

Futures Market Education and Analysis System

Wealth Horizons Academy | \$447

DISCLAIMER

Strictly educational. Futures trading involves substantial risk of loss. Not investment advice.

FUTURES MARKETS EDUCATION

MODULE 1: FUTURES FUNDAMENTALS

What Is a Futures Contract?

A futures contract is a legally binding agreement to buy or sell a specific quantity of a commodity or financial instrument at a predetermined price at a specific future date.

Key Differences from Stocks: - Obligation (not right) to transact - Expiration dates (contracts expire and must be rolled) - Leverage through margin (control large positions with small capital) - Physical delivery possible (usually cash-settled or rolled)

Who Uses Futures Markets

Hedgers: Protecting against price risk - Airlines buy oil futures to lock in fuel costs - Farmers sell corn futures to guarantee selling price - Fund managers use index futures to hedge portfolios

Speculators: Seeking profit from price movements - Professional traders - Institutional investors - Retail traders

Arbitrageurs: Exploiting price discrepancies between markets

MODULE 2: MAJOR FUTURES MARKETS

Agricultural Commodities

- Corn (CBOT)
- Soybeans (CBOT)
- Wheat (CBOT, KCBT)
- Coffee (ICE)
- Sugar (ICE)
- Cotton (ICE)

Energy

- WTI Crude Oil (NYMEX) — US benchmark
- Brent Crude Oil (ICE) — International benchmark
- Natural Gas (NYMEX)
- RBOB Gasoline
- Heating Oil

Metals

- Gold (COMEX) — Safe haven, inflation hedge
- Silver (COMEX) — Industrial and precious metal
- Copper (COMEX) — Economic health indicator
- Platinum/Palladium

Financial Futures

- E-mini S&P 500 (CME) — Most traded futures contract
- E-mini NASDAQ 100
- Treasury Bonds and Notes
- Eurodollar/SOFR
- Currency futures

MODULE 3: FUTURES PRICING

The Cost of Carry Model

Futures price $\approx$ Spot price + Cost of carry

Cost of carry includes: - Storage costs (for physical commodities) - Financing costs (interest on capital) - Insurance - Less any yield (dividends for stock futures)

Contango: Futures price > Spot price (normal, positive carry)

Backwardation: Futures price < Spot price (supply shortage or convenience yield)

Basis

Basis = Spot price - Futures price

Basis strengthens (narrows) as expiration approaches. Basis is a key consideration for hedgers.

MODULE 4: RISK MANAGEMENT IN FUTURES

Margin Requirements

Futures require only a fraction of contract value as margin: - Initial margin: Required to open a position - Maintenance margin: Minimum balance to maintain position - Margin call: Required when account falls below maintenance margin

Example: S&P 500 E-mini contract value: ~\$250,000 Initial margin requirement: ~\$14,000 (5.6% of contract value) Leverage: approximately 18:1

This leverage amplifies both gains AND losses. Risk management is paramount.

Rollover Management

Futures contracts expire. To maintain a position, you must 'roll' to the next contract: - Close expiring contract - Open new position in next expiration - This can have a cost or benefit (contango vs backwardation)

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