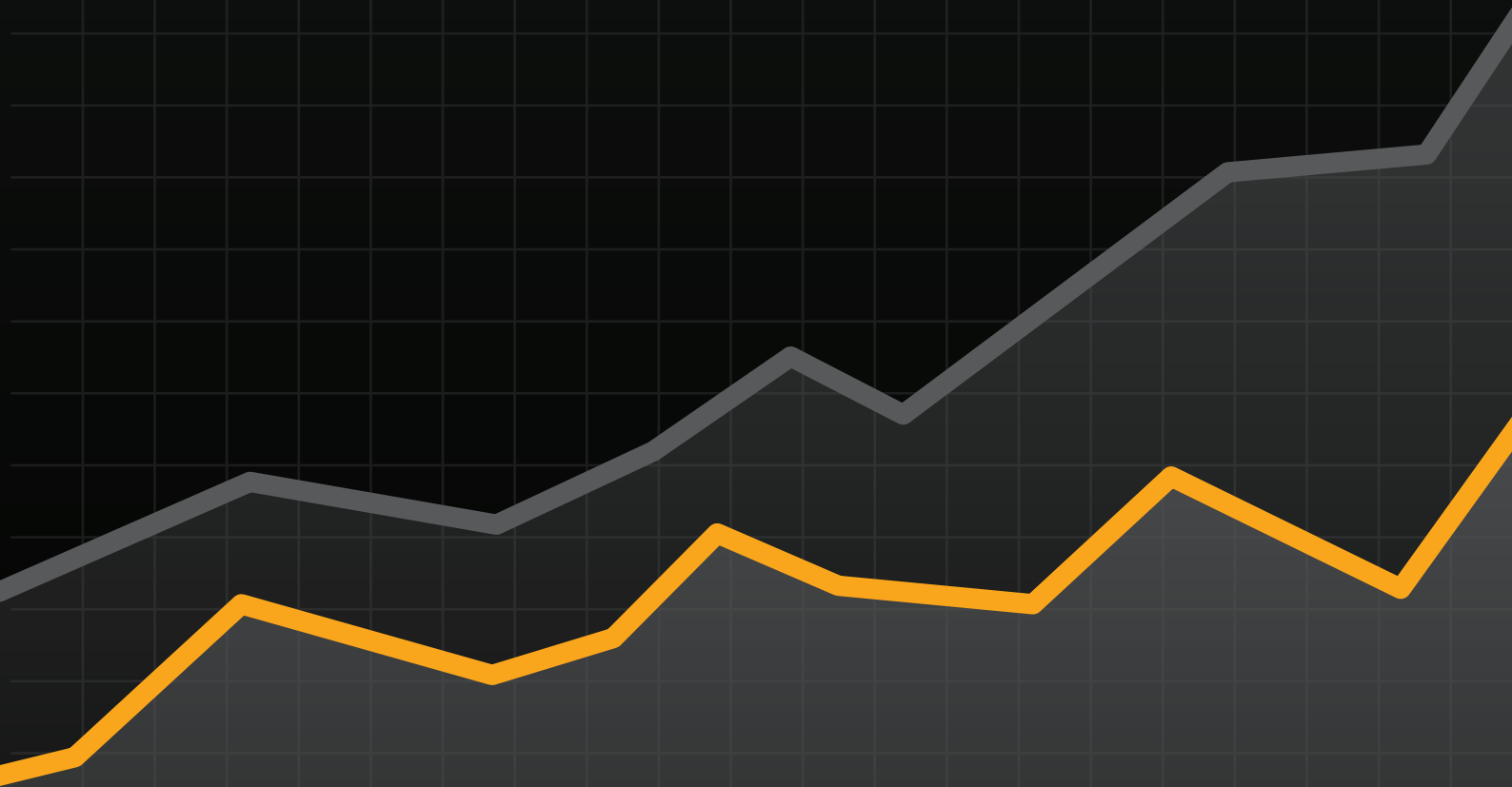


Investing.com

FUTURES TRADING GUIDE

Editor Matthew Carstens



The aim of this guide is to provide you with the prerequisite information that you will need before venturing into futures trading. this guide is not intended to encourage nor discourage you about futures trading. Any investment decision you make should only be done after you have consulted your broker or financial advisor with respect to your financial circumstances.

