Futures Notesheet (Type all Answers in RED)

Name: Hour Date:

Date Assignment is due: Why late? Score: + ✓ -
 Day of Week Date If your project was late, describe why

**Directions**: Use the accompanying PowerPoint ([available online](http://chuckey-doak.ffanow.org/default.aspx?ID=52120)) to complete this sheet. This sheet will be due by Thursday May 18!! These assignments are graded on a +/✓/- scale. SAVE As: (LASTNAME)agbizfinal and email to brett.butler@gcstn.org

1. Define Futures Market:
2. What is a futures contract?
3. What is a commodity?
4. What are examples of commodities?
5. The Futures Market ensures that producers can

for a , consumers can

the

and the general public can
6. The Futures Market is a venue to
7. Explain how the futures market is sort of like a cell phone contract:
8. Instead of a cell phone company, you have
9. Instead of a regular person trying to get cell phone service, the person paying
10. Instead of cell phone minutes, it might be
11. If a farmer and a bakery enter into a futures contract, what is the benefit for each?

Farmer:

Bakery:
12. The Futures Market began out of

Explain:
13. How did merchants also suffer economically prior to the existence of the Futures Market?
14. In , the was created in
15. What is the Chicago Board of Trade?
16. Farmers had a place to

merchants had a place to

and all exchanges were
17. Was this system effective initially? Explain:
18. Instead of individual contracts, each with

the Board of Trade was changed so that
19. The only negotiable items were

and
20. Contracts today are required to have each of the following:

 e.g.

 e.g.

 e.g.

 e.g.

 which is

 which is
21. What does it mean that the Futures Market is a venue for price discovery?
22. Prior to the existence of the Board of Trade,
23. Due to the large volume of trading in one location,
24. The Futures Market is able to determine a based on the
25. In January, for example, a futures contract would reflect
26. The price of a contract is product of what the buyers and sellers
27. Could the actual price of the commodity that is determined by other factors also influence the final price? Explain:
28. What is the primary purpose of the Futures Market?
29. What does this mean for a farmer?
30. What does this mean for a consumer?
31. This reduces and increases

for both the

and the

1. People who use the Futures Market to reduce their are called
2. Hedgers are
3. How do Hedgers use the market to reduce their risk?
4. Could a farmer lose more money using the Futures Market than if they had opted to have no contract whatsoever? Explain:
5. If you as a farmer could potentially lose more money using the Futures Market, why bother to use it at all?
6. What is a Speculator?
7. Speculators usually don’t trade , they trade the
8. What does it mean to Go Long?
9. What does it mean to Go Short?
10. How does a speculator trade contracts if they don’t actually have the means to sell a commodity or purchase a commodity?
11. State and Summarize the two kinds of futures contracts:

Physical Contract:

Cash-settlement contract:
12. Why would a company choose a cash-settlement contract instead of exchanging the commodity?
13. Do you need $25,000 to purchase $25,000 worth of soybeans contracts on the Futures Market? Explain:
14. What is the initial margin?
15. What is leverage?
16. If a contract has a high leverage, what does that mean about its potential profits (or losses)?

1. What is a maintenance margin?
2. What happens if the value of your investment falls below the maintenance margin?

1. What is a margin call?
2. If a contract’s maintenance margin is $1500, and your account is reduced to $1400,
and you initially invested $2000, how much do you have to add to your account (on
top of what you already invested) to be able to trade again?
3. If you do not meet a firm’s requirements, they can
4. Going long means
5. You intend to buy and sell .
6. What is need to make money?
7. How could you lose money?
8. If there is a drought in a place overseas that grows a lot of soybeans, would you want to go long or go short?

 Explain:
9. If unemployment increases dramatically, would you want to go long or go short on beef contracts?

 Explain:
10. Going short means to
11. Summarize each of the following speculating options:

Trade your own account:

Have someone manage your account:

Use a Commodities Trading Advisor:

Commodity Pools:

Unit Wrap-up C. Kohn, Agricultural Sciences - Waterford WI

This page is designed to help raise your grade while enabling you to develop skills you will need for after high
school. You will need to complete every question and blank in order to receive full credit for your notes. Note: if you cannot come up with a strategy to remember a difficult concept on your own, see your instructor for help.

1. What is a topic or concept from this unit that you found to be more challenging? Write or describe below:

In the space below, create a mnemonic, rhyme, analogy, or other strategy to help you remember this particular concept:
2. What is a 2nd topic or concept from this unit that you found to be more challenging? Write or describe below:

In the space below, create a mnemonic, rhyme, analogy, or other strategy to help you remember this particular concept:
3. What is a 3rd topic or concept from this unit that you found to be more challenging? Write or describe below:

In the space below, create a mnemonic, rhyme, analogy, or other strategy to help you remember this particular concept:
4. Circle the most appropriate response. You will only be graded on whether or not you completed this section, so be entirely honest with yourself when completing this section.

Circle one: *I used my notes outside of class to prepare for the quiz.* Definitely – Yes – Sort of - No

Circle one: *I took extra notes in the margins for very difficult concepts.* Definitely – Yes – Sort of - No

Circle one: *I created a personal strategy for at least three difficult items.* Definitely – Yes – Sort of - No

Circle one: *I was very involved and actively studying during the quiz review.* Definitely – Yes – Sort of - No

Circle one: *I think I will be satisfied with the quiz grade I received this week.* Definitely – Yes – Sort of - No

Circle one: *I might need to meet with the instructor outside of class.* Definitely – Yes – Sort of - No