3/24 Agenda

1. Connections

2. Ground rules moving forward
   quizzes, Projects, final exam

3. Back to the futures
   FCOJ, short + long, futures predict spot

Trading Scenario

I took a long position

On 3/5/20, I bought 1 July FCOJ contract @ $1.00.

obligates me to take delivery in July

If I sold today 3/24 at $1.10, the exchange would pay me ($1.10 − $1.00) × 15,000 lbs. = $1500.

And I would have no remaining obligation.

If I had sold a contract on 3/5, I would now have to buy one back at $1.10, and pay the exchange (ICE) ($1.10 − 1.00) × 15,000 = $1,500

3 conclusions from the scenario (or related to it)

1. Most futures transactions are cash settled
2. Cash settlements can occur before contract expiration (delivery time.)
3. Contract obligations are between the trader and the exchange (ICE.)