1. Brief History of Futures

Function of the exchange	4
--------------------------------	---

2. What are Futures?

The Composition of a Future Contract	5
Futures Symbology	5
Product Symbol	5
Delivery Month	6
Year	6
Available Futures Asset Classes	7

3. Notable Futures Terms

Arb	13
Arbitrage	13
Contract	13
Contract size	13
Clearing	13
Clearing House	13
Derivative	14
Hedging	14
Limit (Up or Down)	14
Margin Call	14
Market Marker	14
Mark-to-Market	14
Pit	14
Spot Price	15
Tick	15

4. The Marketplace	
Participants	16
Pit & Electronic Trading	17
Exchanges	17
Regulatory Bodies	18
5. Trading Futures	
Margin and Leverage	19
Rollover	19
Physical & Cash Settlement	20
6. 5 Trading Tips	
7. Choosing a Broker	
Commissions	24
Other fees	24
Broker reputation	25
Customer support	25
Intangibles	25
8. Trading Risks	
Overtrading	26
Market Risk	26
Liquidity Risk	26
Excessive Leverage	26
Technology Risk/Internet Trading Risks	26

Brief History of Futures

Playing an important role in the global financial system, futures exchanges can be traced back to the “Tulip Mania” in the early sixteen hundreds when tulip traders in the Netherlands signed contracts before a notary to purchase tulips at the end of the season.

What remained after what some consider to be the first speculative bubble was the foundation for modern day futures exchanges with attributes including centralized trading, standardized contracts and regulation.

Then in the mid 1800’s as Chicago found itself at the center of railroad and telegraph lines and about the same time higher wheat production substantially increased due to the invention of the McCormick reaper, wheat sellers found themselves at the mercy of dealers after traveling with no storage facilities to speak of.

This then brought about the standardization of futures contracts where farmers (sellers) and dealers (buyers) were able to exchange a specific commodity for cash at a said date in the future. Simply put, both the buyer and seller now knew exactly what they could expect to receive in advance.

Function of the exchange

One of the key functions of any futures exchange is to provide for the clearing and daily settlements of trades. The exchanges work with the FCM’s (your brokerage house) to ensure that all trades are reconciled correctly.

Despite the changes that have occurred over time, the main purpose of the futures market is still to provide an effective and efficient system for the management of price risk. The purchase and selling of futures contracts provide a predetermined price for a future purchase or sale thus allowing businesses and individuals to protect themselves against adverse price changes.

Chicago has the largest futures exchange in the world, the CME (Chicago Mercantile Exchange), which operates with both the open outcry (traders standing in a pit calling out orders for execution) and electronic trading (through their Globex platform) methods.

As a sign of the times, now at least 70% of the CME’s futures contracts are executed over Globex with over 1 million contracts traded or upwards of \$50 billion in value.

What are Futures?

Futures are standardized contracts that say how much of a specified commodity can be purchased or sold at a predetermined price and at a specified time in the future. These instruments are known as derivatives because the price is “derived” from its underlying asset.

The Composition of a Future Contract

All the terms and conditions of a futures contract are predetermined by the exchange prior to trading, but they commonly include the expiration date, the exchange, the tick size and pricing unit, as well as the symbol.

Here is an example of the NYMEX Light Sweet Crude:
Symbol: CL

Example: march (H) 2012
Venue (exchange): CME Globex, CME ClearPort
Contract Unit: 1,000 barrels
Price Quotation (unit): U.S. Dollars and Cents per barrel
Minimum Fluctuation (tick size): \$.01 per barrel

Futures Symbology

When looking for a trade, you’ll need to look up the asset by its symbol. Futures symbols consist of 3 items.

- Product Symbol
- Delivery Month
- Year

Product Symbol

Since there are hundreds of products to choose from we’ll give an example of Natural Gas here which would be, “NG”

Delivery Month

Investing.com	
Month	Code
January	F
February	G
March	H
April	J
May	K
June	M
July	N
August	Q
September	U
October	V
November	X
December	Z

Year

This is self-explanatory, so let's use the year 2017 as an example. In this case you would just denote the last 1 digit "7".










NOTE: The symbol for a Natural Gas December 2017 contract would then be: NGZ7

Available Futures Asset Classes

Futures can be categorized in several categories offering a wide range of assets to choose from.

