About The Helper

Shareware Version 1.00 for Windows 95
(Distribution File: TDHP9S10.ZIP)

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Agencies & Associations 

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Commodity Futures Trading Commission (CFTC)
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National Futures Association (NFA)

U.S. Department of Agriculture

U.S. Department of Commerce

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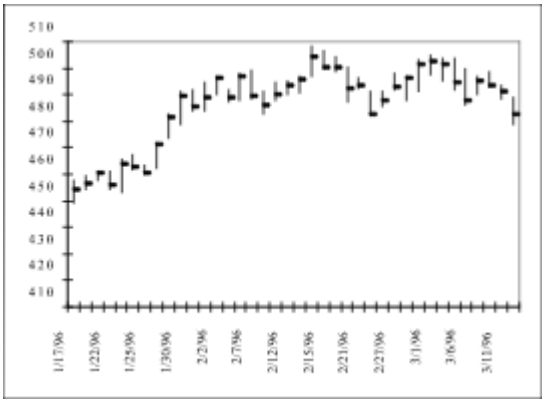
Caveat

As you are probably already aware, ***trading in the commodities futures markets is considered risky***. To say this may seem trite and perhaps unnecessary but is neither, especially for the prospective trader. A person venturing into a new field usually overestimates the advantages and can be unaware of the pitfalls. There is also a tendency to become overly-sold on the impressively-sophisticated trading techniques and their abilities to predict future prices. Keep in mind that there is general agreement that somewhere between 75% and 95% of traders end up losing--that is indeed risky.

Look at an example from the 1996 May Wheat market.



Let's say, that based on your particular trading method, you decided that wheat prices were ready to turn downward and that you acted by selling one contract on March 12 at the closing price of 483. Wheat didn't continue fall but rallied and by April 1 closed at 511.5:

Let's say you became disheartened by the turn of the market against your fortunes and tried to hold on and then finally relented only to liquidate your position on April 1. Assuming that you bought at the closing price, your loss would have been $1,425 plus commission:

One contract sold @	$4.83 /bu
One contract liquidated @	$5.11-½ /bu

This would have been a loss of 28-½ ¢ per bushel on a 5,000 bushel contract, thus, a total loss of $1,425. At that time, the initial margin requirement was between $1,000 and $1,100 making your loss greater than the money you originally invested in the project.

This was only an example to demonstrate one of the many conditions under which you could suffer a loss. Had the example suffered several days of limit moves during which you may not be able to liquidate your position, the losses could have been much greater.

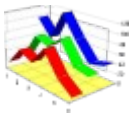
It is important that you understand that losing is a very real possibility and that since the initial margin is much less than the value of the contract (in this case a margin of about $1,000 controlled a contract worth $24,150) the magnitude of your actual loss can be devastating.

With this in mind, understand that this document is offered only for your information and only sets forth definitions, explanations and data for your use in whatever trading method or scheme you choose to devise or adopt and follow.

The CFTC formalizes this warning with the following statement:

> "Hypothetical or simulated performance results have certain limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. The risk of loss in futures trading can be substantial. You should carefully consider whether such trading is suitable for you in light of your financial condition. Past results are not indicative of future results. There is a risk of loss in futures trading."

The CFTC requires its members, which I am not, to publish this statement.



Charting

Charting refers to graphically illustrating commodity prices and how they change. Technical traders use many types of charts:

Bar Charts
Candlestick Charts
Point and Figure Charts
and others.

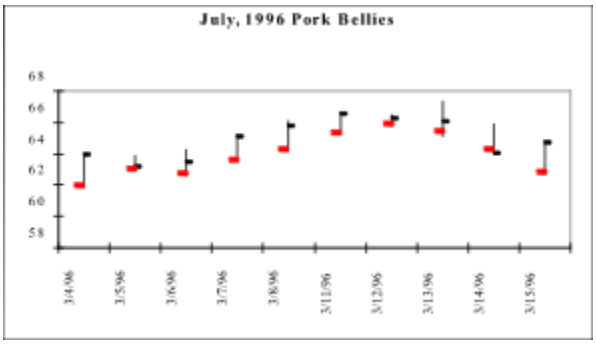
This section will present an overview of each and list some associated definitions.

BAR CHARTING

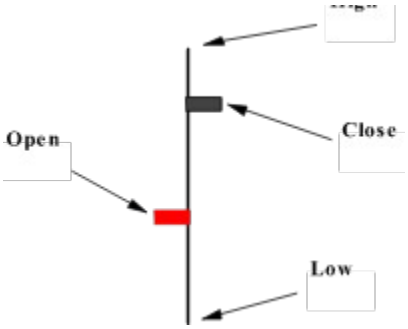
A bar chart is a method which uses a series of vertical marks and horizontal marks to graphically summarize the trading price activity of some commodity over some period of time.

An Illustration

A bar chart is a graph of the opening, high, low and closing prices of a commodity futures contract verses time. Many bar charts present just the high, low and close. An illustration follows:



Notice that each bar, at each date, consists of one vertical bar and two horizontal bars. These are interpreted as follows:

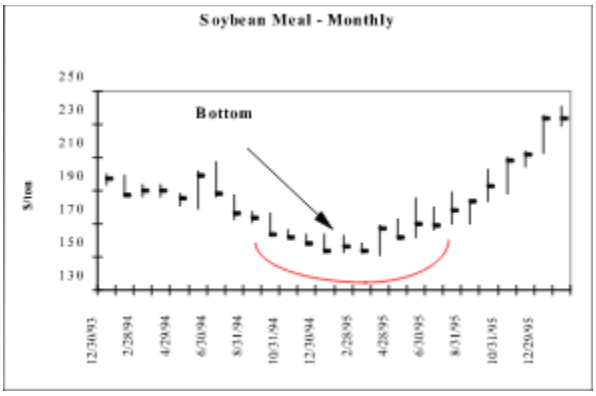


The bars summarize the prices for the creation and liquidation of commodity futures contracts during a particular time period. The time period depends on the time period over which the trader wants to summarize the prices. A day trader or a scalper who is quickly moving into and out of positions may require price summaries over periods of minutes. At another extreme, someone looking back over a particular commodity's trading history might summarize price activity over months or years. The actual period is quite arbitrary and is selected to present the most readable presentation of the data.

Regardless of the time period used--minutes, days, weeks, etc.--one bar summarizes the activity over that period of time.

Terms

Bottom or Bottom Formation - The situation where prices have decreased to a minimum value followed by a sustained increase. Where a down-trend changes to an up-trend. An example is illustrated by the following monthly chart of soybean meal.



Break -

Breakout -

Congestion, Trading Channel or Sideways Channel -

Down Trend -

Fibinnoci Numbers -

Flag Patterns -

Gann -

Gap -

Head and Shoulders -

Moving Average -

Reversal -

Regression Line -

Resistance -

Support -

Time Period -

Top -

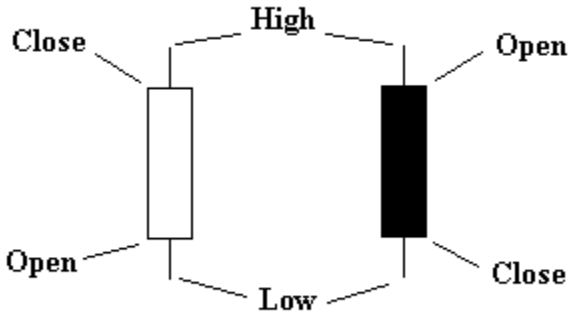
Trend Line -

Triangles -

Up trend -

CANDLESTICK CHARTING

Candlestick charting is similar to bar charting in the sense that it graphically displays the relationship between the high, low, opening and closing commodity prices as a function of time. A difference is that opening prices are always included in candlestick charts whereas they are optionally included in bar charts. A definitional illustration of the basic candlestick chart component follows:



Notice that like the bar chart, the high and low are depicted by the top and bottom of a vertical line. The open and close are depicted by the top and bottom of a rectangle. Also, if the open is higher than the close, the rectangle is filled otherwise it is drawn as just an outline. The rectangle is known as the body while the line extending above and below can be referred to as the shadow.

Candlestick charting is believed to have originated in Japan. Rice merchants and traders in the 1600's may have used this method to track and analyze the rice market. Steve Nison is considered to have written an important book on Candlestick Charting.

Basic Candlestick Components

Several of the basic candlestick chart components and patterns are illustrated below. Candlestick technicians look for these components and combinations or patterns of the basic components in an attempt to predict future prices. To see a larger listing of components and patterns along with discussions of their interpretations please see one of the references.

