

Actuals - An actual physical commodity someone is buying or selling, e.g., soybeans, corn, gold, silver, Treasury bonds, etc. Also referred to as actuals.

Analogous Years Analysis - An analytical methodology that compares different periods of time in an attempt to find basis, technical, or fundamental similarities. If such similarities are perceived to exist, traders may assume that current prices will behave similarly to prices during the analogous period.

Arbitrage - The simultaneous purchase and sale of similar commodities in different markets to take advantage of what is perceived as a temporary price discrepancy.

Ask - The price at which a party is willing to sell. Also referred to as the “offer.”

At-the-Money Option - An option with a strike price that is equal, or approximately equal, to the current market price of the underlying futures contract.

Back Months - Those futures delivery months with expiration or delivery dates furthest into the future; in other words, futures delivery months other than the spot, or nearby, delivery month.

Backwardation - A futures market in which distant contract months are higher in price than the nearby month. Same as inverted market.

Balance of Payment - A summary of the international transactions of a country over a period of time including commodity and service transactions, and gold movements.

Bar Chart - A chart that graphs the high, low, and settlement prices for a specific trading session over a given period of time.

Basis - The difference between the current cash price and the futures price of the same commodity. Unless otherwise specified, the price of the nearby futures contract month is generally used to calculate the basis.

Bear - Someone who thinks market prices will decline.

Bear Market - A period of declining market prices.

Bear Spread - In most commodities and financial instruments, the term refers to selling the nearby contract month, and buying the deferred contract, to profit from a change in the price relationship.

Bid - An expression indicating a desire to buy a commodity at a given price, opposite of offer.

Break - A rapid and sharp price decline.

Broker - A company or individual that executes futures and options orders on behalf of financial and commercial institutions and/or the general public.

Bull - Someone who thinks market prices will rise.

Bull Market - A period of rising market prices.

Bull Spread - In most commodities and financial instruments, the term refers to buying the nearby month, and selling the deferred month, to profit from the change in the price relationship.

Butterfly Spread - The placing of two interdelivery spreads in opposite directions with the center delivery month common to both spreads.

Buying Hedge - When users of a physical commodity buy futures contracts in advance of that use in order to protect themselves from adverse price action.

Calendar Spread - The purchase of one delivery month of a given futures contract and simultaneous sale of another delivery month of the same commodity on the same exchange.

Call Option - An option that gives the buyer the right, but not the obligation, to purchase (go “long”) the underlying futures contract at the strike price on or before the expiration date.

Carrying Charge - For physical commodities such as grains and metals, the cost of storage space, insurance, and finance charges incurred by holding a physical commodity. In interest rate futures markets, it refers to the differential between the yield on a cash instrument and the cost of funds necessary to buy the instrument. Also referred to as cost of carry or carry.

Carryover - Grain and oilseed commodities not consumed during the marketing year and remaining in storage at year’s end.

Cash Commodity - An actual physical commodity someone is buying or selling, e.g., soybeans, corn, gold, silver, Treasury bonds, etc. Also referred to as actuals.

Cash Contract - A sales agreement for either immediate or future delivery of the actual product.

Cash Market - A place where people buy and sell the actual commodities, i.e, grain elevator, bank, etc. Spot usually refers to a cash market price for a physical commodity that is available for immediate delivery.

CME Group - Chicago-based exchange that is the world’s largest futures and options exchange (as of 2007). Formed in 2007 through a merger between the Chicago Mercantile Exchange and the former Chicago Board of Trade.

Commercial - Term used most commonly in the agricultural markets to describe futures traders whose primary business is in the underlying physical commodity markets. An example of a commercial would be a soybean processor or a grain exporter. The term is often used in contrast to ‘speculator.’ (See Speculator.)

Commodity - A substance or product whose common characteristics allow it to be used by a variety of processors or other end users. In terms of this Glossary, commodities are basically products that are traded on an authorized commodity exchange. Types of commodities include: agricultural products, metals and energy products, to name a few.

Commodity Futures Trading Commission (CFTC) - Federal regulatory agency that oversees futures trading in the United States.

Consensus - (Often referred to as “bullish consensus”). The perceived opinion – either bullish or bearish – of traders in a given market. If a substantial majority of the market is perceived to be bullish, this may be an indication that the market is overbought and should, therefore, be sold. The opposite is true if a substantial majority is perceived to be bearish.

