Beginner's Guide to Futures

sponsored by the SMALL exchange

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.)

OUANTITY

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 : Futures give you fixed deltas at the restrictions or pattern day trading rules. 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

OPTIONS

traditionally less money without short : at-the-money strike with no change in

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

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

advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. Futures are financial contracts to buy or sell an asset at a set price on a set date in the future. A stock is a security that represents an ownership position in a corporation. An option is a contract giving the buyer the right to buy or sell the underlying asset at a specific price on or before a certain date. Trading in derivatives and other financial instruments involves risk and are not suitable for all investors