Big Black Candle and Black Body - When the open is higher than the close, the body is filled and is known as a Black Body. Additionally, when the body is drawn long with short shadows, the component is called a Big Black Candle and is considered as bearish:

Big White Candle and White Body -

Doji -

Gravestone Doji -

Hammer and Hanging Man -

Inverted Hammer -

Basic Candlestick Combinations

Bearish Harami - This combination can signal a reversal to a bearish trend when occurring in an up trend:

Bullish Harami -

Dark Cloud Cover -

Evening Doji Star -

Falling Window -

Morning Doji Star -

Piercing Line -

Rising Window -

Three Black Crows -

Three White Soldiers -

An Example

The following example from the February, 1992 Comex Gold contract illustrates a Piercing Line combination signaling a market bottom. This occurred in the period from October through December of 1991.

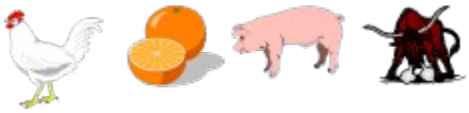
POINT AND FIGURE CHARTING

Both Bar and Candlestick charts plot commodity prices along the y-axis and time along the x-axis. Point and Figure charting deviates significantly from this pattern by plotting price changes along both axes. The objective of this type of chart is to emphasize how prices are responding to the market pressures of supply and demand and to do this regardless of time. Rather than attempting to list definitions and to describe this charting technique, we will use a specific example for illustration.

A Point and Figure chart is made up of invisible squares called boxes. When prices are rising, an "X" is placed in one of the boxes. An "O" is used when prices are falling. The first step in constructing a Point and Figure chart is to decide upon the size of the "box" and the number of boxes required to trigger a reversal. As an example we will be using the October, 1996 Cotton contract as traded on the New York Cotton Exchange. The Investor's Business Daily quotes this contract in ¢/pound for a 50,000 pound contract. Let us choose ½¢ for the box size and three boxes as a reversal requirement. These determinations are strictly arbitrary and should reflect the amount of price change sensitivity that the chart is intended to portray. Smaller boxes will render the chart more sensitive to price changes.

...

Commodities



Commodities are items traded on the world's authorized commodity exchanges. Examples of the items are:

- Grains -- Corn, Wheat ...
- Meats -- Cattle, Hogs ...
- Foods -- Cocoa, Coffee ...
- Metals -- Gold, Silver, Copper ...
- Oils -- Crude Oil, Heating Oil ...
- Woods & Fibers -- Lumber, Cotton ...
- Indexes -- Standard & Poors, NIKKEI ...
- Financial -- Eurodollars, Japanese Yen ...

Terms

Actuals or Cash Commodity - Refers to the actual commodity designated by the futures contract. The commodity can be physical items such as grains, animals, oils, and so on. In the case of stock items like the Standard & Poors indexes no actual physical commodity is involved.

Remember, in most cases no actual physical commodity is delivered or received because most of the buy-sell contract combinations are liquidated before or during the Last Trading Day.

Afloat -

Carryover or Carryout -

Cash Market or Spot Market -

Cheap -

Commodity Details - The following table lists most of the commodities listed by the Investor's Business Daily. The information was obtained from the Investor's Business Daily and materials supplied by Alaron Trading the Center for Futures Education.

It is vitally important for you to understand that the following information can contain errors and is variable from time-to-time, exchange-to-exchange and broker-to-broker:

1. Contract sizes, minimum fluctuation and daily limits are set by the exchange on which the commodity is traded. The contract size and daily limit are essential elements in determining your potential profits or losses and, as such, must be accurately known before placing your order.

2. Minimums for initial and maintenance margins are set by the exchanges but various brokers frequently increase these requirements among the minimums.

3. The price quotes (e.g. whether in $/bushel or ¢/bushel) depends upon the source of the quote.

4. The purpose of the point value is to determine the price of a complete contract or to determine profit or loss. Therefore, you must know the contract size and the price quote to accurately the point value in making the desired conversion to dollars.

The data is intended for your informational and planning purposes. Before placing orders, verify each item of information for a particular commodity with your broker.

Chicago Board of Trade:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
10 Year T-Notes	$100,000	% of Par in Points & 32nds	1Pt=$1,000	$31.25	$3,000	$1,755	$1,300
5 Year T-Notes							
Corn							
Gold-Kilo							
Municipal Bonds							
Oats							
Rough Rice							
Silver							
Soybean Meal							
Soybean Oil							
Soybeans							
US T-Bonds							
Wheat							

Chicago Mercantile Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Cattle	40,000 lb	¢/lb	1Pt=$4	$10	$600	$1,013	$750
Feeder Cattle							
Hogs Lean							
Lumber							
NASDAQ							
NIKKEI 225 Avg							
Pork Bellies							
Russell 2000							
S&P Comp Index							

S&P MidCap 400

Commodity Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Gold	100 troy oz	$/tr oz	1$=$100	$10	$7,500	$1,350	$1,000
Hi Grade Copper							
Silver							

Coffee, Sugar & Cocoa Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Cocoa	10 metric ton	$/ton	1Pt=$10	$10	$880	$560	$400
Coffee "C"							
Sugar 14							
Sugar-World 11							

New York Cotton Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Cotton #2	50,000 lb	¢/lb	1Pt=$5	$5	$1,000	$1,995	$399
Orange Juice							
US Dollar Index							

International Money Market:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
3 Month T-Bills							
Australian Dollar British Pound	100,000 A$	US$/A$	1Pt=$10	$10	$4,000	$844	$625
Canadian Dollar							
Eurodollars							
German Mark							
Japanese Yen							
Mexican Peso							
Swiss Franc							

Kansas City Grain Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Mini Value Line	$100 x Index	Index	1Pt=$1	$5		$1,400	$1,000
Value Line							
Wheat							

Minneapolis Grain Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Wheat	5,000 bu	$/bu	1¢=$50	$12.50	$1,000	$600	$500

New York Futures Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
NYSE Comp Index	$500 x Index	Index	1Pt=$5	$25		$3,510	$3,000

New York Mercantile Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Heating Oil	42,000 gal	¢/gal	1Pt=$4.20	$4.20	$1,680	$2,025	$1,500
Light Sweet Crude							
Natural Gas							
Palladium							
Platinum							
Unleaded Gasoline							

Winnipeg Grain Exchange:

Commodity	Contract Size	Price Quote	Point Value	Minimum Fluctuation	Daily Limit	Initial Margin	Maintenance Margin
Canola	20 metric ton	C$/ton	1C$=20C$	0.1C$/mTon	10C$/mTon		
Flaxseed							
Wheat							

Grain -

Index -

Limit -

New Crop, Old Crop -

Symbol or Ticker Symbol- For purposes of identification, each commodity is represented by a code comprised of a combination of letters. Historically, the prices of stocks and commodities were reported at locations away from the trading pits on ticker tapes which would identify an

item by its ticker symbol and then report its price. Commodity symbols can vary with the source of the data (newspaper or data download service).

Some commonly used symbols are listed below:

Commodity	Exchange	Symbol
10 Year T-Notes	CBOT	NO
3 Month T-Bills		
5 Year T-Notes		
Australian Dollar		
British Pound		
Canadian Dollar		
Canola		
Cattle		
Cocoa		
Coffee "C"		
Corn		
Cotton #2		
Eurodollars		
Feeder Cattle		
German Mark		
Gold		
Gold-Kilo		
Heating Oil		
Hi Grade Copper		
Hogs Lean		
Japanese Yen		
Light Sweet Crude		
Lumber		
Mini Value Line		
Municipal Bonds		
Natural Gas		
NIKKEI 225 Avg		
NYSE Comp Index		
Oats		
Orange Juice		
Palladium		
Platinum		
Pork Bellies		
Russell 2000		
S&P Comp Index		
S&P MidCap 400		
Silver		
Silver		
Soybean Meal		

Soybean Oil
Soybeans
Sugar 14
Sugar-World 11
Swiss Franc
Unleaded Gasoline
US Dollar Index
US T-Bonds
Value Line
Wheat
Wheat
Wheat
Wheat

Terminal -

Ticker -

Commodities Exchanges

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Chicago Board of Trade (CBOT) (CBT)
141 West Jackson Blvd.
Chicago, Illinois 60604
(312) 435-3500
(800) THE CBOT
FAX: (312) 466-4410

Chicago Board Options Exchange (CBOE)

Chicago Mercantile Exchange (CME)

Chicago Rice & Cotton Exchange

Coffee, Sugar and Cocoa Exchange (CSCE)

Deutsche Börsh AG (DTB)

