



SNS College of Technology

Coimbatore - 35



23BAE703- Derivatives and Risk Management

Unit 2 – Futures Contract



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Design Thinker.





Recap



Types of Settlement

Uses



Guess the Topic!

FUTURES OPTIONS

STOCKS INDEX

Stock: HDFC Bank Expiry Date: 25-06-2020 **SEARCH FUTURES**

HDFCBANK **25Jun2020** **Add to Watchlist**

NSE LIVE **943.00** ▲ **15.05 (1.62%)**

Apr 29, 11:56

BSE: 500180 | NSE: HDFCBANK | ISIN: INE040A01034

Open Price	941.60	Average Price	947.62
High Price	955.00	No. of Contracts Traded	68
Low Price	935.00	Turnover (Rs. in lakhs)	322.19
Prev. Close	927.95	Market Lot	500
Spot Price	948.20	Open Interest	113,500
Open Int PCR	0.52	Open Int. Chg	3,000
Prev OI PCR	0.51	Open Int. Chg %	2.71
Bid Price	944.05	Offer Price	945.35
Bid Qty	500	Offer Qty	500

Specifications of Futures Contract



Points to Discuss

- **Futures Contract – Meaning**
- **Difference Between Forward and Futures Contract**
- **Futures Contract - Specifications**



Futures contract - Meaning

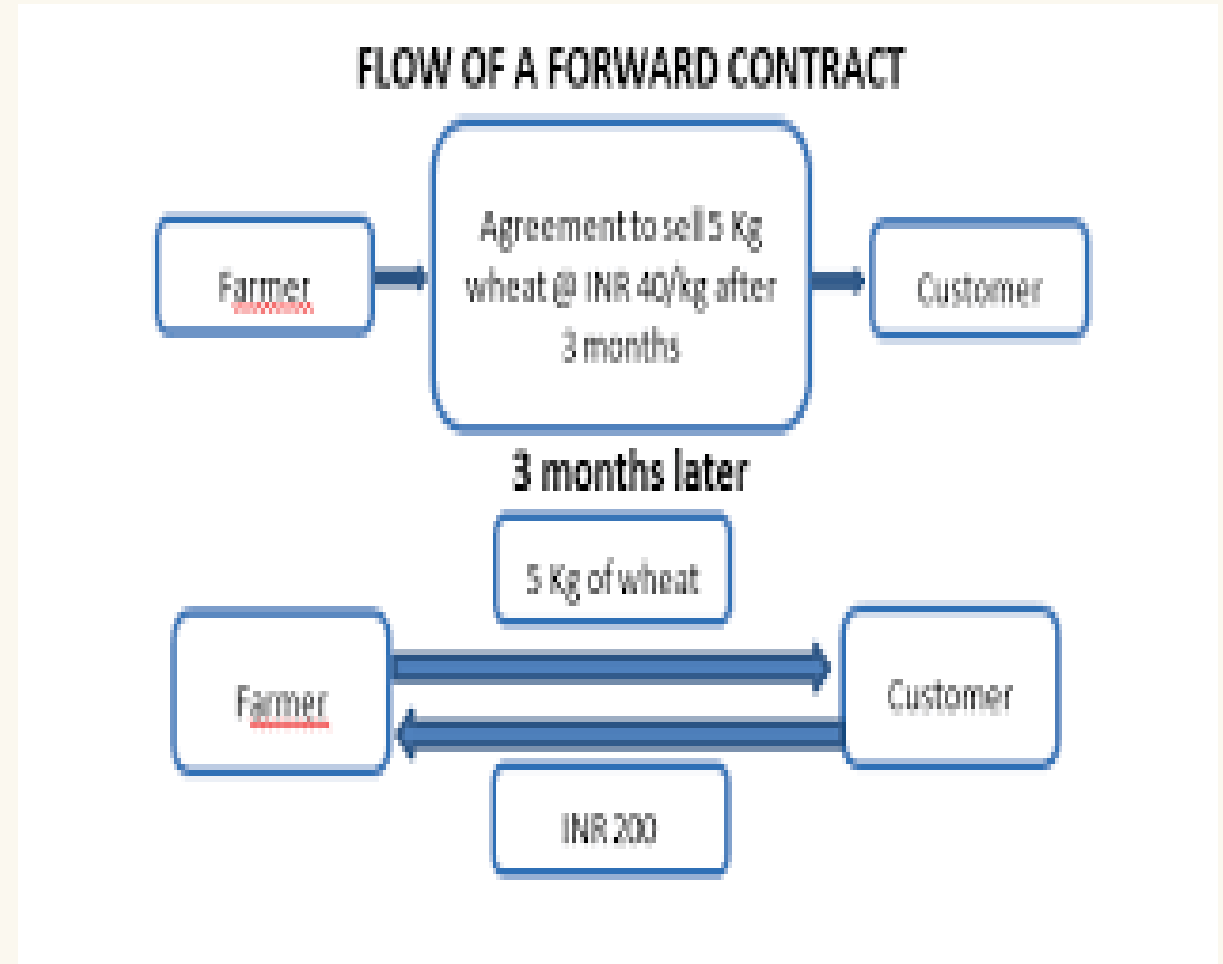
➤ A futures contract is an agreement between two parties to buy or sell an asset at a certain time in the future at a certain price.





Features & Limitations of Forward Contract

- Bilateral Contract
- Counter party Risk
- Unique in specification
- Contract Price is not available in Public domain
- Lack of Centralized Trading
- Illiquidity





Difference between Forward and Futures



FUTURES	FORWARD
Trade on an organized exchange	OTC in nature
Standardized contract terms	Customized contract terms
Hence more liquid	Hence less liquid
Requires margin payments	No margin payment
Follows both daily settlement and Final settlement	Settlement happens at end of period



BREAK



Specifications

- Assets
- Contract Size
- Place of Delivery
- Time of Delivery

FUTURES		OPTIONS	
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Specifications

- Expiration
- Contract Size
- Initial Margin
- Price Quotation
- Tick Size
- Tick Value
- Mark to Market
- Delivery Date
- Daily Settlement

Futures Specifications i

Metals »

Commodity ↕	Symbol ↕	Exchange ↕	Contract Size	Months	Point Value
Copper	HG	COMEX	25,000 Lbs.	HKNUZ	1 = \$25000
Gold	GC	COMEX	100 Troy Ounces	GJMQVZ	1 = \$100
Trading Hours:		17:00 – 16:15 CT (Sunday – Friday)			
Last Trading Day:		The third last business day of the delivery month.			
Tick Size:		0.1			
Tick Value:		10			
Settlement Type:		Physical			
Palladium	PA	NYMEX	100 Troy Ounces	HMUZ	1 = \$100
Platinum	PL	NYMEX	50 Troy Ounces	FJNV	1 = \$50
Silver	SI	COMEX	5,000 Troy Ounces	FHKUNZ	1 = \$5000
Xetra-Gold	FXGL	Eurex	1 gram	HMUZ	1 = €1000



How to buy futures contract





Assessment



In futures contracts, all of the following parameters are usually standardized by way of contract specification, except the _____?

- a) Quantity
- b) Quality
- c) Price
- d) Tender Period/ Delivery Period

Answer: Option D



Summary

- Meaning of Futures Contract
- Limitations of Forward Contract
- Specifications of Futures Contract
- How to Buy Futures Contract





Reference

<https://www.cmegroup.com/education/courses/introduction-to-futures/learn-about-contract-specifications.html>





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THANK YOU...