Consumer Price Index (CPI) - A major inflation measure computed by the U.S. Department of Commerce. It measures the change in prices of a fixed market basket of some 385 goods and services in the previous month.

Contract Grades - The standard grades of commodities or instruments listed in the rules of the exchanges that must be met when delivering cash commodities against futures contracts.

Contract Month - A specific month in which delivery may take place under the terms of a futures contract.

Cost of Carry (or Carry) - For physical commodities such as grains and metals, the cost of storage space, insurance, and finance charges incurred by holding a physical commodity. In interest rate futures markets, it refers to the differential between the yield on a cash instrument and the cost of funds necessary to buy the instrument.

Crop (Marketing) Year - The time span from harvest to harvest for agricultural commodities. The crop marketing year varies slightly with each ag commodity, but it tends to begin at harvest and end before the next year's harvest, e.g., the marketing year for soybeans begins September 1 and ends August 31.

Crop Reports - Reports compiled by the U.S. Department of Agriculture on various ag commodities that are released throughout the year. Information in the reports includes estimates on planted acreage, yield, and expected production, as well as comparison of production from previous years.

Cross Hedging - Hedging a physical commodity by using an alternate, closely related futures market when an exact match is not available.

Crush Spread - A spread trade involving the purchase of soybean futures and the simultaneous sale of soybean oil and meal futures. The exact proportions are: buy 10 soybean contracts/sell 11 meal and 9 oil contracts.

Customer Margin - Within the futures industry, financial guarantees required of both buyers and sellers of futures contracts and sellers of options contracts to ensure fulfilling of contract obligations. FCM's are responsible for overseeing customer margin accounts. Margins are determined on the basis of market risk and contract value.

Daily Trading Limit - The maximum price range set by the exchange each day for a contract.

Day Traders - Speculators who take positions in futures or options contracts and liquidate them prior to the close of the same trading day.

Deferred (Delivery) Month - The more distant month(s) in which futures trading is taking place, as distinguished from the nearby (delivery) month.

Deliverable Grades - The standard grades of commodities or instruments listed in the rules of the exchanges that must be met when delivering cash commodities against futures contracts. Grades are often accompanied by a schedule of discounts and premiums allowable for delivery of commodities of lesser or greater quality than the standard called for by the exchange. Also referred to as contract grades.

Delivery - The transfer of the cash commodity from the seller of a futures contract to the buyer of a futures contract. Each futures exchange has specific procedures for delivery of a cash commodity. Some futures contracts, such as stock index contracts, are cash settled.

Delivery Day - The third day in the delivery process at the Chicago Board of Trade, when the buyer's clearing firm presents the delivery notice with a certified check for the amount due at the office of the seller's clearing firm.

Delivery Month - A specific month in which delivery may take place under the terms of a futures contract. Also referred to as contract month.

Delivery Points - The locations and facilities designated by a futures exchange where stocks of a commodity may be delivered in fulfillment of a futures contract, under procedures established by the exchange.

Delta - A measure of how much an option premium changes, given a unit change in the underlying futures price. Delta often is interpreted as the probability that the option will be in-the-money by expiration.

Discount Rate - The interest rate charged on loans by the Federal Reserve Bank.

Eurodollars - U.S. dollars on deposit with a bank outside of the United States and, consequently, outside the jurisdiction of the United States. The bank could be either a foreign bank or a subsidiary of a U.S. bank.

Exercise - The action taken by the holder of a call option if he wishes to purchase the underlying futures contract or by the holder of a put option if he wishes to sell the underlying futures contract.

Exercise Price - The price at which the futures contract underlying a call or put option can be purchased (if a call) or sold (if a put). Also referred to as strike price.

Expiration Date - Options on futures generally expire on a specific date during the month preceding the futures contract delivery month. For example, an option on a March futures contract expires in February but is referred to as a March option because its exercise would result in a March futures contract position.

Extrinsic Value - The same as time value. In general, an option premium is the sum of time value and intrinsic value.

Federal Funds - Member bank deposits at the Federal Reserve; these funds are loaned by member banks to other member banks.

Federal Funds Rate - The rate of interest charged for the use of federal funds.

Federal Reserve System - A central banking system in the United States, created by the Federal Reserve Act in 1913, designed to assist the nation in attaining its economic and financial goals.

Financial Instrument - There are two basic types: (1) a debt instrument, which is a loan with an agreement to pay back funds with interest; (2) an equity security, which is share or stock in a company.