Hong Kong Futures Exchange (HKFE)

International Petroleum Exchange of London Ltd (IPE)

Kansas City Board of Trade (KCBT), (KBOT)

London International Financial Futures Exchange (LIFFE)

London Metal Exchange Ltd (LME)

Marché à Terme International de France (MATIF)

Mid-America Commodity Exchange (MidAm) (MACE)

European Office

Asia-Pacific Office

Minneapolis Grain Exchange (MGE), (MPLS)

Montreal Exchange (ME)

NASDAQ

The Nasdaq Stock Market

The Nasdaq Stock Market

The Nasdaq Stock Market

Nasdaq International

New York Cotton Exchange (NYCE) (CTN)

New York Futures Exchange (NYFE):

FINEX:

FINEX Europe:

New York Mercantile Exchange (NYMEX), (COMEX), (NYM), (NME)

Houston:

Washington D.C.:

London:

New Zealand Futures and Options Exchange Ltd (NZFOE)

Philadelphia Board of Trade (PBOT)

Singapore International Monetary Exchange (SIMEX)

Sidney Futures Exchange Ltd (SFE)
Tokyo Grain Exchange
mas-tge@po.iijnet.or.jp
mary-tge@po.iijnet.or.jp
http://www.toppan.co.jp/tgel/

Tokyo International Financial Futures Exchange (TIFFE)

Toronto Futures Exchange (TFE)

Winnipeg Commodity Exchange or Winnipeg Grain Exchange (WPG), (WGE)

1. Move the cursor to "Edit", found in the menu bar at the very top of the screen and click the left mouse button. A drop-down menu will appear.

2. Move the cursor to "Copy" and press the left mouse button. After doing this, the Registration
Form has been copied to the Clipboard.

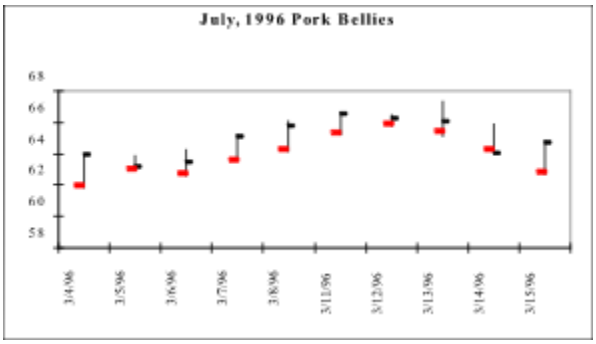
3. Open your word processor or EMail system and paste the form into the document to be mailed..

Futures Contracts

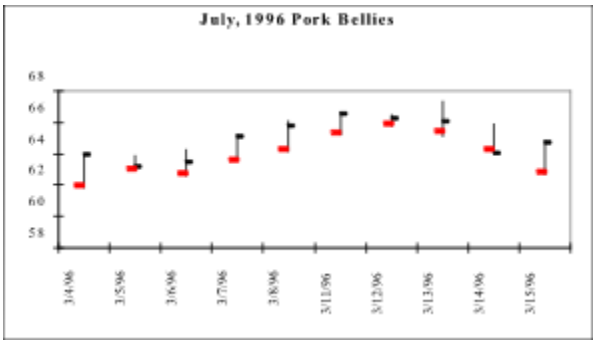
Two parties, buyer and seller, enter into a standardized contract which states the delivery of a specified quantity of a commodity, of well defined quality, at a specific time and location and for a particular price. The buyer is said to have assumed a long position and the seller a short position. Note that this means that at all times there are as many longs as there are shorts.

The contract is legally binding and comes into existence through auctions conducted in the trading pits of the world's authorized commodity exchanges. The price is set during the auction process.

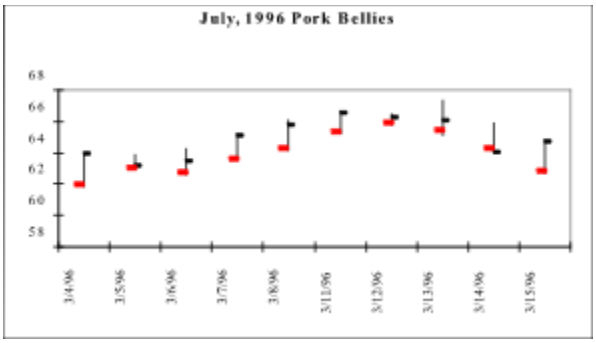
An example might be a contract of August, 1996 Soybean Meal entered into on April 3, 1996 on the trading floor of the Chicago Board of Trade. This particular commodity, set for an August delivery, traded for as high $246.20 to a as low as $240.30 per ton during the April 3 trading session. The contract specifications would have been:



100 tons of soybean meal.

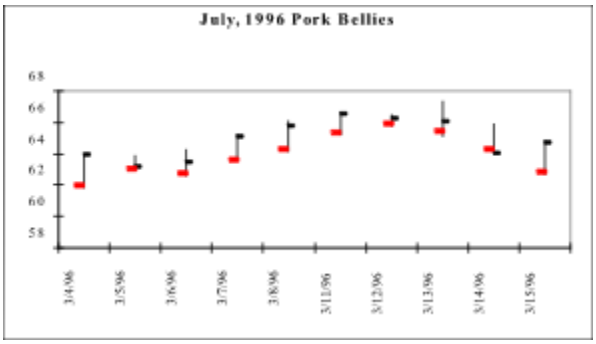


Delivery to be made during the month of August, 1996.

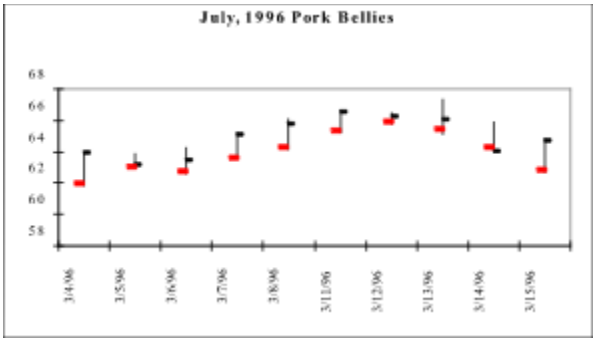


Delivery to be made to a specific warehouse.

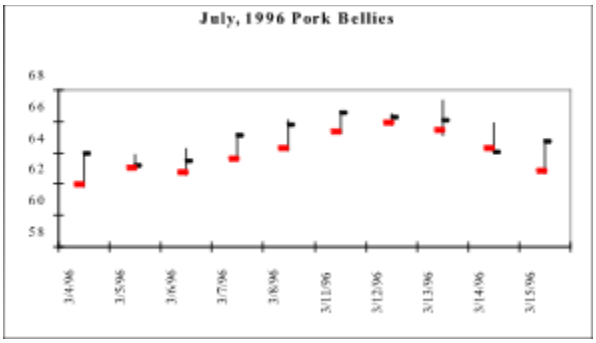
During this trading session, the prospective buyer would have placed a bid for the contract while some prospective seller would have offered the contract for sale. If the conditions of the bid and offer had been met during the trading session, a price, say $243 per ton, would have been set and the contract would have become binding on both the buyer and the seller. Some of the details of this contract are:



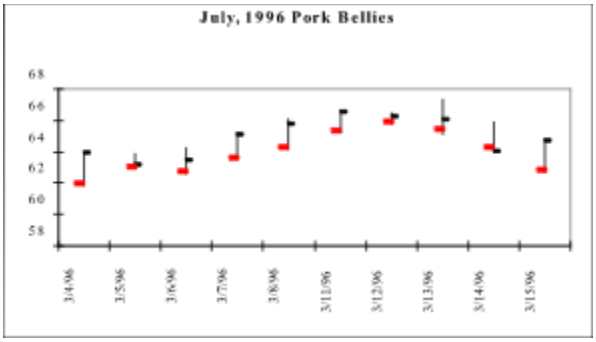
The buyer agrees to accept delivery 100 tons of soybean meal at a particular location and further agrees to pay $24,300 for the shipment.



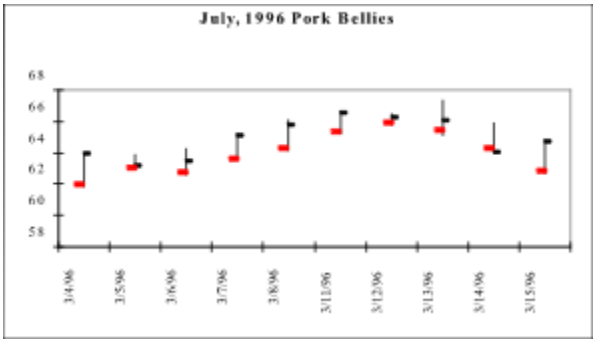
The seller agrees to deliver the 100 tons of soybean meal and, in exchange, receive the $24,300 for the delivery.



