Slippage at the open, the close, and the fix

> **SLIPPAGE**
>
> The difference between the price you asked for and the price you got. On an index it concentrates at three predictable moments - the opening auction, the closing auction, and benchmark fixes - because those are when the most volume and the fastest repricing happen at once.

Spread and financing are quoted. Slippage is not, which is why it is the cost most often left out of a comparison and most often paid.

Three moments, all predictable in timing

The open: an auction sets one price and continuous trading begins from it, often quickly.The close: the day's largest concentration of volume, much of it obligated.Benchmark fixes: price-insensitive orders arriving because a mandate says so.

The pattern is the same each time. A large amount of flow that must transact arrives together, and the price moves through the levels resting in front of it.

Why it is worse on an index than it looks

Your platform's quote derives from a market that is itself moving fast, and it widens defensively when it cannot keep up. So the quoted spread and the achieved price both deteriorate at once, and only one of them was visible when you decided.

A gap is not slippage

If a stop triggers on the far side of an overnight gap, that is not the broker filling you badly. There was no price between the two levels, so no fill was available there - module 2 lesson 4 made the same point from the chart's side.

Distinguishing the two matters because they have different remedies. Slippage responds to when you trade; a gap responds only to whether you were holding.

What actually reduces it

Trading away from those three moments, and using orders that cap the price rather than the time. A limit order cannot slip - it can only not fill, which is a different cost and one you can decide to accept.

Nothing here says avoid the open. Plenty of reasonable strategies trade exactly then. It says the cost of doing so is real, predictable in timing, and belongs in the arithmetic rather than in a surprise.

Check your understanding

1. Why does slippage concentrate at the open, close and fixes?

a. Brokers widen spreads to increase revenue at those times
b. Large amounts of flow that must transact arrive together, moving price through resting levels
c. Exchange systems are slower during peak periods

Answer: b. Much of that flow is obligated rather than opportunistic - it has no discretion about when to trade, so it all arrives at once.

2. A stop fills far below its level after an overnight gap. Is that slippage?

a. Yes, the broker filled it badly
b. No - there was no price between the two levels for it to fill at
c. Only if the gap was larger than the spread

Answer: b. The two have different remedies. Slippage responds to when you trade; a gap responds only to whether you were holding through it.