First Notice Day - According to Chicago Board of Trade rules, the first day on which a notice of intent to deliver a commodity in fulfillment of a given month's futures contract can be made by the clearinghouse to a buyer. The clearinghouse also informs the sellers who they have been matched up with.

Flight to Quality - Moving money out of investments that have recently become perceived as unstable, and into an area of financial stability. Historically, flight-to-quality investments have included the US Dollar, gold, US T-Bills and T-Bonds although in the future, various European financial instruments may become more attractive as havens of quality.

Foreign Exchange Market - An over-the-counter market where buyers and sellers conduct foreign exchange business by telephone and other means of communication. Also referred to as a Forex market.

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Forward (Cash) Contract - A cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward contracts, in contrast to futures contracts, are privately negotiated and are not standardized.

Full Carrying Charge Market - A futures market where the price difference between delivery months reflects the total costs of interest, insurance, and storage.

Full Membership (CBOT) - A Chicago Board of Trade membership that allows an individual to trade all futures and options contracts listed by the exchange.

Futures Contract - A legally binding agreement, made on the trading floor of a futures exchange, to buy or sell a commodity or financial instrument sometime in the future. Futures contracts are standardized according to the quality, quantity, and delivery time and location for each commodity. The only variable is price, which is discovered via exchange trade.

Futures Exchange - A central marketplace with established rules and regulations where buyers and sellers meet to trade futures and options on futures contracts.

Gamma - A measurement of how fast delta changes, given a unit change in the underlying futures price.

GLOBEX - A global after-hours electronic trading system originated by the Chicago Mercantile Exchange.

GMO Grain - GMO stands for "genetically modified organism." Generally used to describe grain that has been genetically altered to produce characteristics such as resistance to drought as well as weed and pesticide control. Such grains are very prevalent in the US, but are discouraged or even banned by the EU, Japan and others.

Grain Terminal - Large grain elevator facility with the capacity to ship grain by rail and/or barge to domestic or foreign markets.

Gross Domestic Product - The value of all final goods and services produced by an economy over a particular time period, normally a year.

Gross National Product - Gross Domestic Product plus the income accruing to domestic residents as a result of investment abroad less income earned in domestic markets accruing to foreigners abroad.

Hedger - An individual or company owning or planning to own a cash commodity, corn, soybeans, wheat, U.S. Treasury bonds, notes, bills, etc. and concerned that the cost of the commodity may change before either buying or selling it in the cash market. A hedger achieves protection against changing cash prices by purchasing (selling) futures contracts of the same or similar commodity and later offsetting that position by selling (purchasing) futures contracts of the same quantity and type as the initial transaction.

Hedging - The practice of offsetting the price risk inherent in any cash market position by taking an equal but opposite position in the futures market.

High - The highest price of the day for a particular futures contract.

Holder - The purchaser of either a call or put option. Option buyers receive the right, but not the obligation, to assume a futures position. Also referred to as the Option Buyer.

Horizontal Spread - The purchase of either a call or put option and the simultaneous sale of the same type of option with typically the same strike price but with a different expiration month. Also referred to as a calendar spread.

ICE - Short for Intercontinental Exchange. Atlanta-based electronic exchange. Originally, the International Petroleum Exchange.

Intervention - Direct buying or selling by a government in order to counter market forces that are perceived to be damaging to public confidence or the public welfare. This is perhaps most commonly applied in currencies markets.

In-the-Money Option - An option having intrinsic value. A call option is in-the-money if its strike price is below the current price of the underlying futures contract. A put option is in-the-money if its strike price is above the current price of the underlying futures contract. The amount by which an option is in-the-money.

Initial Margin - The amount a futures market participant must deposit or have on deposit before placing an order to buy or sell a futures contract. Also referred to as original margin.

Intercommodity/Intermarket Spread - The purchase of one futures market and the simultaneous sale of a different futures market.

Intrinsic Value - The amount by which an option is in-the-money. An option having intrinsic value. A call option is in-the-money if its strike price is below the current price of the underlying futures contract. A put option is in-the-money if its strike price is above the current price of the underlying futures contract.

Inverted Market - A futures market in which nearby contracts are higher in price than deferred contracts. The opposite of a carrying charge market.

Lagging Indicators - Market indicators showing the general direction of the economy and confirming or denying the trend implied by the leading indicators. Also referred to as concurrent indicators.

