

Beginner's Guide to Futures

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the definition

Futures are **agreements** to buy or sell an **asset** at a specified **quantity** and **date** at today's traded price.

AGREEMENT

Contract (just like options) joining two parties for the future delivery of an asset (seller) and the full sum of money (buyer) reflecting the agreed upon price

ASSET

Anything of value that people want to invest in, hedge against, or speculate on usually falling under commodity or security (stock index, energy, currency, etc.)

QUANTITY

Usually seen as a simple multiplier (like 100 shares in stock options) but also defined in commodity amounts (like bushels of corn or ounces of gold)

DATE

Predetermined date and time (also known as expiration) when the long or short transforms into the underlying or cash (most positions are closed by this point)

where are you coming from?

STOCKS

Futures give you **directional exposure** for traditionally **less money** without **short restrictions** or **pattern day trading rules**.

OPTIONS

Futures give you **fixed deltas** at the **at-the-money strike** with **no change in P/L** from **gamma, theta, or other greeks**.

ANALOGY 1

Buying a future with \$100 multiplier is like buying 100 shares of stock

ANALOGY 2

Selling a future of 5,000 bushels is like selling 5,000 shares of an ETF

ANALOGY 1

Buying a future is like selling an ATM put while buying an ATM call

ANALOGY 2

Selling a future is like buying a put without the premium or dynamic deltas

how can you get started?

OPEN AN ACCOUNT

Find a broker that offers futures trading, competitive fees, and easy-to-use tech ([e.g. tastyworks, Interactive Brokers](#))

ENABLE FUTURES

Be sure to enable futures in the account opening process, or contact broker's support if account is already open

SEARCH AND SEND

Search futures just like stocks, and it can be helpful to start by simply buying and selling a [small product](#)