

# Order Types — Market, Limit, Stop, Stop-Limit

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## 1. Market Orders — Immediate Execution

### What a Market Order Is

A **market order** is an instruction to buy or sell *right now* at the best available price. It prioritizes **speed** over **price**.

### How It Works

- When you submit a market order, the system immediately matches it against the **best available liquidity** in the order book.
- It “walks the book” if necessary — meaning it consumes multiple price levels until the entire quantity is filled.
- You are guaranteed a fill, but **not the price**.

### Key Characteristics

- Fastest execution.
- Highest slippage risk.
- No control over fill price.
- Ideal for urgent exits or entries in liquid markets.

## 2. Limit Orders — Price Control

### What a Limit Order Is

A **limit order** specifies the *maximum* price you’re willing to pay (for buys) or the *minimum* price you’re willing to accept (for sells). It prioritizes **price** over **speed**.

### How It Works

- A buy limit at \$100 will only execute at \$100 or lower.
- A sell limit at \$100 will only execute at \$100 or higher.
- If the market never trades at your limit price, the order remains unfilled.

## Key Characteristics

- Full control over price.
- No guarantee of execution.
- Can rest on the book and earn maker rebates (depending on venue).
- Subject to queue position — you may be behind thousands of other orders.

## 3. Stop Orders — Momentum Confirmation

### What a Stop Order Is

A **stop order** is a conditional order that activates only when price reaches a specified trigger level. Once triggered, it becomes a **market order**.

### How It Works

- A **buy stop** is placed *above* current price to enter on upward momentum.
- A **sell stop** is placed *below* current price to exit on downward momentum.
- When the stop price is touched (depending on venue rules), the order converts to a market order and executes immediately.

## Key Characteristics

- Used for breakout entries or protective exits.
- Trigger behavior depends on exchange rules (bid, ask, last).
- Once triggered, slippage can be significant.

## 4. Stop-Limit Orders — Trigger + Price Boundary

### What a Stop-Limit Order Is

A **stop-limit order** combines a stop trigger with a limit price. Once triggered, it becomes a **limit order**, not a market order.

### How It Works

- You specify:
  - **Stop price** → when the order activates

- **Limit price** → worst acceptable fill
- After activation, the order behaves like a normal limit order.

## Key Characteristics

- Protects against slippage.
- But introduces **non-execution risk** — the order may activate but never fill.
- Dangerous during fast markets or gaps.

## Execution Reality — Three Environments

Below is the rewritten SIM vs LIVE comparison broken into the three sections you requested.

### 1. Client-Held Orders (Bluewater Platform Logic)

These are orders that **do not reside on any exchange or broker** until triggered. They live entirely inside the **Bluewater Trader client application**.

#### Where They Live

- Inside the Bluewater platform's local logic.
- Dependent on:
  - Your computer,
  - Your internet connection,
  - Your platform session.

#### What Types Are Typically Client-Held

- Trailing stops
- OCO logic
- Bracket logic
- Conditional orders
- Algorithmic orders
- Some stop or stop-limit orders (depending on venue support)

## Behavior

- Bluewater monitors price feeds locally.
- When a trigger condition is met, Bluewater **fires a real order** to the broker/exchange.
- If your platform disconnects, freezes, or loses internet:
  - The order **does not trigger**.
  - Protective logic disappears.
  - You remain exposed.

## Execution Characteristics

- Fast trigger evaluation (local).
- Zero exchange queue position until the order is actually sent.
- Vulnerable to:
  - Local hardware failure,
  - Internet outages,
  - Platform crashes.

## Risk Profile

- Great for advanced logic and automation.
- Dangerous for protective stops unless mirrored server-side.
- Not suitable for mission-critical risk management during high volatility.

## 2. SIM Backends (CQG Demo, Rithmic Paper, Funded Account Companies)

These environments simulate trading but do **not** send orders to any real exchange.

### Where Orders Live

- Inside the **simulation backend** (CQG Demo, Rithmic Paper, TopStep, Apex, etc.).
- No exchange sees them.
- No real liquidity is consumed.

## What Types Are Supported

All order types are supported, but they behave **synthetically**:

- Market
- Limit
- Stop
- Stop-limit
- Brackets
- OCO
- Trailing stops

## Behavior

SIM backends typically:

- Fill market orders instantly at last price or mid-price.
- Fill limit orders as soon as price touches the level.
- Trigger stops perfectly with no spread-based variation.
- Ignore queue position.
- Ignore partial fills.
- Ignore liquidity constraints.
- Ignore volatility gaps.

Funded account companies (TopStep, Apex, etc.) use similar SIM engines with:

- Synthetic fills
- Synthetic slippage
- Synthetic depth
- Synthetic triggers

## Execution Characteristics

- Perfect fills.
- Perfect triggers.

- Perfect liquidity.
- Unrealistic slippage behavior.
- Unrealistic queue position behavior.

## Risk Profile

- Excellent for learning platform mechanics.
- Useful for practicing strategy logic.
- Terrible for learning execution reality.
- Creates false confidence — especially with stops and limits.

## 3. Live Trading (Real Exchange Execution)

This is the real world — orders interact with actual liquidity, actual traders, and actual volatility.

### Where Orders Live

Depending on the order type and venue, orders may reside:

#### A. On the Exchange (Native Orders)

- Limit orders
- Some stop orders
- Some stop-limit orders
- IOC/FOK/GTC/GTD
- Maker/taker logic
- Queue position
- Partial fills

#### B. On the Broker (Server-Side Orders)

- Some stop orders
- Some stop-limit orders
- Brackets
- OCO

- Trailing stops
- Conditional logic

### C. On the Client (Platform-Side Orders)

- Some trailing stops
- Some conditional orders
- Some algorithmic logic
- (This overlaps with section 1)

### Behavior

Live markets introduce:

- Slippage
- Spread widening
- Partial fills
- Queue position delays
- Liquidity holes
- Volatility gaps
- Routing delays
- Exchange-specific trigger rules (bid/ask/last/mark)

### Execution Characteristics

- Market orders may fill far worse than expected.
- Limit orders may not fill even if price trades through your level.
- Stops may trigger early or late depending on spread behavior.
- Stop-limits may activate but never fill.
- Brackets and OCOs behave differently depending on whether they are exchange-native or broker-held.

### Risk Profile

- Real risk.

- Real slippage.
- Real liquidity constraints.
- Real execution uncertainty.

This is the environment where traders discover whether their methodology survives **real execution friction**.

## Final Synthesis

You now have a clean three-tier model:

### 1. Client-Held Orders (Bluewater)

- Local logic
- Fast triggers
- Vulnerable to disconnection
- Great for automation, risky for protection

### 2. SIM Backends (CQG Demo, Rithmic Paper, Funded Accounts)

- Synthetic fills
- Synthetic triggers
- No real liquidity
- Great for learning mechanics, terrible for learning execution

### 3. Live Trading (Real Exchanges)

- Real slippage
- Real queue position
- Real partial fills
- Real volatility
- Real risk

This structure makes it clear where each order type actually resides and how execution differs across environments.