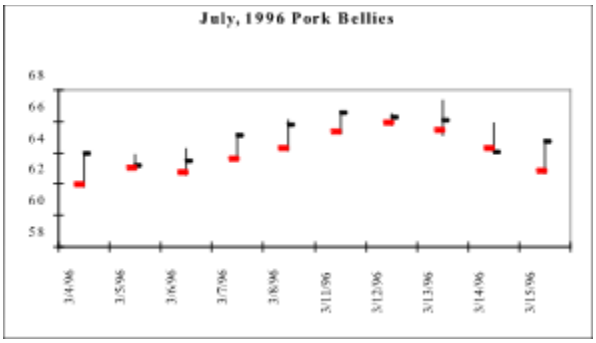
The $24,300 would not have exchanged hands during the creation of the contract, nor would a down payment or deposit have been involved. Rather, each--the buyer and seller--would have committed an initial margin (in the vicinity of $550) as a "good-faith" indication to honor the terms of the contract. This money would be deposited into a margin account with an authorized commodity broker.



The buyer would said to be "long" on the commodity while the seller would be "short".



If, during the life of the contract, the market moves above or below the originally agreed-to price, either the buyer or the seller might be required to deposit additional money into the margin account. This is known as a margin call.



The buyer can terminate the contract either by making payment and taking delivery of the soybean meal during August or by offsetting (liquidating) the position anytime through the "Last Trading Day" (LTD).

Terms

Adjusted Futures Prices
This is a conversion of a future contract of a financial instrument (e.g., U.S. Treasury Bonds) against which something called basis is determined. Similar to determining the basis of a physical commodity, the basis of a financial instrument is determined by subtracting the adjusted price of a futures contract from the cash market price. The adjusted futures price is determined by multiplying the futures contract price by a conversion factor. A booklet listing conversion factors is available from the Chicago Board of Trade.

An example which can be found on page 92 of the Commodity Trading Manual follows:

Time:	Late February
Futures Contract:	March T-Bond Nominal 8% Coupon Priced at 67-02 (67 and 2/32)
Cash Price:	97-00, based on a U.S. Treasury Bond carrying a 12% coupon and maturing August 15, 2013.
Conversion Factor:	1.4251

Adjusted Futures Price = 1.4251 X 67-02 or (1.4251 X 67.0625) = 95.57 or 95-18/32

Basis = (97-00) - (95-18) = 1-14

Arbitrage -

Backwardation, Inverted Market or Premium Market -

Bid -

Bid-Offer Spread -

Carrying Charge -

Cash Basis -

Cash or Forward Contract -

Cash Settlement -

Commodities Futures -

Contract Grades -

Contract Size -

Contract Specifications -

Daily Trading Limit (DTL) or Price Limit -

Delivery -

Delivery Day -

Delivery Month -

Delivery Points -

Premium Month -

First Notice Day (FND) -

Full Carrying Charge Market -

Last Trading Day (LTD) or Final Trading Day (FTD) -

Linkage -

Liquidate or Offset -

Mini Contract -

Minimum Price Fluctuation or Tick -

Nearby Month -

Offer or Asked Price -

Point Value - A multiplication factor used to convert a reported price-per-unit of a commodity to the contract price. The following commodity prices are among those regularly reported in the Investor's Business Daily and the point values are from materials which were supplied by Alaron Trading.

A few comments about the table:

1. The prices are closing prices for the nearby month (July, 96 or later) for the July 3, 1996 trading session as reported by the July 5, 1996 edition of the Investors's Business Daily.

2. All of the data and calculations are offered for instructional purposes. Therefore, if trading a commodity listed below, it is vital that you confirm the point value, its interpretation and use with your broker. **Any of the data or calculations could be in error**.

3. Point values were determined as follows:

   a. When no other information was given, the decimal point was simply removed from the quote to determine the point value:

   35.95 quoted >> 3595 points

   b. When the quote defines the point value, that definition is used:

   Japanese Yen: 1 point = 0.000001
   0.009147 quoted >> 9147 points

   c. When specific units, such as dollars or cents are specified, then they are used to determine the point value:

   1¢ = $50
   $5.295 quoted >> 529.5 points

   d. When the quote includes a dash, the number following the dash is considered to be in 32nds rather than in tenths:

   107-5 quote >> 107.15625 points

4. The contract price was determined by multiplying the points by the price:

   British Pound: $97,625 = 15,620points x $6.25/point

Commodity	Exchange	Point Value	Price	Points	Contract

10 Year T-Notes	CBOT	1Pt=$1,000	107-5	107.15625	$107,156
5 Year T-Notes					
Australian Dollar					
British Pound					
Canadian Dollar					
Canola					
Cattle					
Cocoa					
Coffee "C"					
Corn					
Cotton #2					
Eurodollars					
Feeder Cattle					
Flaxseed					
German Mark					
Gold					
Gold-Kilo					
Heating Oil					
Hi Grade Copper					
Hogs Lean					
Japanese Yen					
Light Sweet Crude					
Lumber					
Mexican Peso					
Mini Value Line					
Municipal Bonds					
NASDAQ					
Natural Gas					
NIKKEI 225 Avg					
NYSE Comp Index					
Oats					
Orange Juice					
Palladium					
Platinum					
Pork Bellies					
Rough Rice					
Russell 2000					
S&P Comp Index					
S&P MidCap 400					
Silver					
Silver					
Soybean Meal					
Soybean Oil					
Soybeans					
Sugar 14					
Sugar-World 11					
Swiss Franc					

Unleaded Gasoline
US Dollar Index
US T-Bonds
Value Line
Wheat
Wheat
Wheat
Wheat

Further, the definition of point value can vary from trader-to-trader...

Reversing Position -

Switching Position -

Trading Months -

An Example Contract

Futures contracts are very specific and are standardized. The following is an example of a cocoa contract published by the Coffee, Sugar & Cocoa Exchange, Inc. (CSC):

****
Sample Contract
Please Contact CSC
for
Actual-and-to-Date Contract
****

Futures Contract on Cocoa

Calls for delivery of any kind of cocoa bean - "the growth of any country or clime, including new or yet unknown growths" - as long as it meet U.S.D.A. standards for importation.

Hedging

Hedgers are usually commodity producers or consumers who attempt to use the commodity futures markets to reduce the risk of unfavorable changes in the future prices for their supplies or products. To accomplish this, hedgers assume a commodity futures position opposite that of their commodity cash position--if they are long on the cash commodity, they go short in the futures market by a reasonably equal amount and vice versa if they are short the cash commodity.

The other participants in the commodity futures markets are known as speculators. They have no intent of either delivering or accepting delivery of a commodity. The speculators, in effect, assume the risk which the hedgers are attempting to avoid.

Terms

Against Actuals or Exchange for Physicals (EFP)
This is a transaction between hedgers where they exchange both their futures and actual commodity positions for one another. This is also known as an Exchange for Physicals (EFP). Under CFTC rules, this is the only type of futures transaction permitted outside an authorized Commodity Futures Exchange trading pit.

Assume that a supplier has committed to a customer for the future delivery of some commodity which is not in inventory and then hedges by purchasing a futures contract. She is then short the commodity and has entered into a long futures position. The supplier has reduced the risk of the price of the commodity increasing before the purchase date. If the price increases, profit enjoyed from the long position will tend to offset the loss due to buying the commodity at a higher price. Thereby, a protective hedge was constructed around the price.

Assume further that a particular manufacturer has the desired commodity in inventory and has hedged by selling a futures contract. He is long the commodity and has assumed a short futures position. The manufacturer has reduced the risk of the price of the commodity falling before the sale date. If the price decreases, profit enjoyed from the short position will tend to offset the loss due to selling the commodity at a lower price. Thereby, a protective hedge was constructed around the price.

As the promised delivery time approaches the supplier and the manufacturer agree to exchange the commodity for a cash payment and to also exchange their futures positions:

Before the Exchange:

Manufacturer:	Supplier:
Long the Commodity	Short the commodity to be shipped
Short Hedge	Long Hedge

The manufacturer delivers the commodity to the supplier for a cash payment and the supplier, in turn, then ships the commodity to the customer as previously committed.

They also exchange futures contracts and assume off-setting positions.