Agriculture

- Grains and Oilseeds
- Livestock
- Dairy
- Forest
- Commodity Indexes
- Sifts

Investing.com								
Softs Futures Prices								
Real Time Streaming Futures Quotes (CFDs)								
Commodity ↕	Month ↕	Last	Prev.	High	Low	Chg. ↕	Chg. % ↕	Time ↕
 London Cocoa		1,593.00	1,593.00	1,594.00	1,571.00	14.00	0.89%	06/10
 London Coffee		2,015.00	2,015.00	2,020.00	2,000.00	15.00	0.75%	06/10
 London Sugar		371.90	371.90	380.00	368.20	-5.70	-1.51%	06/10
 Lumber	Nov 17	412.00	412.00	412.50	400.00	+3.20	+0.78%	06/10
 Orange Juice	Nov 17	157.48	157.30	159.00	154.90	+0.18	+0.11%	13:49:16
 US Cocoa	Dec 17	2,038.50	2,079.50	2,098.50	2,036.50	-41.00	-1.97%	13:49:31
 US Coffee C	Dec 17	131.32	129.77	131.88	129.85	+1.55	+1.19%	13:49:09
 US Cotton #2	Dec 17	68.53	68.84	69.06	68.06	-0.31	-0.45%	13:49:01
 US Sugar #11	Mar 18	13.91	13.98	14.18	13.91	-0.07	-0.50%	13:46:52

Source: www.investing.com/commodities/softs»

WHAT ARE FUTURES?

Investing.com

Grains Futures Prices

Real Time Streaming Futures Quotes (CFDs)

Commodity ↕	Month ↕	Last	Prev.	High	Low	Chg. ↕	Chg. % ↕	Time ↕
 London Wheat		143.60	143.60	144.00	143.50	0.50	0.35%	06/10
 Oats		248.80	252.30	253.40	248.20	-3.50	-1.39%	13:51:57
 Rough Rice	Nov 17	11.870	11.915	11.970	11.870	-0.045	-0.38%	13:50:43
 US Corn	Dec 17	349.00	350.00	351.75	348.75	-1.00	-0.29%	13:46:59
 US Soybean Meal	Dec 17	318.95	319.20	320.55	317.50	-0.25	-0.08%	13:51:33
 US Soybean Oil	Dec 17	33.14	32.95	33.19	32.97	+0.19	+0.58%	13:51:22
 US Soybeans	Nov 17	973.12	972.60	976.88	969.88	+0.52	+0.05%	13:51:29
 US Wheat	Dec 17	439.50	443.20	445.75	439.25	-3.70	-0.83%	13:51:27

Source: www.investing.com/commodities/grains»

Investing.com

Meats Futures Prices

Real Time Streaming Futures Quotes (CFDs)

Commodity ↕	Month ↕	Last	Prev.	High	Low	Chg. ↕	Chg. % ↕	Time ↕
 Feeder Cattle	Oct 17	154.04	153.94	154.36	153.70	+0.10	+0.06%	13:54:34
 Lean Hogs	Dec 17	60.89	60.92	61.12	60.61	-0.03	-0.06%	13:54:30
 Live Cattle	Dec 17	117.43	117.01	117.46	116.93	+0.42	+0.36%	13:54:37

US Futures Market Quotes (10-minute Delayed)








Meats Futures prices as of October 9th, 2017 - 08:52 CDT

Name ↕	Month ↕	Last	Chg. ↕	Open	High	Low	Time ↕	Chart
▲ Live Cattle	Dec 17	117.000	+0.075	117.225	117.450	116.900	08:42	Q / C / O
◆ Feeder Cattle	Nov 17	155.725	-0.025	156.150	156.450	155.600	08:42	Q / C / O
◆ Lean Hogs	Dec 17	60.650	-0.275	60.925	61.150	60.600	08:42	Q / C / O
▲ Class III Milk	Jan 18	15.97s	+0.07	15.94	15.99	15.86	10/06/17	Q / C / O
▲ Live Cattle (P)	Dec 17	116.925s	+0.875	0.000	116.925	116.925	10/06/17	Q / C / O
▲ Feeder Cattle (P)	Nov 17	155.750s	+0.900	0.000	155.750	155.750	10/06/17	Q / C / O
◆ Lean Hogs (P)	Dec 17	60.925s	-1.875	0.000	60.925	60.925	10/06/17	Q / C / O

Source: www.investing.com/commodities/meats»