Last Trading Day - The final day when trading may occur in a futures or option contract month. Futures contracts outstanding at the end of the last trading day must be settled by delivery of the underlying commodity or securities or by agreement for monetary settlement (in some cases by EFPs)

Leading Indicators - Market indicators that signal the state of the economy for the coming months. Some of the leading indicators include: average manufacturing workweek, initial claims for unemployment insurance, orders for consumer goods and material, percentage of companies reporting slower deliveries, change in manufacturers' unfilled orders for durable goods, plant and equipment orders, new building permits, index of consumer expectations, change in material prices, prices of stocks, change in money supply.

Lifting a Leg - Liquidation of one side of a spread position resulting in an outright long or short position.

Limit Order - An order in which the customer sets a limit on the price and/or time of execution.

Limits (Daily Trading Limits) - The price amount by which a commodity can move either up or down in one trading session. These limits can be expanded during periods of greater volatility. Also see Position Limits.

Liquid (Liquid Market) - A security or commodity market with a relatively high level of volume and/or open interest. A market that is liquid allows traders to buy or sell in large quantities without causing undue movement or disruption to the underlying market price.

Liquidate - To offset an original position in futures and options. If a trader entered the market as a buyer of 10 December corn contracts, he can liquidate that position by selling 10 contracts of December corn.

Long - One who has bought futures contracts or owns a cash commodity.

Long Hedge - Buyer futures contracts to protect against a possible price increase of cash commodities that will be purchased in the future. At the time the cash commodities are bought, the open futures position is closed by selling an equal number and type of futures contracts as those that were initially purchased. Also referred to as a buying hedge.

Low - The lowest price of the day for a particular futures contract.

Maintenance - A set minimum margin (per outstanding futures contract) that a customer must maintain in their margin account.

Margin - Financial safeguards to ensure that clearing members (usually companies or corporations) perform on their customers' open futures and options contracts. Clearing margins are distinct from customer margins that individual buyers and sellers of futures and options contracts are required to deposit with brokers. Within the futures industry, financial guarantees required of both buyers and sellers of futures contracts and sellers of options contracts to ensure fulfilling of contract obligations. FCMs are responsible for overseeing customer margin accounts. Margins are determined on the basis of market risk and contract value. Also referred to as performance-bond margin.

Margin Call - A call from a clearinghouse to a clearing member or from a brokerage firm to a customer, to bring margin deposits up to a required minimum level.

Market Order - An order to buy or sell a futures contract of a given delivery month to be filled at the best possible price and as soon as possible.

Marking-to-Market - To debit or credit on a daily basis a margin account based on the close of that day's trading session. In this way, buyers and sellers are protected against the possibility of contract default.

Minimum Price Fluctuation - The smallest allowable increment of price movement for a contract.

Money Supply - The amount of money in the economy, consisting primarily of currency in circulation plus deposits in banks: M-1 U.S. money supply consisting of currency held by the public, traveler's checks, checking account funds, NOW and super-NOW accounts, automatic transfer service accounts, and balances in credit unions. M-2 U.S. money supply consisting of M-1 plus savings and small time deposits (less than \$100,000) at depository institutions, overnight repurchase agreements at commercial banks, and money market mutual fund accounts. M-3 U.S. money supply consisting of M-2 plus large time deposits (\$100,000 or more) at depository institutions, repurchase agreements with maturities longer than one day at commercial banks, and institutional money market accounts.

National Futures Association (NFA) - An industry-supported, self-regulatory organization for futures and options markets. The primary responsibilities of the NFA are: to enforce ethical standards and customer protection rules, screen futures professionals for membership, audit and monitor professionals for financial and general compliance rules and provide for arbitration of futures-related disputes.

Nearby (Delivery) Month - The futures contract month closest to expiration. Also referred to as spot month.

OPEC - Organization of Petroleum Exporting Countries, emerged as the major petroleum pricing power in 1973, when the ownership of oil production in the Middle East transferred from the operating companies to the governments of the producing countries or to their national oil companies. Members are: Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

Offer - An expression indicating one's desire to sell a commodity at a given price; opposite of bid.

Offset - Taking a second futures or options position opposite to the initial or opening positions. Selling (or purchasing) futures contracts of the same delivery month purchased (or sold) during an earlier transaction or making (or taking) delivery of the cash commodity represented by the futures contract.

Open Interest - The total number of futures or options contracts of a given commodity that have not yet been offset by an opposite futures or option transaction nor fulfilled by delivery of the commodity or option exercise. Each open transaction has a buyer and a seller, but for calculation of open interest, only one side of the contract is counted.

