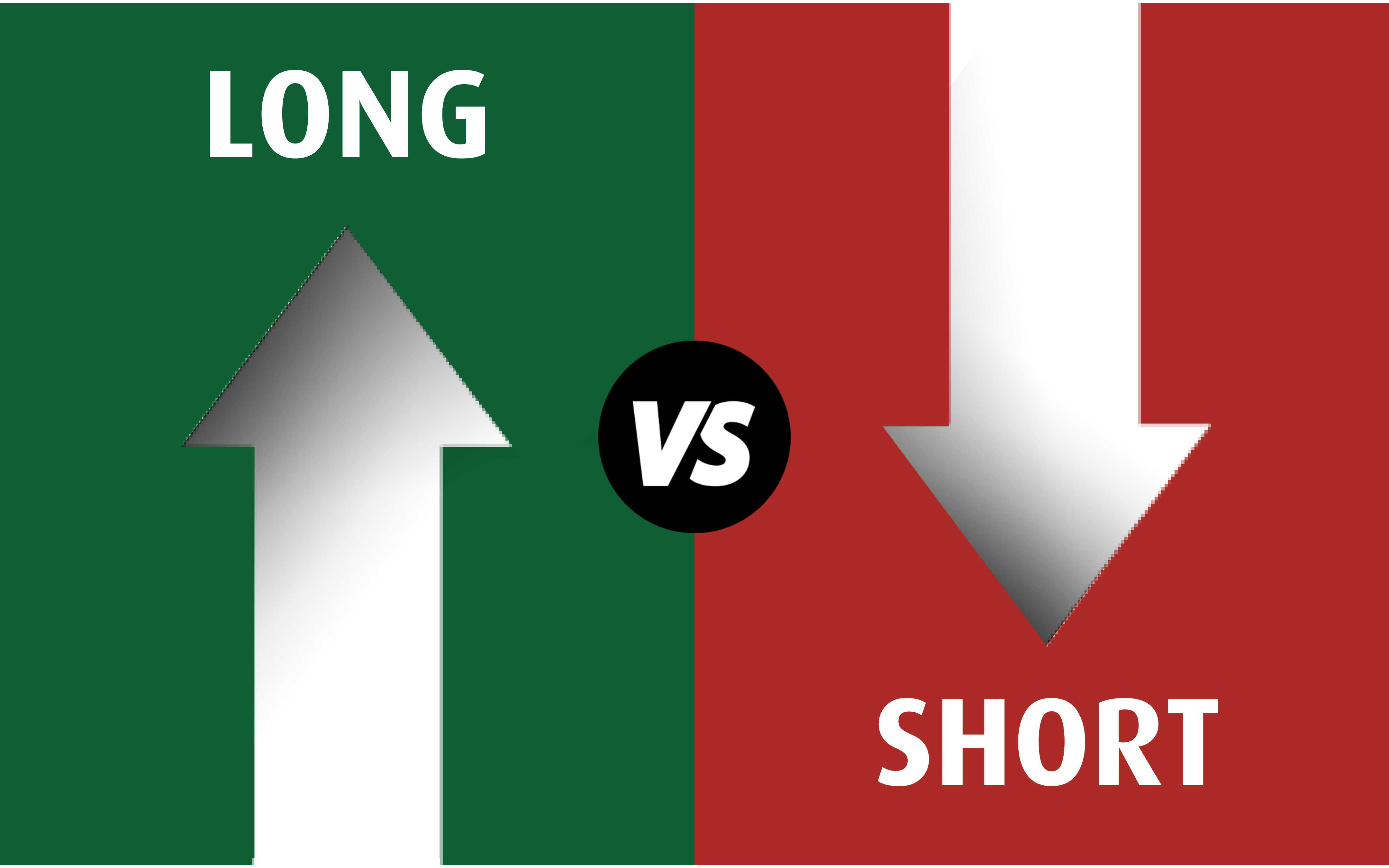
Hong Leong Investment Bank

FUTURES LINGO



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LONG

A strategy where trader benefits from a price increase.

Buy a futures contract at a lower price first and sell later at a higher price.

SHORT

A strategy where trader benefits from a price decrease.

Sell a futures contract at a higher price first and buy later at a lower price.

Source: Investopedia

EXAMPLE [LONG]

BUY

You were bullish on the crude palm oil market and bought 1 lot of FCPO contract @3,787.

SELL

As expected, the price of FCPO rose. You closed your position by selling @3,887.

PROFIT

You gained a profit of RM 2,500.

Price difference x Contract size
= (3,887 - 3,787) x RM 25*
= RM 2,500

*Note: 1 pt = RM 25

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EXAMPLE [SHORT]

SELL

You were bearish on the crude palm oil market and sold 1 lot of FCPO contract @3,787.

BUY

As expected, the price of FCPO dropped. You closed your position by buying @3,687.

PROFIT

You gained a profit of RM 2,500.

Price difference x Contract size
= (3,787 - 3,687) x RM 25
= RM 2,500

*Note: 1 pt = RM 25