Energy

- Crude Oil
- Ethanol
- Natural Gas
- Refined Products
- Coal
- Emissions

Investing.com								
Energy Futures Prices								
Real Time Streaming Futures Quotes (CFDs)								
Commodity ↕	Month ↕	Last	Prev.	High	Low	Chg. ↕	Chg. % ↕	Time ↕
 Brent Oil	Dec 17	55.67	55.62	55.83	55.06	+0.05	+0.09%	13:56:52
 Carbon Emissions	Dec 17	7.00	7.00	7.05	6.77	0.11	1.60%	06/10
 Crude Oil WTI	Nov 17	49.56	49.29	49.72	49.14	+0.27	+0.55%	13:56:52
 Gasoline RBOB	Nov 17	1.5545	1.5568	1.5563	1.5370	-0.0023	-0.15%	13:56:40
 Heating Oil	Nov 17	1.7362	1.7439	1.7434	1.7204	-0.0077	-0.44%	13:56:38
 London Gas Oil	Oct 17	518.88	521.75	522.88	514.13	-2.87	-0.55%	13:56:51
 Natural Gas	Nov 17	2.845	2.863	2.886	2.833	-0.018	-0.63%	13:56:34

Source: www.investing.com/commodities/energies»

WHAT ARE FUTURES?

Equity Index


- US Indexes
- International Indexes
- Sector Indexes

























Investing.com

Real-Time Stock Indices Futures

Real Time Streaming Futures Quotes (CFDs)

PricePerformanceTechnicalSpecificationCandlestick Patterns

 Download Data

Index ▾	Month ▾	Last	High	Low	Chg. ▾	Chg. % ▾	Time ▾
 Dow 30	Dec 17	22,714.5	22,751.0	22,687.5	+20.5	+0.09%	13:59:02 
 S&P 500	Dec 17	2,545.12	2,550.50	2,544.25	+0.12	0.00%	13:58:59 
 Nasdaq	Dec 17	6,077.13	6,082.38	6,060.25	+12.88	+0.21%	13:59:02 
 SmallCap 2000	Dec 17	1,510.3	1,518.0	1,509.5	-1.3	-0.09%	13:59:02 
 S&P MidCap 400	Dec 17	1,815.35	1,823.60	1,814.80	-1.30	-0.07%	13:58:59 
 S&P 500 VIX	Oct 17	10.88	10.97	10.78	+0.06	+0.55%	13:57:51 
 S&P/TSX 60	Dec 17	925.20	925.20	925.20	-3.45	-0.37%	13:54:11 
 DAX	Dec 17	12,959.5	12,988.0	12,934.0	+14.0	+0.11%	13:59:02 
 CAC 40	Oct 17	5,355.5	5,376.5	5,348.5	-2.0	-0.04%	13:58:59 
 FTSE 100	Dec 17	7,457.2	7,501.2	7,456.0	-28.8	-0.38%	13:59:02 
 Euro Stoxx 50	Dec 17	3,596.0	3,609.0	3,590.0	+4.0	+0.11%	13:56:57 
 FTSE MIB	Dec 17	22,380.00	22,480.00	22,310.00	+43.00	+0.19%	13:58:00 

Source: www.investing.com/indices/indices-futures»

FX or Currencies

- G10 Pairs
- Emerging Markets
- FX Volatility
- E-micros

Investing.com								
Currencies Futures Prices								
Name	Month	Last	Chg.	Open	High	Low	Time	Chart
↓ U.S. Dollar Index	Dec 17	93.590	-0.051	93.625	93.670	93.480	08:50	Q / C / O
↑ British Pound	Dec 17	1.3175	+0.0081	1.3109	1.3211	1.3101	08:50	Q / C / O
↓ Canadian Dollar	Dec 17	0.79735	-0.00105	0.79815	0.79870	0.79685	08:50	Q / C / O
↑ Japanese Yen	Dec 17	0.890050	+0.000100	0.890600	0.893000	0.889650	08:50	Q / C / O
↓ Swiss Franc	Dec 17	1.02470	-0.00200	1.02670	1.02770	1.02400	08:50	Q / C / O
↓ Euro FX	Dec 17	1.17760	-0.00015	1.17790	1.17910	1.17620	08:50	Q / C / O
↓ Australian Dollar	Dec 17	0.77460	-0.00210	0.77680	0.77760	0.77430	08:50	Q / C / O
↓ Mexican Peso	Dec 17	0.053020	-0.000290	0.053240	0.053260	0.052990	08:50	Q / C / O
↓ New Zealand Dollar	Dec 17	0.70600	-0.00240	0.70600	0.70760	0.70500	08:48	Q / C / O
↓ South African Rand	Dec 17	0.071450	-0.000575	0.071800	0.072100	0.071450	08:14	Q / C / O

Source: www.investing.com/currencies/fx-futures

WHAT ARE FUTURES?

