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## UNIT Monash: Week Eleven Newsletter

Hey <<First Name>>!

Welcome back to online marketplaces part two!

In this week's edition, we'll tackle the question:  
*How do people make profits in these types of online marketplaces?*

Check out the week eleven newsletter below for the details!

### Weekly Info Wrap

#### Online Marketplaces Pt. 2

##### Factors affecting an item's price:

###### 1. The rarity of the item

All item titles have a distinct colour which represents their rarity. Generally speaking, the rarer the item, the higher its price. There are eight different levels, from least rare to most rare:

Consumer-grade (white)  
Industrial-grade (light blue)  
Mil-spec (darker blue)  
Restricted (purple)  
Classified (pinkish purple)  
Covert (red)  
Exceedingly Rare ★ (gold)  
Contraband (light orange)\*

\*a special tier for discontinued skins.

###### 2. The 'condition' of the item

Typically, the better the condition of the item, the higher its price. However, there are some cases where a more inferior condition item will fetch a higher price on the market due to its exclusivity. Weapon skins also have five different conditions:

Battle-Scarred  
Well Worn  
Field-Tested  
Minimal Wear  
Factory New

##### Conventional techniques used to earn a profit:

###### 1. Anticipating price movements

Prices of items can change in accordance with desirability, popularity, trends and the in-game use of these items. This is similar to stocks - when a company invests in a lucrative new deal or when they gain more recognition, and there is a noticeable trend, investors and traders seek to take advantage of the anticipated price movements.

A great example of this is when the M4A4 weapon skins collectively increased in value following a game update. The update deliberately made the M4A1 weapon, a counterpart of the M4A4, weaker to balance the use of these weapons amongst players. Many traders were anticipating this update, relying on their in-game experiences, and subsequently invested in M4A4 skins ahead of time to take advantage of this price movement.

###### 2. Arbitrage

Arbitrage in online market places involves ensuring that in every subsequent trade, you are slightly better off than before. It is common to bargain within these types of in-game economies, and dedicated traders can capitalise on these opportunities by examining the needs, wants and changing tastes of other traders.

There are many videos which demonstrate people using this technique in the marketplace to trade into considerable gains, here is a useful [video](#). Although this is a tedious method of trading, it is also one of the most reliable methods as price speculation is minimised.

Taking advantage of quick-sells - traders selling their item at lower than market price due to their desire to sell quickly is a common technique used to speed up the process of making gains.

###### 3. Buying exclusive items and holding long-term

This involves buying skins that are discontinued (i.e. only attainable by directly buying it off an owner) or holding items that are no longer obtainable through the drop system.

Below are two examples of such items:



The sale price of the **Glock** in August 2013 was around US\$200 - now it is priced around US\$600. This steady increase in price is not only due to the popularity of the skin and its appealing appearance in-game, but also its exclusivity – it cannot be attained through the drop system anymore.



The sale price of the **M4A4** was around US\$400 in May 2014 - now it is priced around US\$1700. The M4A4 skin is a favourite among players due to its appealing nature, and covert rarity. These factors have prompted high demand following its in-game introduction and ultimately, its current price.

The big spike during April/May reflected the change of the Howl's rarity from covert to contraband (reasons can be found [here](#)). To date, this is the only skin that has held the contraband rarity.

Thank you for reading, until next time!



## Weekly Global Breakdown

### Australia

The benchmark S&P/ASX200 index rallied hard at the open but then gave up half of its gains later in the day to finish Monday up 0.54 per cent, while the broader All Ordinaries also closed up 0.54 per cent.

Energy shares were leading gains on Monday, up 2.9 per cent as they benefitted from the trade deal and spikes in oil prices. Woodside Petroleum increased by 2.5 per cent, Oil Search climbed 2.5 per cent, and Origin Energy gained 1.8 per cent.

