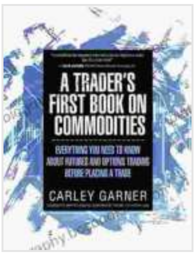
# Everything You Need To Know About Futures And Options Trading Before Placing




**A Trader's First Book on Commodities: Everything you need to know about futures and options trading before placing a trade** by Carley Garner

4.4 out of 5

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| Language | : English |
| File size | : 8512 KB |
| Text-to-Speech | : Enabled |
| Screen Reader | : Supported |
| Enhanced typesetting | : Enabled |
| X-Ray | : Enabled |
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| Print length | : 347 pages |
| Lending | : Enabled |



Futures and options are two of the most popular derivatives in the world. They are used by investors to hedge risk, speculate on price movements, and generate income. However, futures and options can be complex instruments, and it is important to understand how they work before placing a trade.

## What Are Futures Contracts?

Futures contracts are agreements to buy or sell a specific asset at a set price on a future date. The most common types of futures contracts are for commodities, such as oil, gold, and wheat. However, futures contracts can also be used to trade currencies, stock indexes, and interest rates.

When you buy a futures contract, you are agreeing to buy the underlying asset at the agreed-upon price on the delivery date. If you sell a futures contract, you are agreeing to sell the underlying asset at the agreed-upon price on the delivery date.

### What Are Options Contracts?

Options contracts give the buyer the right, but not the obligation, to buy or sell an underlying asset at a set price on or before a certain date. The most common types of options contracts are calls and puts.

When you buy a call option, you are buying the right to buy the underlying asset at the strike price on or before the expiration date. When you buy a put option, you are buying the right to sell the underlying asset at the strike price on or before the expiration date.

### The Benefits of Trading Futures and Options

There are a number of benefits to trading futures and options.

- Hedging risk: Futures and options can be used to hedge risk against adverse price movements. For example, a farmer can sell a futures contract for his corn crop to lock in a price before harvest. This will protect him from the risk of the price of corn falling before he can sell his crop.
- Speculating on price movements: Futures and options can be used to speculate on price movements. For example, an investor can buy a futures contract for oil if he believes the price of oil is going to rise. If the price of oil does rise, the investor will profit from his futures contract.

- Generating income: Futures and options can be used to generate income. For example, an investor can sell a covered call option on a stock that he owns. If the stock price rises, the investor will collect the option premium. If the stock price falls, the investor will still own the stock, which he can then sell at a later date.

### The Risks of Trading Futures and Options

There are also a number of risks associated with trading futures and options.

- Leverage: Futures and options are leveraged products. This means that you can control a large amount of capital with a relatively small investment. However, leverage also increases your risk of loss.
- Margin requirements: When you trade futures and options, you will be required to post margin. Margin is a deposit that you make with your broker to cover potential losses. If the market moves against you, your broker may require you to post additional margin.
- Volatility: Futures and options are volatile products. This means that their prices can fluctuate rapidly. This can make it difficult to predict how much you will profit or lose from a trade.

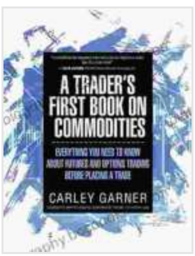
### How to Trade Futures and Options

If you are interested in trading futures and options, there are a few things you need to do to get started.

1. Open a trading account with a futures and options broker.
2. Fund your trading account with enough money to cover your margin requirements.

3. Learn about the different types of futures and options contracts.
4. Develop a trading strategy.
5. Place your first trade.

Futures and options can be powerful trading tools, but they are also complex instruments. It is important to understand how they work before placing a trade. If you are not comfortable trading futures and options on your own, you can always consult with a financial advisor.

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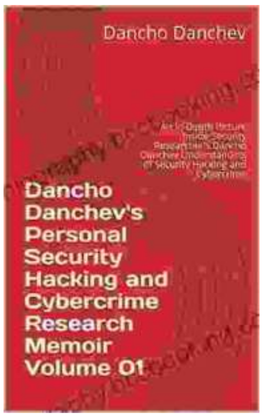


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