Interest Rates

- Short Term Int Rates (STIR)
- US Treasury
- Swaps
- Interest Rate
- Sovereign Yield Spreads

Investing.com

Real Time Streaming Financial Futures



Real Time Streaming Futures Quotes (CFDs)

Price	Performance	Technical	Specification
-------	-------------	-----------	---------------

Name ▾	Month ▾	Last	Prev.	High	Low	Chg. ▾	Chg. % ▾	Time ▾	
US 30Y T-Bond	Jun 18	143.66	143.28	143.75	143.19	+0.38	+0.27%	05:46:58	
US 2Y T-Note	Jun 18	106.31	106.27	106.33	106.27	+0.04	+0.04%	05:39:36	
US 5Y T-Note	Jun 18	114.20	114.06	114.25	114.05	+0.14	+0.12%	05:46:04	
US 10Y T-Note	Jun 18	120.36	120.14	120.42	120.11	+0.22	+0.18%	05:44:35	
Euro Bund	Jun 18	157.09	157.09	157.09	157.09	0.00	0.00%	02/03	
Euro BOBL	Jun 18	130.36	130.36	130.36	130.36	0.00	0.00%	02/03	
Euro SCHATZ	Jun 18	111.800	111.800	111.800	111.800	0.000	0.00%	02/03	
Euro-Buxl	Jun 18	160.66	160.66	160.66	160.66	0.00	0.00%	02/03	
UK Gilt	Mar 18	122.46	122.46	123.01	122.43	-0.09	-0.07%	02/03	
Japan Govt. Bond	Mar 18	151.04	150.81	151.07	150.85	+0.23	+0.15%	05:46:48	
AUD 30 day Interbank		98.505	98.505	98.500	98.500	0.000	0.00%	02/03	
Euribor	Mar 18	100.33	100.33	100.33	100.33	+0.01	+0.01%	02/03	
Short Sterling	Mar 18	99.38	99.38	99.38	99.36	0.01	0.01%	02/03	
Euro BTP	Jun 18	112.21	112.21	112.21	112.21	0.00	0.00%	02/03	
Euro OAT	Jun 18	151.84	151.84	151.84	151.84	0.00	0.00%	02/03	

Source: www.investing.com/rates-bonds/financial-futures»

Notable Futures Terms

Below is a list of notable terms and their basic definitions used in the futures market. Though it does not cover all of them (notably any Option terms), it should provide you with a solid reference point on the major themes.

Arb

Hand gestures used to communicate orders in the pit.

Arbitrage

Simultaneous buying and selling of an asset to profit from a discrepancy in prices. This may also include some aspects of hedging.

Contract

A standardized agreement between two parties detailing the quality, and quantity of an underlying asset on a date in the future.

Contract size

Set by the exchange, this is the amount of a commodity controlled for 1 contract. For instance 1 contract of gold represents 100 ounces of gold.

Clearing

The procedure through which the clearing house or association becomes the buyer to each seller of a futures contract, and the seller to each buyer, and assumes responsibility for protecting buyers and sellers from financial loss by assuring performance on each contract.

Clearing House

Usually a division of an exchange where transactions executed on the floor are settled. They also ensure delivery (if needed), and financing is taken care of between parties.

Derivative

A financial instrument where the price is directly dependent upon (i.e., “derived from”) the value of another financial instrument(s). When trading derivatives, there is no transfer of property.

Hedging

Taking offsetting positions usually in two different markets to minimize the risk of financial loss.

Limit (Up or Down)

Set by the exchange, Limit Up or Limit Down is a maximum price increase/decrease from the previous day’s settlement price within one trading session.

Margin Call

Usually due to adverse price movements against a trader, this is a request from a broker/clearing firm to add more funds to cover their current position before their position is subject to liquidation.

Market Maker

A dealer who has an obligation to buy when there is an excess of sell orders and to sell when there is an excess of buy orders.

Mark-to-Market

A daily cash flow system used for a futures contract to maintain a minimum level of margin equity that is calculated at the end of each trading day.

Pit

Also called a “ring”, this is an arena on the trading floor of some exchanges where trading is conducted.