Buying or Long or Purchasing Hedge -

Cross Hedge -

Hedge -

Selling or Short Hedge -

Introduction to the Commodity Trader's Helper 

Like many of you, I too am a novice commodities trader. Because of this, I want to warn you right off the bat that ***this document is not intended to give you any kind of trading advice***--I am just not qualified to do that. There are many good books and other kinds of references which are written by experienced traders and do a good job of presenting and describing many kinds of trading systems, plans, techniques and strategies.

Rather, the intent here is to provide a collection of definitions, descriptions and useful information in an easy-to-use format. As I started studying trading and traders, I found myself endlessly going through my growing collection of newsletters, brochures, booklets, books and newspapers to find some tidbit of information which I just knew that I had seen somewhere. To help myself out, I started to organize information I considered useful into some kind of easy-to-search compendium. Since I do nearly all of my various jobs at the computer, some kind of on-line help system was the natural choice. So, I built this system and keep it minimized at the bottom of the screen so I can quickly and easily find information.

I hope that you will also find it useful.

GOOD TRADING.

Some Tips on Using the Helper - First notice the tabs at the top of the screen marked "Contents", "Index" and "Find". Each of these offer a different method of looking for material:

Contents: Under this tab, the material is organized in logical groups which look like books (an example is "Charting"). If you double-click the book, you will will see the topics grouped under this category. To see the category just double-click on the question mark.

Index: Here all of the topics are listed in alphabetical order. Either scroll through the list or start typing in a word at the top of the box until the topic you want appears. At that point just double-click the topic or click "Display".

Find: This tab allows you to search the entire text of the Commodity Trader's Helper for a particular word. Simply click the tab and follow the instructions.

As you go through the material you will notice various "Hypertext" links for "Jumps" and "Popups". These allow you to see related or expanded information. To use a hypertext link just point to it and click. For example, the following word--Jump--is a hypertext jump to more information. To use it move the cursor over the green-underlined-word "Jump" and click. Likewise, here is an example of a popup.

You will also see button in various places. A button is a lot like a jump and takes you elsewhere to see other information. A button looks like this: {button Press Me,}.

Finally, you will see some text colored red and some colored blue. Red text is used to issue

warnings at appropriate locations and blue text is used to denote terms which are being defined.

Jump

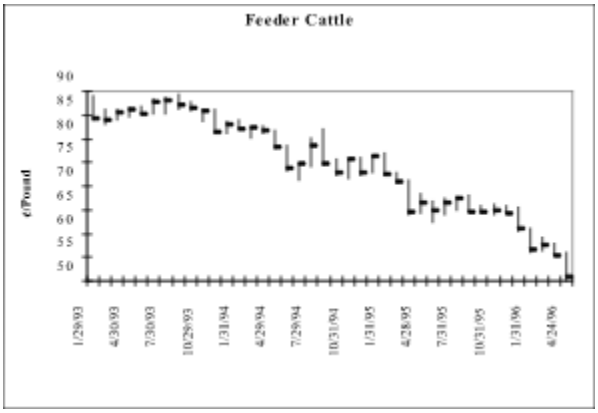
This is an example of a screen to which you would jump. It would provide some detailed information about the area from which you jumped. When you are finished, just click the "Back" button at the top of the screen to return.

Market

The term market collectively refers to the official commodity futures exchanges where the world's commodities are traded.

Terms

Bear Market - A term indicating that prices are declining. Also a trader's frame of mind with which the trader is anticipating decreasing (bearish) prices. Concerning the following monthly bar chart , notice how feeder cattle dropped from about 86¢/pound in September of 1993 to about 53¢/pound in April of 1996. That would have been a contract depreciation of about $16,500. A definite bear market.



Broker -

Brokerage -

Bull Market -

Clearinghouse -

Clearing Member -

Commission -

Day Trader -

Efficiency -

Fast Market Condition -

Fishing or Gunning for Stops -

Floor Broker -

Floor or Local Traders -

Liquid -

Mark to the Market -

Open Interest -

Open Outcry -

Pit -

Position or Trading Limit -

Position or Short Term Trader -

Public Speculator -

Random Walk -

Resumption - Permitting trading activity to resume after it has been suspended by the exchange.

Runners -

Scalper -

Speculation -

Suspension -

Variation Margin -

Volume -

Options 

An option is a contract between a buyer and seller which guarantees the buyer the right to assume a specific commodity futures position at a set price during a limited time period. The buyer pays a fee to the seller, has no further obligation and enjoys a risk which is limited to the fee. The seller, on the other hand, is obligated, if the buyer so demands, to provide the long or short position specified in the option contract at the specific price--regardless of the current trading price of the contract.

At anytime during the life of the option the buyer has the right to either sell the option or to demand delivery of the futures contract. The buyer can also simply allow the option to expire, in which case, her liability would have been limited to the fee and commission costs.

Terms

Assign - Assignment is the process of requiring the writer of an option to assume the position necessary to supply a futures contract at the strike price to the buyer who is exercising the option.

When a trader buys an option, another trader has written and sold the option and guaranteed the right of the buyer to exercise the option. If the buyer decides to exercise the option, the seller is assigned the opposite position in the contract.

If a buyer chooses to exercise her call option, she assumes a long futures position of the specified commodity for the specified month and at the strike price. The seller is assigned the opposite, short position of the contract--same commodity, same month and at the strike price.

If a buyer chooses to exercise his put option, he assumes a short futures position of the specified commodity for the specified month and at the strike price. The seller is assigned the opposite, long position of the contract--same commodity, same month and at the strike price.

At-the-Money -

Buyer -

Calls & Puts -

Delta -

Exercise -

Expiration Date -

Gamma -

In-the-Money -

Intrinsic Value -

Out-of-the-Money -

Option Premium -

Seller -

Strike Price -

Time Value or Extrinsic Value -

Underlying Futures Contract -

Volatility -

An Example

Now let's go through an example which will explore some of the details of determining the premium, the value of the option with respect to the underlying futures contract and taking profits.

Basic Information

The option contract is purchased by specifying a commodity, a contract month, a strike price and then by paying a fee which is known as the premium. To illustrate these terms, let's look at the data found in the Investor's Business Daily (IBD) for a May, 1996 Wheat contract:

The trading activity reported for the February 15, 1996 session of the Chicago Board of Trade (CBOT) for May, 1996 Wheat futures was:

Contract Size:	5,000 bushels
Price Units Reported:	$ per bushel
Open:	$5.04
High:	$5.06 ½
Low:	$5.00
Close:	$5.00 ½
Open Interest:	19,449

The point value of this contract would be $50/¢, meaning that one contract would have traded from a low of $25,000 to a high of $25,325 during that session.

...

Placing Your Order

The importance of precise and explicit communications when placing an order with your broker cannot be overemphasized. If you are new to commodities trading, you might consider the following suggestions:

1. Use a full-service broker who is sufficiently willing and patient during your ordering process to review and rephrase your order to until you are sure that your broker understands your instructions as you intend them to be executed.

2. Write your order before calling to place the order and use the resulting manuscript as a checklist while placing and reviewing the order.

3. Make sure that you have included--and request verification--of, at least, the following items:

   Is the order long or short, are you buying or selling, are you hoping for increasing or decreasing prices?

   State the commodity, month, year, exchange and number of contracts.

   How do you wish the order to be executed? Market order or ? State the common name of the order (e.g. "Market Order" and then ask precisely what that name means to verify that it agrees with your intent.)

   The stop loss. Is it sensibly placed?

   Market exiting instructions. Do you want to exit the trade automatically at some predetermined retracement level?

   What is the last trading date?

   What is the current range of the cost of a contract?

   What are the initial and maintenance margins?

   How much will your account change with each point, cent or dollar of change in the quoted price?

   What is the current daily price limit?

   Make sure you understand whether the order will stand beyond the current day. Must you reorder tomorrow if you want to continue the order? Must you cancel tomorrow if you do not want the order to stand?

Certainly delete any items with which you are completely familiar and add any of which you are unsure. List and study all of these points explicitly and check them off as you talk with your broker and then release the order only after you are sure that you understand what actions the broker will be taking on your behalf and how your account can be affected by adverse market moves in the trading sessions to come.

As a final effort, you might ask the broker if any fallacies are evident?

Some of the more common types of orders are defined below.

Terms

Canceling Order - This cancels a previous order which you placed with your broker. It is assumed that the previous order has not been executed.

Fill or Kill (FOK) -

Limit Order -

Market if Touched (MIT) -

Market Order -

One Cancels the Other (OCO) -

Stop or Stop Loss Order - This order is typically used in anticipation of or in protection against a market reversal.

To the long position, the stop loss order is also known as a "stop sell" because he will sell the contract back to the market to liquidate the position.

