MARKET VS LIMIT - TWO DOORS INTO THE MARKET

Vajgrt Labs - Education - Lesson 18 of 72 - 5 min read - Updated Oct 21, 2026

TL;DR

- A market order says ’fill me now at the best available price’ - the fill is near-certain, the price is not. In a fast or thin market, ’now’ can land far from the quote you saw.

- A limit order says ’fill me at my price or better, or not at all’ - the price is capped, the fill is not guaranteed. It can sit unfilled while the market walks away without it.

- Course default: limit orders, priced from the midpoint of the bid/ask, for everything - and no market orders on options, ever.

THE TAKEAWAYS

- The book: every market carries standing limit orders - bids stacked below, asks stacked above. A market order consumes the best of them instantly; a limit order joins the queue at your price and waits its turn.

- Context decides the toll: on SPY shares in regular hours the spread is usually a penny (State Street’s 30-day median spread rounds to 0.00% of price - Stage 1), so a market order’s toll there is small. On options the spreads are dimes, not pennies, and the same habit costs real money.

- The midpoint - (bid + ask) ÷2 - is where this course starts every limit order, walking a few cents toward the other side only if the trade still makes sense a little worse. Stage 5’s chain lesson turns that into a routine.

- When is a market order acceptable? At most, when all of these hold at once: regular hours, a penny-class spread, no news pending, shares rather than options - and even then, a limit order priced at the market does the same job with a seatbelt fitted.

RULE: Limit orders, from the midpoint, for everything - and no market orders on options, ever. The spread is a toll you can mostly refuse to pay; refusing it is the first free edge a beginner can own.

COMMON MISTAKES

- Market-ordering options - paying the full ask in and the full bid out, then blaming the spread for the result.

- Parking a limit order so far from the market that it can only fill once the trade has already gone wrong. A stale bargain is a magnet for bad news.

- Chasing: cancelling a working limit and re-pricing it worse, twice, three times - paying the discipline away in instalments.

- Using market orders in the first minutes after the open, or into a news release, exactly when spreads are at their widest.

DO IT - PLACE BOTH DOORS ON PAPER

In a paper account, pick SPY and place two paper orders for 1 share: a market order, and a limit order priced at the midpoint of the current bid/ask. Screenshot both outcomes - the market

order’s fill report and the limit order filled or still working - and journal the quoted spread, each order’s fate, and the fill price versus the quote you saw. Cancel anything still working. Lesson 6 teaches you to read those fill reports properly.

Education only - not financial advice. Account and order rules: FINRA (Rule 4210; Regulatory Notice 26-10, Apr 20, 2026), the Federal Reserve’s Regulation T, and the SEC (Rule 15c6-1 settlement; Rule 606 disclosures) - checked Oct 15, 2026. Contract-fee example: Fidelity’s published commission schedule, Oct 15, 2026. Chain quotes: real SPY chain data, Oct 9, 2026. Vajgrt Labs - Education.