Spot Price

The price at which a physical commodity for immediate delivery is selling at a given time and place.

Tick

The minimum change in price up or down.

The Marketplace

The futures market space is made up of various trading participants, regulatory bodies, exchanges and execution methods, all playing an essential role for a liquid and functional market. Below is a list of each player and how they make up the futures marketplace.

Participants

FCM (Futures Commission Merchant)

A broker or brokerage firm that executes orders on behalf of traders (clients) as well as extends credit to them for margined transactions. They also hold client funds as well.

Hedgers

Hedgers are those who use the futures market to reduce the risk associated with price fluctuation for a commodity which is going to be bought or sold at a future date. By fixing the price for a commodity or product to be bought or sold in the future, hedgers can avoid the risk of future price fluctuation especially when they are unsure how the market will react.

Speculators

Persons engaged in speculating on price movements. Speculators do not participate in the delivery process thus gain or lose money by offsetting futures and option instruments before contract expiry. Speculators buy and sell in the Futures markets hoping to profit from the very price changes which hedgers try to insure themselves against.

Floor Traders

An exchange member who executes trades on the exchange floor typically for his or her own account. Also known as “locals”.

Floor Brokers

An employee of a member firm who executes trades on the exchange floor on behalf of the firm's clients.

Pit & Electronic Trading

Pit Trading

Pit trading refers to trades done by floor brokers and floor traders on a trading pit (floor) on an exchange. All trading and price discovery is done by humans in this environment (called open outcry) where there is a trading pit for a number of different commodities. Hand and verbal signals (known as Arb) are used to communicate orders in the pit.

Electronic Trading

Electronic Trading, referring to trading done through computerized trading markets, continues to replace pit trading due to its expanded trading sessions, lower costs and efficiency. Although more and more futures trades are conducted online, the trading pits of the US Futures Exchanges are still a hive of activity.

NOTE: There are new products being created specifically for electronic trading like the E-mini S&P 500 contract and the E-mini Nasdaq 100 contract.

Exchanges

There is a long list of futures exchanges listed globally, however here are many of the major ones of note.

- CBOE – Chicago Board Options Exchange
- CME – Chicago Mercantile Exchange
- CBOT – Chicago Board of Trade
- ICE Futures – Part of Intercontinental Exchange
- KCBT – Kansas City Board of Trade
- MGEX – Minneapolis Grain Exchange
- Nadex
- NYMEX – New York Mercantile Exchange
- MX – Montreal Exchange
- Eurex
- LIFFE – London International Financial Futures and Options Exchange
- DBE – Dubai Mercantile Exchange

Regulatory Bodies

Since futures are exchange traded, those exchanges are then regulated by a government body.

Here is a list of major regulators and their residing country:

- CFTC – Commodity Futures Trading Commission, United States
- CVM – Securities Commission of Brazil
- FSA – Financial Services Authority, United Kingdom
- MAS – Monetary Authority of Singapore, Singapore
- FSA – Financial Services Agency, Japan
- SFC – Securities and Futures Commission, Hong Kong
- ASIC – Australian Securities and Investments Commission, Australia

Investing.com		
Financial Regulatory Organizations		
Country	Full Name	Abbreviation
 Argentina	The Stock Market National Committee	CNV
 Australia	Australian Securities and Investments Commission	ASIC
 Australia	APRA - Australian Prudential Regulation Authority	APRA
 Australia	AUSTRAC - Australian Transaction Report and Analysis Centre	AUSTRAC
 Austria	Financial Market Authority	FMA
 Bahamas	SCB - securities Commission of The Bahamas	SCB
 Bahrain	Central Bank of Bahrain	CBB
 Belgium	Financial Services and Markets Authority	FSMA
 Belize	International Financial Services Commission	IFSC
 Botswana	(NBFIRA) Non-Bank Financial Institutions Regulatory Authority	NBFIRA
 Brazil	Securities and Exchange Commission of Brazil	CVM
 British Virgin Islands	Financial Services Commission	FSC
 Bulgaria	Bulgarian National Bank	BNB
 Canada	Investment Industry Regulatory Organization of Canada	IIROC
 Canada	CIPF (Canadian Investor Protection Fund)	CIPF
 China	China Securities Regulatory Commission	CSRC

Source: www.investing.com/brokers/regulation»

Trading Futures

Futures trading is a leveraged product dealing with margin requirements, leverage and expiring contracts that may or may not need to be rolled over to a forward month. Below are details explaining these aspects of futures trading.

