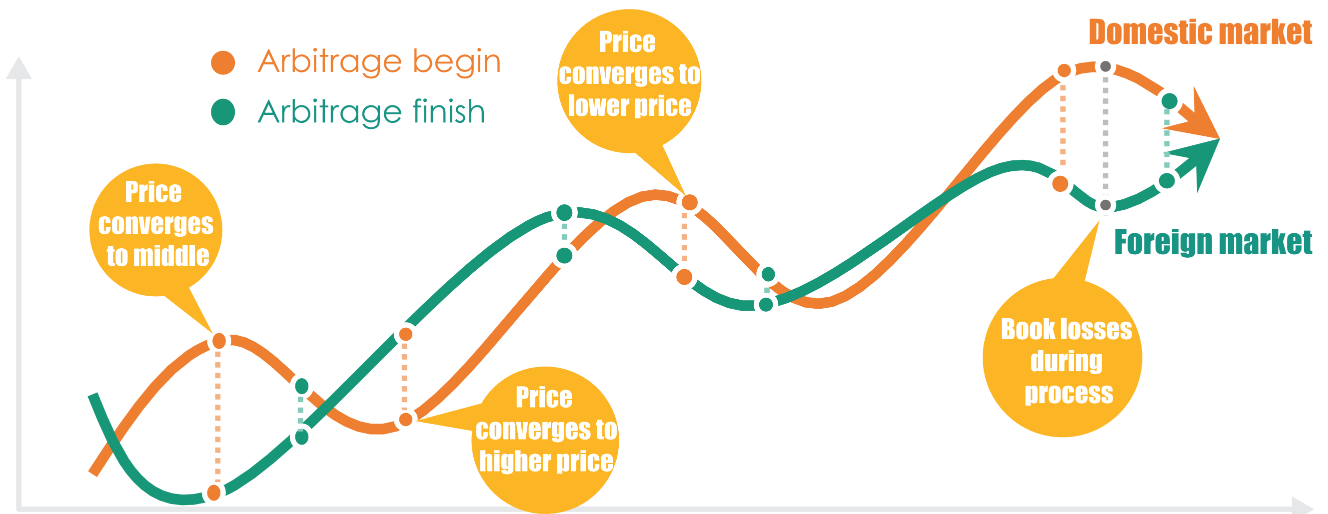
Cross-Market Arbitrage

Establishing opposite positions of the same financial asset in two or more markets at the same time. When there is variance in the price of a financial asset in different markets, purchasing an under-valued financial asset and selling an over-valued financial asset simultaneously to obtaining profit from the spread.

Cross-Market Arbitrage Market in China

Principle of Cross-Market Arbitrage

Profitable regardless of how prices converge

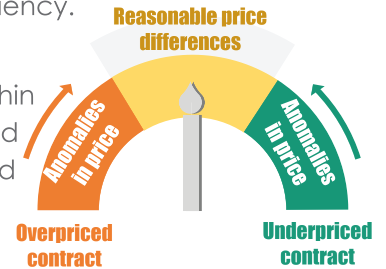


Principles of Arbitrage

Price Convergence

The increasing speed of information circulation and computerized trading influence the prices of commodities in different markets to converge over time. However, the speed of convergence is variable due to market efficiency.

Price convergence keep fluctuating within a reasonable spread between overpriced and underpriced contracts



When the spread exceeds the normal range of volatility, arbitrageurs will buy low and sell high for profit.

Copper Price of Shanghai / London Ratio

When ratio is near central axis, close the positions to take profit