Open Outcry - Method of public auction for making verbal bids and offers in the trading pits or rings of futures exchanges.

Option - A contract that conveys the right, but not the obligation, to buy or sell a particular item at a certain price for a limited time. Only the seller of the option is obligated to perform.

Option Buyer - The purchaser of either a call or put option for a set, one-time price called a premium. Option buyers receive the right, but not the obligation, to assume a futures position. Also referred to as the holder.

Option Premium - The price of an option. The sum of money that the option buyer pays and the option seller receives for the rights granted by the option.

Option Seller - The person who generates an option and then sells it to a trader for a sum of money called a premium. The option seller is obligated to perform when the holder exercises their right under the option contract. Also referred to as the writer.

Option Spread - The simultaneous purchase and sale of one or more options contracts, futures, and/or cash positions.

Option Writer - See Option Seller.

Original Margin - See Initial Margin.

Out-of-the-Money Option - An option with no intrinsic value, i.e., a call whose strike price is above the current futures price or a put whose strike price is below the current futures price.

Par - The face value of a security. For example, a bond selling at par is worth the same dollar amount it was issued for or at which it will be redeemed at upon maturity.

Pit - The area on the trading floor where futures and options on futures contracts are bought and sold. Trading floors has been largely replaced by electronic trading platforms which have largely eliminated the need for trading pits.

Position - A market commitment. A trader who enters the market as a buyer of a futures contract is said to have a long position and, conversely, a trade who enters the market as a seller is said to have a short position.

Position Limit - The maximum number of speculative futures contracts one can hold as determined by the Commodity Futures Trading Commission and/or the exchange. Sometimes referred to as the trading limit. Also see Limits (Daily Trading Limits.)

Position Trader - An approach to trading in which the trader either buys or sells contracts and holds them for an extended period of time. The opposite of a day trader.

Premium - (1) The additional payment allowed by exchange regulation for delivery of higher-than-required standards or grades of a commodity against a futures contract (2) In speaking of price relationships between different delivery

months of a given commodity, one is said to be “trading at a premium” over another when its price is greater than that of the other. (3) In financial instruments, the dollar amount by which a security trades above its principal value. (4) The sum of money that the option buyer pays and the option seller receives for the rights granted by the option.

Price Discovery - The primary purpose of a futures exchange. Buying and selling on an exchange results in prices for future dates. These prices can then be used by businesses to plan future activity and investment and to protect themselves from adverse price movement. The “discovery” of these future prices is, therefore, of great benefit to those businesses.

Price Limit - The maximum advance or decline from the previous day’s settlement permitted for a contract in one trading session by the rules of the exchange. According to the Chicago Board of Trade rules, an expanded allowable price range is set during volatile markets.

Price Limit Order - A customer order that specifies the price at which a trade can be executed.

Prime Rate - Interest rate charged by major banks to their most creditworthy customers.

Purchasing Hedge or Long Hedge - See Buying Hedge.

Put Option - An option that gives the option buyer the right but not the obligation to sell (go “short”) the underlying futures contract at the strike price on or before the expiration date.

Range (Price) - The price span during a given trading session, week, month, year, etc.

Resistance - A level above which prices have had difficulty penetrating.

Retracement - Mathematical theory stating that markets follow a typical corrective pattern after sustained moves. Typical retracements are thought to measure .618, .50 or .382 of the amount of the original move.

Reversal - A sudden, sharp price move against the perceived trend. A key reversal may signal that the market will begin to trend in the opposite direction.

Reverse Crush Spread - The sale of soybean futures and the simultaneous purchase of soybean oil and meal futures. (See Crush Spread.)

Runners - Messengers who rush orders received by phone clerks to brokers for execution in the pit. (See Pit.)

Scale-Down Buying - A process whereby a trader buys a given commodity or stock in incremental amounts as the market declines. The opposite would be scale-up-selling. The amounts being bought (or sold) may become progressively larger as the market rises (or falls).

Scalper - A trader who trades for small, short-term profit during the course of a trading session, rarely carrying a position of overnight. The opposite of a position trader.

Selling Hedge or Short Hedge - An entity that plans to sell a physical commodity at some point in the future can sell (hedge) an equivalent amount in futures market to protect against adverse price action until the actual physical sale is made.

Short (noun) - One who has sold futures contracts or needs to purchase a cash commodity. (verb) To enter the futures market as a seller, as in “to go short.” This term can also be used in cash and options markets.

