- Objectives: by the end of this unit, students will…
- Define each of the following: a. Futures Contract b. Commodity c. Futures Market d. Hedger e. Speculator
- Summarize the conditions through which the Chicago Board of Trade began.
- Identify which components of a futures contract are negotiable and which are not.
- Summarize how the futures market enables prices of commodities to become public knowledge.
- Explain the incentives for each of the following to become involved in the futures market: farmers, purchasers, and speculators.
- Summarize what it means to go long vs. go short.
- Explain the difference between a physical contract and a cash settlement contract.
- Summarize why a company would choose a cash-settlement contract instead of exchanging the commodity
- Define each of the following: a. Initial Margin b. Maintenance Margin c. Margin Call d. Leverage
- Under given conditions, state whether it would be better to go long or go short.
- Summarize each of the following options for participation in the futures market: a. Open your own account. b. Have someone manage your account. c. Trading Advisor d. Commodity Pool.