Margin and Leverage

As a leveraged product, futures would require margin (a performance bond) as collateral to control a much larger position.

In the below example you can not only see how leverage is working, but the amount of funds you would need to control a position of this size, whereas:

Initial margin: \$3,300 per contract

1 contract of EUR / USD controls 125,000 units

Trader position: Long 10 contracts

The margin required on this position is calculated then as follows:

$\$3,300 \times 10 = \$33,000$

With 1 contract controlling 125,000 Euros (contract size set by the exchange) and you having 10 contracts, you would then control 1.25 million Euro's with only \$33,000.

NOTE: Margin is set and adjusted by the exchange in accordance with volatility. typically higher volatility will bring increased margin requirements for an asset.

Rollover

Since futures contracts expire, a trader needs to be prepared (if they are speculating and do not want to take delivery of the asset) to rollover the contract to another front-month (contract that has yet to expire).

Rollover is then the act of transferring expiring contracts into new non-expired ones. Traders that wish to hold long term positions will have to rollover expiring contracts in order to remain in their desired position.

Example: Rollover – soybeans

Trader A has a long term bullish stance on soybeans. Let's say he has built a large long position in contracts that will expire in 3 months. When the 3 months is up, he will have to make a rollover trade that will close out the expiring contracts and open new contracts with maturity further out.

NOTE: It is up to the trader how far out he wishes to go with the new contracts.

This is done as follows:

Position: Long 50 June Soybean Futures at the time of expiry.

Rollover order would be:

Sell 50 June Soybeans to no longer have a June position then,

Buy 50 December Soybeans contracts (as they have a forward non-expired front month).

With this, the trader has successfully rolled his long position to a longer maturity.

Physical & Cash Settlement

As referenced before, futures contracts can be of two forms, either a contract for the actual physical delivery of the asset in question or a call for cash settlement. In most cases, for contracts calling for the delivery of assets, actual physical transfer is hardly ever fulfilled. What usually happen is that an offsetting futures or options contract is procured prior to the fulfillment date as a means of profit taking. A cash settled instrument will then be closed at expiration closing the other side of the opening trade (buy or sell) using the settlement price at expiration.

Example: Physical settlement – gold Futures

In the most basic sense, a seller would deliver one contract of gold (100 oz) conforming to the standards set by the exchange and agreed on by the other party to a location also predetermined.

NOTE: Less than 5% of futures contracts in the US are delivered.

Example: Cash Settlement – Mini S&P 500

Position: Long 5 June 2012 contracts

Last Trade Date (expiration of contract): June 15, 2012

Settlement Price June 14: 1,333.00

Settlement Price June 15: 1,336.50

Since the final settlement of a cash-settled product follows the same procedures of the daily settlement, your account is either debited or credited the amount of change from the previous day. In this case, the index was up 3.50 points (1,336.50 – 1,333.00) on the last trading day so we calculate your credit as follows:

$\$50 \text{ (contract size)} \times 3.5 \text{ (change on last trade date)} \times 5$
 $\text{(contracts you own)} = \875

NOTE: Many FCM's and brokers dedicate personnel towards monitoring their client's positions and communicating with them when they need to close or roll positions. Keep in mind that this is done on a best efforts basis and ultimately it is your responsibility to understand the contracts that you are trading.

5 Trading Tips

There are many ways to speculate which each trader can experiment with and decide what is best for them. Here though are a few tips that should work with any trading method that any good successful trader can use to build around.

Have clearly defined goals

Before you enter a trade you need to know exactly what your goals are in terms of profit targets or percentage targets. You need to know this fully, and understand your reasoning for doing it in clear and well defined terms so you can build on it as you progress as a trader.

Have a strategy

Putting odds in your favor through simple Reward/Risk ratio's, using scaling techniques to get in and out of trades, using specific indicators or chart patterns; all of these and more can be used as a strategy to enter and exit trades and can be quite useful. Make sure you know what your plan is, keep it well-defined and stick to it. This way you can learn from it understand if changes need to be made as you progress as a trader.

Be disciplined

This is probably the hardest of all of them as it directly touches on the emotional side of trading. You will constantly be tested by greed or fear to change your strategy and/ or your goals. Do not do this as you set those up when you were rational before the trade was even placed. There are always exceptions to rules, but if even if "this time is different" you will open yourself up to believing the next time is different too and pretty soon you will not have any discipline at all. There is always another trade, stay disciplined and stick to your goals and strategies.

