FTS Trading Case B02

From Price Discovery to the Yield Curve - and from Student Trading to AI and Instructor Analysis

B02 turns a core finance topic into a live market. Students do not simply calculate bond values: they trade, make markets, react to one another, and discover the prices implied by the yield curve. The resulting market history then becomes a rich dataset for instructor-led and AI-assisted analysis.

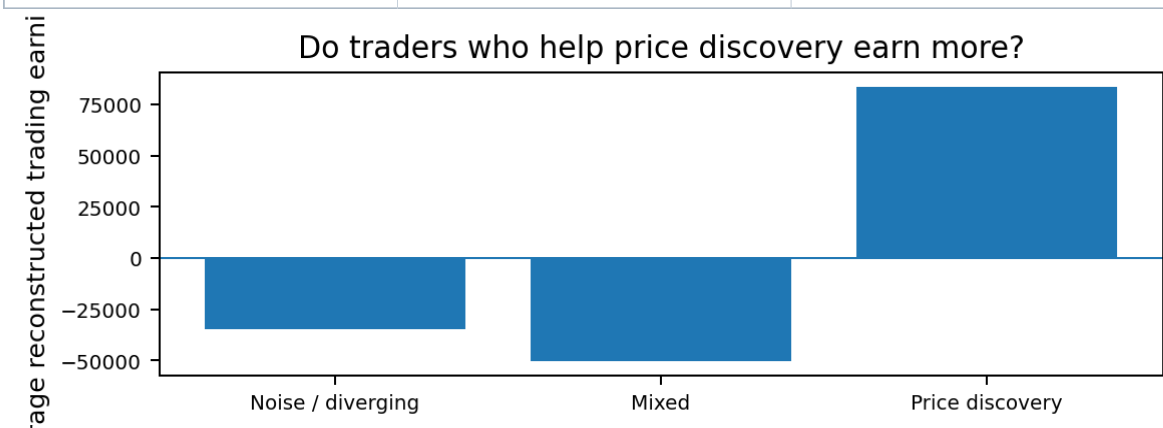
61	3	8,609	21 / 27
students/traders	independent trials	executed Buy/Sell trades	markets ending within $1 of value

The market becomes the lesson

Students trade a coupon bond and zero-coupon bonds through three simulated years while money-market rates change from 4% to 10% to 16%. The no-arbitrage values are knowable from the case - but the *market prices are not*. Students must discover them. The market record lets an instructor ask: **Who helped prices discover fundamental value? Who added noise? Did the market become efficient? Did price-discovery traders earn more?**

What the class session reveals

PRICE DISCOVERY	MARKET EFFICIENCY	TRADER PERFORMANCE
22 of 27 active security-period markets finished closer to no-arbitrage value than their first transaction.	**21 of 27** ended within $1 of fundamental value; **18** ended within 50 cents.	A discovery-score classification produces a provocative result: price-discovery traders averaged about **+$83.8k**, versus about **-$34.5k** for the price-diverging/noise group.



Analysis comes after students trade

During the live market, students cannot simply delegate the trading experience to AI, and an outside AI does not know the class's evolving market history. Before students see the data, the instructor can ask them to explain what they think happened: the shape of the yield curve, apparent mispricing, arbitrage opportunities, their own strategy, and whether the market was efficient. Their explanations can then be confronted with the actual market record and explored using both instructor and AI analysis.

Students make the market. Students explain their thinking prior to seeing the data.

Why run the demo?

Because this is not a video of somebody else's market. **You can enter the continuing B02 demonstration as an additional trader.** The historical traders cannot react to you, but you can react to them: make a market inside an existing bid-ask spread or execute market orders at prevailing prices. You experience the same trading interface, the market's liquidity and spreads, and - importantly - the **speed at which a real class trades the case**. The demo therefore combines a live hands-on experience with a preserved classroom market whose price discovery, efficiency, noise trading, strategies and earnings can be analyzed immediately afterward.

Notes. Fundamental values are the no-arbitrage discounted cash-flow values implied by the case rates. Executed trades are classified by whether the initiating trader moved transaction prices toward or away from those values; the earnings comparison uses active-trader discovery-score terciles. Earnings are reconstructed from executed trades, security cash flows and money-market accruals. These are illustrative post-market diagnostics and do not imply that every profitable trader must be a price-discovery trader.

How to Run the B02 Demo

1. Join the market On a smartphone or computer, open your browser and go to **ftswebtrader.com**

2. Connect to the demo
On the Trader screen, click **Connect to B02 Demo.** You are now part of the market and can begin trading immediately.

3. Experience the market first
Try making markets inside the existing bid-ask spreads or execute market orders at prevailing prices. This lets you experience the same market - and the same trading speed - as the students.

4. Then read the case
Once you have a feel for trading in the interactive market, read the B02 case description at:

www.ftsmodules.com/public/modules/trader/b02.htm

The sequence is intentional: experience the market first, then examine the case and the analysis.