Conversely, to the short position, the stop loss order is also known as a "stop buy" because she will buy the contract back from the market to liquidate the position.

If you are long, the stop is placed below the current market price so that the contract is liquidated after the market reaches this price. The price at liquidation could be higher or lower because this stop acts as a trigger to liquidate.

If you are short, the stop is placed above the current market price so that the contract is liquidated after the market reaches this price. The price at liquidation could be higher or lower because this stop acts as a trigger to liquidate.

Take care to specify how long you want this stop to be in force and monitor the market as frequently as necessary to insure that the stop is current with conditions and your intentions.

Stop Limit Order -

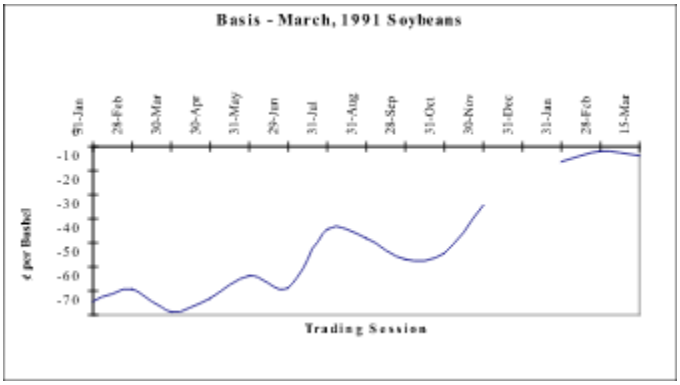
Prices

Commodity futures prices are determined as traders in the auction pits of the authorized exchanges. Sellers offer contracts at some asking price while potential buyers are offering to buy these contracts at some lower price. Using open-outcry, the traders ask and offer back and forth. When an agreement is reached on price, the contract is made and a buyer is assigned a long position while a seller is assigned a short position. The original difference between the asking price and the offered price is known as the Bid-Offer spread and this, of course, has to go to zero for a contract agreement to be successful.

Basis - Basis is simply the difference between the cash, or spot, price in a specific location and a corresponding futures price. If the trading month is not specified, it is generally assumed to be the nearby month:

Basis = (Cash Price) - (Futures Price)

The following chart illustrates the monthly basis between cash prices and March, 1991 Soybeans quoted from the Chicago Board of Trade:



Notice that the basis tends toward zero as delivery approaches. This is always true when the futures contract and the cash prices are quoted at the same location because the futures contract becomes the delivered cash commodity at expiration. Under normal conditions, the large basis during the early life of a futures contract is attributable to storage-related costs which, of course, are proportional to time in storage.

A large basis is said to be weak. When the basis becomes small as the cash and futures prices approach one another, the basis is said to be strong.

Basis is affected transportation charges, storage charges and variations in supply and demand at different locations. So basis is always a local quotation specified at a specific location.

Cash or Spot Price -

Close or Closing Price or Closing Range-

Convergence -

Differential -

Equilibrium Price -

High -

Limit Moves, Limit-Up, Limit-Down -

Low -

Momentum -

Open -

Range -

Slippage -

Variable Limit -

Volatility -

References

Press one of the buttons or use Search to find an item.

{button Books by Title,JI(',`special_books_by_title')} {button Books by Author,JI(',`special_books_by_author')} {button Book Vendors,JI(',`special_book_vendors')} {button Book Publishers,JI(',`special_book_publishers')}
{button Software by Title,JI(',`special_sw_by_product')} {button Software by Producer,JI(',`special_sw_by_producer')} {button Courses & Training,JI(',`special_training')}
{button Brokers,JI(',`special_brokerages')} {button Charts,JI(',`special_charts')} {button Data Download,JI(',`special_data_download')} {button Periodicals,JI(',`special_periodicals')}

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This section lists commodity-related books, periodicals, sources of data and various vendors and publishers. To quickly jump to a particular area, just click one of the buttons shown above.

The following is a listing of commodity-related books and is listed alphabetically by title:

Commodity Trading Manual, Patrick J. Catania et al, 1993
Education & Marketing Dept of Chicago Board of Trade, ISBN: 0-917456-04-1

Contrarian Insestment Strategy, Dreman, David, 1979
Random House

How I Made One Million Dollars ...Last Year ...Trading Commodities, Williams, Larry, 1979
Windsor, ISBN: 0-930233-10-7

The Art of Contrary Thinking, Neill, Humphrey
Caldwell: Caxton Printers

More than 190 titles are listed in this section.

The following is a list of commodity-related books listed alphabetically by author:

Achelis, Steven, Technical Analysis From A to Z: covers Every Trading Tool From the Absolut Breadth Index to the Zig Zag, 1994
Probus Publishing, ISBN: 1-55738-816-4

Nison, Steve, Japanese Candlestick Charting Techniques, 1991
Prentice-Hall, ISBN: 0-13-931650-7

More than 190 titles are listed in this section.

The following is a list of commodity-related book vendors:

Financial Trading, Inc
PO Box 20555
Columbus Circle
New York, NY
Voice: (800) 458-0939
FAX: (718) 639-8889
EMail: elder@soho.ios.com
http://www.elder.com

Eight vendors are listed in this section.

The following is a list of commodty-related book publishers:

Analysis
3300 Darby Rd, No. 3325
Haverford, PA 19041
(610) 642-2011

Twenty-Three publishers are listed in this section.

The following is a list of commodity related software, listed alphabetically by product name:

MetaStock by Equis International
3950 South 700 East
Suite 100
Salt Lake City, UT 84107
Voice: (800) 882-3040
FAX: (801) 265-3999

Thirty-Six software packages are listed in this section.

The following lists commodity-related software, listed alphabetically by the producer:

AIQ Systems, producers of TradingExpert for Windows
916 Southwood Blvd
PO Box 7530
Incline Village, NV 89452
Voice: (800) 332-2999
FAX: (702) 831-6784

Thirty-Six software packages are listed in this section.

The following lists commodity related courses and training:

Center for Futures Education, Inc
401 Erie St
PO Box 309
Grove City, PA 16127
Voice: (412) 458-5860
FAX: (412) 458-5962

Eight companies are listed in this section.

The following lists commodity-related brokers:

Alaron Trading
822 W. Washington St.
Chicago, IL 60607
Voice: (800) 700-3897
FAX: (312) 563-8598

Twenty-Four brokerage firms are listed in this section.

The following lists sources for commodity charts:

Commodity Price Charts
219 Parkade
Box 6
Cedar Falls, IA 50613
Voice: (800) 221-4352

Three chart vendors are listed in this section.

The following lists commodity-related, data download vendors:

Commodity Trend Service
1201 Hwy US1, #350
N. Palm Beach, FL 33408
Voice: (800) 331-1069
http://CTS.Dearborn.com

Seventeen data download vendors are listed in this section.

The following is a list of commodity-related periodicals:

Investor's Business Daily
PO Box 66370
Los Angeles, CA 90066-0370
Voice: (800) 831-2525

Thirteen periodicals are listed in this section.

Commodity Trader's Helper
Registration Form

(Please Copy-And-Paste this Form into Your Processor)

Print and mail the form with check or money order for $11.95US
or
Mail, EMail or FAX the form with VISA or MasterCard ($11.95US) order

Name: _____
Address: _____
Address: _____
City: _____
State/Province: _____
Postal Code: _____ Country: _____
Telephone: _____ FAX: _____
EMail: _____

Version (Please check one):
_____Windows 3.1 _____Windows 95

Payment Method (Please select one):
____Check ____Money Order ____VISA ____MasterCard

If paying by VISA or MasterCard, please complete the following:
Print your name as it appears on the card: _____
Card Number: _____ Expiration Date: _____
Signature: _____ Date: _____

Sending Your Order

Mail: Annabec Business Services, Inc.
P.O. Box 85
Millersburg, OH 44654

FAX: (330) 674-2747

EMail: Sales@Annabec.com

Sage Sayings

Many adages and maxims have been forged by the heat of trading. Although simplistic at first glance, they contain all of the rules and guidelines you will ever need to become a successful trader if you can just figure out how to consistently apply them to your trading practices. A few are listed below:

Buy low and sell high.
Sell high and buy low.
Cut losses and let profits run.
Don't over trade.
Don't undercapitalize.
Buy on rumor, sell on news.
When in doubt, stay out.
Buy into weakness, sell into strength.
Bulls make money, bears make money, but hogs get slaughtered.
The trend is your friend.
The way to make a small fortune in commodities is to begin with a large fortune.