The tech sector was the second-biggest gainer, up 1.7 per cent, with machine learning dataset company Appen up 5.1 per cent. The financial sector gained only 0.7 per cent as investors shrug off news that the competition watchdog would investigate why major lenders had not passed on the full extent of the central bank's rate cuts to mortgage customers.

In the heavyweight mining sector, BHP gained 2 per cent, behind Rio Tinto, which climbed 2.2 per cent.

However, gold miners were down an average of 5 per cent as the price of the precious metal dipped to around \$US1,487 an ounce after trading for days over \$US1,500.

Telecom stocks and utilities both took a hit, after previously benefiting from uncertainty over trade, falling 1 per cent and 0.8 per cent respectively.

The AUD is buying 67.83 USD, up from 67.76 USD on Friday.

### United States

Last Friday, major US Indices jumped following a volatile week of positive news regarding the ongoing debacle that is the US-China trade war. Despite there being little progress made in terms of settling core disputes and a comprehensive deal, trade tensions have eased for the time being; the market seemed to welcome the partial preliminary trade deal that came out of the negotiations. The Trump administration will reportedly suspend the planned tariff hike from 25 to 30 per cent, and in exchange, China had agreed to purchase US\$50 billion worth of American agricultural goods. Negotiations will continue at a planned meeting in Chile in mid-November.

Other positive news included the University of Michigan's report of consumer sentiment in October increasing for a second consecutive month and jobless claims dropping back to their lowest levels in a month.

The Dow Jones Industrial Average and NASDAQ ended the week up 0.9 per cent, while the S&P500 rose 0.6 per cent.

### Asia

The Nikkei 225 Stock Average fell 2.1 per cent this week, however, for the year to date, it has closed up 7.0 per cent. The yen strengthened slightly and closed near ¥107 per US dollar on Friday.

Japan's unemployment remains at a 26-year low, and the labour market is close to full employment, as reported by the Internal Affairs and Communications Ministry. The unemployment rate remains unchanged at 2.2 per cent from the previous month resulting in a job availability ratio of 1.59, which is considered excellent by the Ministry of Health, Labour and Welfare.

Chinese equities advanced on hopes for trade battle resolution. The benchmark Shanghai Composite Index increased 2.4 per cent, and the large-cap CSI 300 Index, which tracks blue chips listed on the Shanghai and Shenzhen exchanges, gained 2.5 per cent. A large proportion of the gains come a day after President Trump told reporters that US and Chinese officials "had a very, very good negotiation".

The head of the International Monetary Fund warned that the US's trade war could cost the global economy about \$700 billion by 2020, roughly the size of Switzerland's entire economy. Thus, any resolution to the US-China trade dispute is likely to cause considerable market volatility.

### Europe

European markets also posted a positive week primarily due to US-China trade talks and Brexit deal optimism. The pan-European STOXX Europe 600 Index gained 2.7 per cent, and the German DAX rallied 4.2 per cent while the UK FTSE 100 increased by a little more than 1 per cent.

After three hours of talks, the prime ministers of the UK and Ireland reportedly saw a "pathway to a possible deal", easing tensions and boosting both the stock market and the British pound, which jumped almost 3 per cent against the US dollar. The European Commission further stated that the European Union and the UK have agreed to "intensive negotiations" in the upcoming days, increasing investor sentiment further.

Despite this progress, not all news that appeared were positive as German data showed exports dropped 1.8 per cent more than expected in August, further fuelling the manufacturing decline. However, this did not seem to upset investors' optimistic outlook.

## New to markets? Got Questions?



As we mentioned in previous emails - we started UNIT Monash with the vision of educating the student community in investing and trading to one day strive for financial independence.

We want to create a new concept of peer-to-peer communications about investing and trading. There's a lot of value in sharing experiences, having opinions and shedding light on new ideas. Feel free to get in contact with us via Facebook if you have any enquiries about investment, trading or our upcoming events or if you would like to provide any feedback.

Regards,  
UNIT Monash

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