Keep a journal

Many traders do not do this though it can be an invaluable teaching tool in showing them their rationale of entering a trade before it occurred. Not only does it help in showing the logic of a trade, but also details into the steps they took before they entered the trade and if it still applies for future trades, or if adjustments need to be made. Keeping a journal will give you great insight into aspects of your trading strategy, goals and disciplines few other methods can do.

Expect to be wrong

Your ego will kill you in this game, but if you expect to be wrong more often than right you will not be as affected by it. Knowing, and accepting, you will be wrong gives you some mental stability and allows you to then focus in on what to do in order to setup trades that gives you a good Reward to Risk ratio and protect your capital. Whether that is putting in better risk parameters before you trade, changing your trading goals, or staying patient and understanding there are limitless opportunities, understanding that being wrong is part of the game changes your mental framework for the better.

Choosing a Broker

The following are key criteria to consider when choosing a futures broker:

Investing.com

Futures Brokers

Forex | Cryptocurrency | CFDs | Stocks | **Futures** | Options | Spread Betting

Broker Name:

Refine Results

Trading Information —

Trading Platforms
Please Choose ▼

Minimum Deposit
0 30000

Maximum Forex Leverage
1:1 3000:1

Other Features
☐ Mobile Trading

Company Information —

Broker Name	Minimum Deposit	
Broker A View Profile Broker A Info...	\$5	<input type="button" value="Start Trading"/>
Broker B View Profile Broker B Info...	\$100	<input type="button" value="Start Trading"/>
Broker C View Profile Broker C Info...	\$500	<input type="button" value="Start Trading"/>
Broker D View Profile Broker D Info...	\$5	<input type="button" value="Start Trading"/>
Broker E View Profile Broker E Info...	\$100	<input type="button" value="Start Trading"/>

Source: www.investing.com/brokers/futures-brokers»

Commissions

Most futures brokers charge a commission of anywhere from \$0.25 per side, per contract to a few dollars per side per contract. There are times where this can be negotiated if you are an active trader and it never hurts to ask.

Other fees

Ask your broker to list all of the fees they charge as some may charge inactive fees, wire fees, or software fees that you may not find out until after your account is open.

Broker reputation

Check if the company is stable and well established. This can easily be done by doing a search on the internet and reading other trader stories.

Customer support

Call to check how fast your questions are handled, if they offer software education support, how they handle fund requests, and of course how they would handle any trade related questions if a bad fill occurs or their software goes down.

Intangibles

There is a lot of competition between brokers that you can use to your advantage. Many of the good ones can provide you with internal or even 3rd party resources that smaller, less equipped brokers cannot. Some of these resources focus on daily, or even live commentary for all offered markets which can help keep you current on events.

Trading Risks

Trading on margin involves a very high level of risk and as such may not be suitable to those investors who are adverse to risk. Any type of speculation that can yield an unusually high return on an investment is subject to unusually high risk of loss as well. In saying this, before deciding to trade Futures you should carefully consider your objectives, level of experience, and risk appetite. You should only use surplus funds for trading and anyone who does not have such funds should not participate in live trading. Here are common risks associated with trading margined Futures which include, but are not necessarily limited to the following:

Overtrading

Many traders find themselves trading because they love the excitement of it, and get sloppy with their rules and methodologies. Overtrading occurs usually because of boredom or an addiction to trading and must be watched closely.

Market Risk

Market Risk are risks associated with the price movement of the asset traded which can result from a change in economic, company, environmental, or political conditions.

Liquidity Risk

Liquidity Risk results from decreased liquidity of an asset. This can be due to unanticipated changes in economic, environmental and/or political conditions, or just because there is a holiday. Decreases in liquidity can result in “Fast Market” conditions where the price of an asset moves sharply higher or lower, or in a volatile up/down pattern.

Excessive Leverage

Leverage works for speculators when price action is favorable, but can work against the speculator as well if the market action is not favorable. As a result, it is possible that the amount of margin initially pledged against a trading position and the total amount of equity in the account can be completely depleted or even be negative because of excessive leverage used.

Technology Risk/Internet Trading Risks

There are risks which are associated with utilizing an Internet-based deal execution trading system. For example, the failure of hardware, software, and Internet connection can happen at any time.