Shareware, Evaluation Version

Version Description {button Order the Full Version,JI(`',`To_Order_the_Sidekick')}

Welcome to the Commodity Trader's Helper. This manual was compiled especially for those new to trading commodity futures. It is a compendium of definitions, example and reference which you might find useful as you begin your trading career. This is an abbreviated version which you can evaluate and freely distribute. If you are interested, please consider ordering the full version.

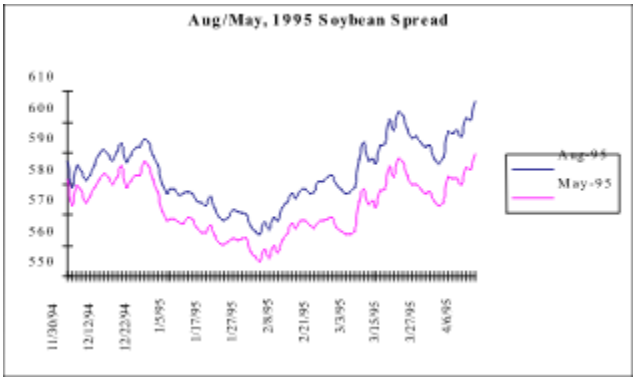
Spreads

A spread is the process of simultaneously assuming two positions in two related markets or commodities, one short and one long. Profits or losses accrue as the prices of the two positions move apart--diverge--or move together--converge. Profits or losses are realized by simultaneously liquidating the two positions.

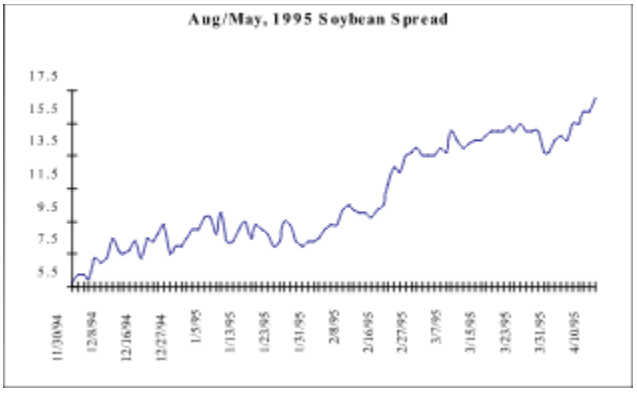
The trader who puts on a spread position is betting on the price difference between the two positions, not the absolute price of either. Positions can take advantage of either increases or decreases in the difference just as traders can go long or short on individual contracts.

Example

As an example, let's put on Aug/May, 1995 soybean spread. We'll go long on the August contract and short on the May contract--a bear spread. We will have simultaneously assumed the positions on November 30, 1994 and simultaneously liquidated both on April 11, 1995. To keep the presentations simple, only the closing prices are used. Notice that both contract months have similar shapes--they are indeed related. Note that the prices for the more distant month increase more rapidly than those of the more nearby month..



Next, the difference between the two contracts is plotted--the difference is the focus of the spread.



In this graph, we can see the spread between the contract prices does indeed move in a favorable direction as time progresses. Again for simplicity, we will assume that all of the transactions took place at the closing prices. A table summarizing the opening and closing conditions of the spread follows:

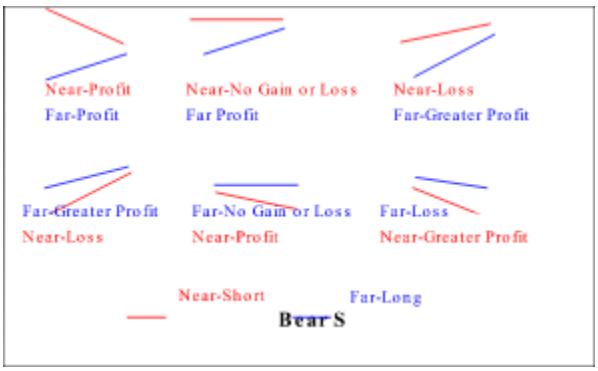
	Long Aug-95	Short May-95
11/30/94	**587**	**581.25**
4/11/95	**606.5**	**589.5**
Difference	**19.5**	**-8.25**
P/L	**$975.00**	**($412.50)**
Net Profit	**$462.50**	

In summary, our profit was $972 on the long contract while we lost $412.50 on the short contract, making the net profit, exclusive of commissions, as $462.50.

Terms

Bear Spread - To put on a bear spread, a trader goes short on the more nearby month and goes long on the more distant month. The example at the beginning of this section is a bear spread--we sold the May, 1995 contract and bought the August, 1995 contract.

A trader putting on a bear spread can profit from price patterns like those illustrated below:



Bull Spread -

Butterfly Spread -

Crush -

Calender or Horizontal Spread -

Inter Commodity Spread -

Inter Delivery or Intra Market Spread -

Option Spread -

Straddle -

Vertical Spread -

Your Suggestions

If you have any suggestions, additions or corrections please contact us by any of the following methods:

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P.O. Box 85
Millersburg, OH 44654

Voice: (330) 674-5444
FAX: (330) 674-2747
EMail: Info@Annabec.com
http://www.annabec.com

To Order the Helper

Commodity Trader's Helper

Registration Instructions

There are two methods of receiving your full-featured-registered version of the *Commodity Trader's Helper:*

1. It can be downloaded at anytime through *Albert's Ambry Internet Shareware Store.* This is the quickest and least expensive method of receiving your copy. The cost using this method is $9.95US.

   To use this method, connect to **http://www.Alberts.com** and search for:

   TDHP3F10.ZIP for the Windows 3.1 version
   or
   TDHP9F10.ZIP for the Windows 95 version

   After finding the file, follow the instructions.

2. You can receive it on 3.5" disk through the mail. To do this you may order by EMail, FAX, Mail, telephone or by CompuServe's Shareware Registration System. Payment may be made
   by check, money order, VISA or MasterCard. The cost using this method is $11.95US.

   Email: Copy the form (press this button {button Order Form,JI(`',`Registration_Form')}) to your word processor and
   EMail the completed form along with your VISA or MasterCard information to:
   Sales@Annabec.com.

   FAX: Copy the form (press this button {button Order Form,JI(`',`Registration_Form')}) to your word processor and
   FAX the completed form along with your check or money order to:
   (330) 674-2747

   Telephone: Have your VISA or MasterCard account number and expiration date available and call:
   Toll Free - (888) 674-5455

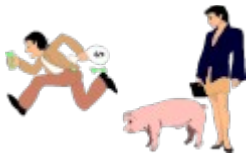
   You will be greeted with an automatic ordering system. Simply follow the instructions.

   SWReg: To register using CompuServe Shareware Registration System, first GO SWREG. Select "Register Software". Select one of the two following registration ID's:

ID #15631 for file TDHP3F10.ZIP which is the version for Windows 3.1
(Program Title: Commodity Trader's Helper)

or

ID #15632 for file TDHP9F10.ZIP which is the version for Windows 95
(Program Title: CTH for WIN95)



Trading

Below, you will find some of terms associated with trading procedures in the commodities futures markets.

Terms

Buy/Sell Signals or Indicators - Technical indicators which traders use to suggest times at which contracts might be taken on or liquidated. Several simple examples are illustrated below. It is important to understand that these examples are not being offered as models which you should consider using but simply as examples of some techniques which various traders use as part of their entire process of making buying and selling decisions.

1. Trend lines - A possible signal to either liquidate a long position or short a contract is triggered when up trending prices cross and go below an up trend line--example.
Conversely, a
possible signal to either liquidate a short position or assume a long position is triggered when down trending prices cross and go above a downtrend line--example.

2. Moving Average - A possible buy or sell signal is triggered when prices cross a moving average--example

3. Multiple Moving Averages - In this case, two moving averages are used. One with a shorter averaging period than the other. The possible buy and sell signals are triggered when the shorter average crosses the longer--crossing in the upward direction triggers a possible buy while crossing in the downward direction signals a possible sell--example.

..

These are just three examples of what could be hundreds of indicators which traders have developed to aid them in deciding when to enter and exit the market. Traders use these various indicators individually and in combination. They use various indicators and combinations with various commodities and at various times. The practice of using these indicators is widely variable and range from the very simple to the highly complex with some traders using systems which combine many indicators..

Capital -

Clear -

Controlled , Discretionary, or Managed Account -

Discounting -

Discount Rate -

Diversification -

Entering a Position -

Exiting or Liquidating a Position -

Flat -

Initial Margin -

Leverage -

Buy or Long -

Loss -

Maintenance Margin -

Margin -

Margin Call -

Money Management Stop -

Offset -

Oscillators -

Paper Trading -

Position -

Position Day -

Professional Money Management -

Profit -

Pyramid -

Risk -

Risk Management - .