Short Hedge - See Selling Hedge.

Speculator - A market participant who tries to profit from buying and selling futures and options contracts. It is generally assumed that speculators do not conduct business in the underlying physical market. Speculators assume market price risk and add liquidity and capital to the futures markets. The term 'speculator' is often used in contrast to the term 'commercial.' (See Commercial.)

Spot - Usually refers to a cash market price for a physical commodity that is available for immediate delivery.

Spot Month - The futures contract month closest to expiration. Also referred to as 'nearby delivery month.'

Spread - The price difference between two contract months of a given commodity or between two related markets or commodities.

Spreading - The simultaneous buying and selling of two related markets in the expectation that a profit will be made when the price difference between the two markets either widens or narrows. Examples include: buying one futures contract and selling another futures contract of the same commodity but different delivery month; buying and selling the same delivery month of the same commodity on different futures exchanges; buying a given delivery month of one futures market and selling the same delivery month of a different, but related, futures market.

Stock Index - An indicator used to measure and report value changes in a selected group of stocks. How a particular stock index tracks the market depends on its composition, the sampling of stocks, the weighing of individual stocks, and the method of averaging used to calculate an index.

Stock Market - A market in which shares of corporate stock are bought and sold.

Stop Order - An order to buy or sell when the market reaches a specified point. A stop order to buy becomes a market order when the futures contract trades (or is bid) at or above the stop price. A stop order to sell becomes a market order when the futures contract trades (or is offered) at or below the stop price.

Stop-Limit Order - A variation of a stop order in which a trade must be executed at the exact price or better. If the order cannot be executed, it is held until the stated price or better is reached again.

Strike Price - The price at which the futures contract underlying a call or put option can be purchased (if a call) or sold (if a put). Also referred to as exercise price.

Technical Analysis - Anticipating future price movement using historical prices, trading volume, open interest and other trading data to study price patterns. This methodology does not use so-called 'fundamental' factors such as supply, demand and weather.

Tick - The smallest allowable increment of price movement for a contract.

Time Limit Order - A customer order that designates the time during which it can be executed.

Time Value - The amount of money option buyers are willing to pay for an option in the anticipation that, over time, a change in the underlying futures price will cause the option to increase in value. In general, an option premium is the sum of time value and intrinsic value. Any amount by which an option premium exceeds the option's intrinsic value can be considered time (or extrinsic) value.

Trading Limit - See Limit and Position Limit.

Treasury Bill - A Treasury bill is a short-term U.S. government obligation with an original maturity of one year or less. Unlike a bond or note, a bill does not pay a semi-annual, fixed rate coupon. A bill is typically issued at a price below its par value and is therefore a discounted instrument.

Treasury Bond - Government-debt security with a coupon and original maturity of more than 10 years. Interest is paid semi-annually.

Treasury Note - Government-debt security with a coupon and original maturity of one to 10 years.

Triple Witching - Trading day that occurs four times per year when: 1) stock index futures, 2) options on stock index futures and 3) over-the-counter options on S&P 500 all expire. Rules changes have tempered the effect of triple witching by spreading the expirations out over three trading sessions.

Variable Limit - According to the Chicago Board of Trade (CME Group) rules, an expanded allowable price range set during volatile markets.

Variation Margin - During periods of great market volatility or in the case of high-risk accounts, additional margin deposited by a clearing member firm to an exchange.

Versus Cash - A transaction generally used by two hedgers who want to exchange futures for cash positions. Also referred to as “against actuals” or “exchange for physicals.”

Vertical Spread - Buying and selling puts or calls of the same expiration month but different strike prices.

Volatility - A measurement of the rate of change in price over a given period. It is often expressed as a percentage and computed as the annualized standard deviation of the percentage change in daily price.

Volume - The number of purchases or sales of a commodity futures contract made during a specific period of time, often the total transactions for one trading day.

Warehouse Receipt - Document guaranteeing the existence and availability of a given quantity and quality of a commodity in storage.

Writer - The person who sells an option in return for a premium and is obligated to perform when the holder exercises his right under the option contract. Also referred to as the option seller.

Yield Curve - A chart in which the yield level is plotted on the vertical axis and the term to maturity of debt instruments of similar creditworthiness is plotted in the horizontal axis. The yield curve is positive when long-term rates are higher than short-term rates; however, the yield curve is negative, or inverted, when long term rates are lower than short term rates.