Round Turn -

Sell or Short -

Stochastic Oscillator -

Stop Loss -

Trading Account -

Trading Method -

Trading Plan -

Trailing Stop -

Trading Philosophies

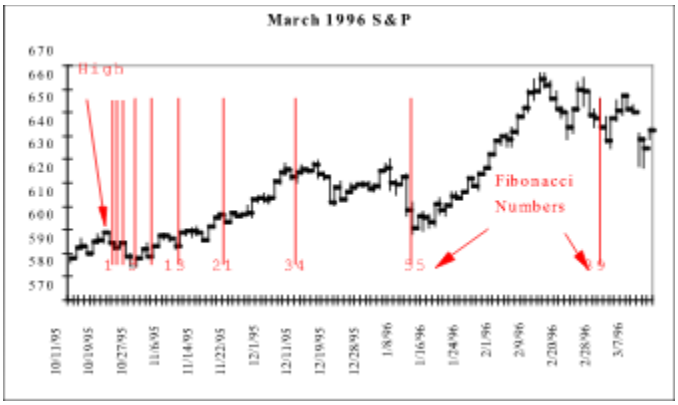
There seem to be three major and well defined trading philosophies; contrary opinion, fundamental analysis and technical analysis. It further appears that although each commodities author may claim to have strongly adopted one of philosophies that most seem to practice combinations of each.

Contrary Opinion - Contrary opinion was first prominently set forth by Neill Humphrey in The Art of Contrary Thinking. Several other texts are also included in the References section. Very simply put, contrary opinion is practiced at market tops and bottoms. It relies heavily on the belief that most traders will be wrongly investing to continue the current trend immediately before a reversal occurs.

Fundamental - A fundamentalist strongly believes that the perception of supply and demand sets the price and direction of market prices. Consistent with this belief, the fundamentalist researches information on inventories, changes in the nature of the consuming market, factors affecting manufacture and delivery, rumors which might affect what other traders currently believe about the condition of supply and demand and a multitude of other data and factors. Fundamental factors vary with commodities--grains are affected by weather conditions, current and forecasted, and by government reports; currencies are affected by interest rates and where they are trending, and political conditions. You can see that aggressive fundamental trading requires a great deal of study.

Technical - The pure technical trader relies strictly on price information. This trader would strongly believe that all of the fundamental factors are either already integrated into or are being signaled by the current price patterns. Because of this, the major tool of the technical trader is the price chart; the **b**ar, the candlestick and the Point and Figure Charts.

1 Sugar, in this case is quoted in ¢/pound.
2 One contract is made up of 112,000 pound of sugar.
3 Each 1¢, then, in the price per pound would manifest as $1,120 in the price of a contract.
4 10.59¢/pound - 10.07¢/pound = 0.52¢/pound.
5 0.52¢/pound x $1,120$/¢ = $582.40 for the entire contract.


March 1996 S&P
High
Fibonacci
Numbers
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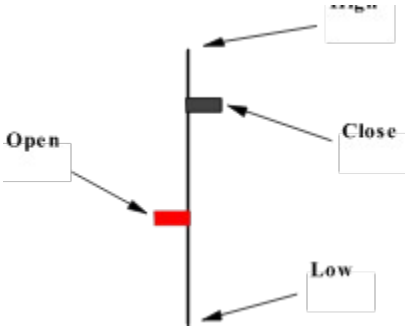
3/7/96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Low

Commodity futures traders are assuming contracts to deliver or to accept delivery of a commodity at some future date, they are not dealing in the actual delivery of the commodity. In fact, most traders liquidate their positions before the required delivery time.

Prices are, on the average, declining. New highs and lows are lower than previous highs and lows.

Consider that a gap has occurred during an up-trend--the low was higher that of the previous session's high. Filling means that the price would reverse direction and come down through the price range of the gap.

On the average, the prices neither trend up nor down. The highest highs over the period of congestion tend to be at about the same levels with the same true of the lowest lows..

A commodity exchange may place restrictions on the maximum upward and downward price movements allowed during a trading session.

The public auction system conducted in the trading pits of the authorized exchanges. Offers to buy and sell futures and options contracts are orally presented and negotiated.

When the price trend changes from one direction to the opposite direction--for example, a price which has been in a down-trend changes to an up-trend.

Tops and bottoms represent price reversals.

An period of increasing prices following a period of decreasing prices.

Prices are, on the average, increasing. New highs and lows are higher than previous highs and lows.

$1,250.00/contract = $440/contract + $810/contract

$1,315 = $6,000 - $4,650 - $35

¼¢ x 5,000bushels/contract = $12.50/contract

Based on a commission of $35.

$140 = 4 contracts x $35/contract

$16,500/contract = (86¢/pound - 53¢/pound) x 50,000/contract

$17,150/contract = ($343/troy oz) x (50 troy oz/contract)

$17,750/contract = $3.55/bushel x 5,000 bushels/contract

$172,800 = 54¢/pound x 8contracts x 40,000pounds/contract

$178,000 = 89¢/pound x 8contracts x 25,000pounds/contract

$18,750 = $8,660 + $5,745 + $3,030 + $1,315

$19,350/contract = ($387/troy oz) x (50 troy oz/contract)

$192,000 = 60¢/pound x 8contracts x 40,000pounds/contract

$2,200/contract = $19,350/contract - $17,150/contract

$2,910 = $970/contract x 3 contracts

$20,000 = (445 - 405) x $500

The contract price of the Standard & Poors 500 is computed by multiplying the S&P Index by 500.

$208,000 = $1.04/pound x 8contracts x 25,000pounds/contract

$211,200 = 66¢/pound x 8contracts x 40,000pounds/contract

$226,000 = $1.13/pound x 8contracts x 25,000pounds/contract

$236,800 = 74¢/pound x 8contracts x 40,000pounds/contract

(100 tons/contract) x ($243/ton) = $24,300 for the contract

$25,000/contract = ($5/bushel) x (5,000 bushels/contract)

$25,325/contract = ($5.06/bushel) x (5,000 bushels/contract)

$252,000 = $1.26/pound x 8contracts x 25,000pounds/contract

$340,000 = 68,000 points x $5/point

$4,650/contract = $4.65/bushel x 1,000 bushel/contract

$440.00/contract = 1.1¢/contract x $400/¢

$462.50/contract = $975/contract - $412.50/contract

$5,015 = $5,000 + $50 - $35

$5,000 is the initial trading account balance.
$50 represents the current profit of all contracts.
$35 is the commission per contract.

$50/contract = ($4.09/contract - $4.08/contract) x (5,000 bushels/contract)

$500/contract = ($2.22 - 2.17)/million BTU x 10,000 million BTU/contract

$550/option contract = (11¢/bushel) x (5,000 bushels/option contract)

$6,000/contract = $6/bushel x 1,000 bushels/contract

12¢/bushel x 5,000bushels = $600

$650 = 13¢/bushel * 5,000 bushels

Initial Price: 60.55¢/pound
Current Price: 58.65¢/pound

Difference: 1.90¢/pound

Increase in the price of the contract:

1.90¢/pound x 40,000pounds/contract x 0.01$/¢ = $760/contract

$8,660 = $8,800 - $140

$8,800 = $2,200/contract x (4 contracts)

$810.00/contract = 2.025¢/contract x $400/¢

$825/option contract = (16½¢/bushel premium) x (5,000 bushels)

$970/contract = (565.1 - 545.7)¢/oz x 5,000oz/contract x 0.01$/¢

$975.00/contract = 19.5¢/bushel x 5,000bushels/contract

($412.50)/contrace = 8.25¢/bushel x 5,000bushels/contract

The December closing prices are subtracted from the August closing prices. The prices of the short contract are subtracted from those of the long contract.

-8.25¢/bushel = 581.25¢/bushel - 589.5¢/bushel
(Lost on this short position because the contract increased in value.)

1.1¢/contract = 46.5¢/contract - 45.4¢/contract

18 open contracts = 30 newly purchased contracts - 12 sold back to the market

19.5¢/bushel = 606.5¢/bushel - 587¢/bushel
(Gained on this long position because the contract increased in value.)

2.025¢/contract = 43.85¢/contract - 41.825¢/contract

20¢ out-of-the-money = $5.00 trading price - $4.80 put option

4.563% = ($810 / $17,750) x 100

Difference between the strike price and the trading price = \$5.10 - \$5.00 = 10¢
Each tick for wheat is ¼¢
40 ticks = (10¢) / (¼¢/tick)

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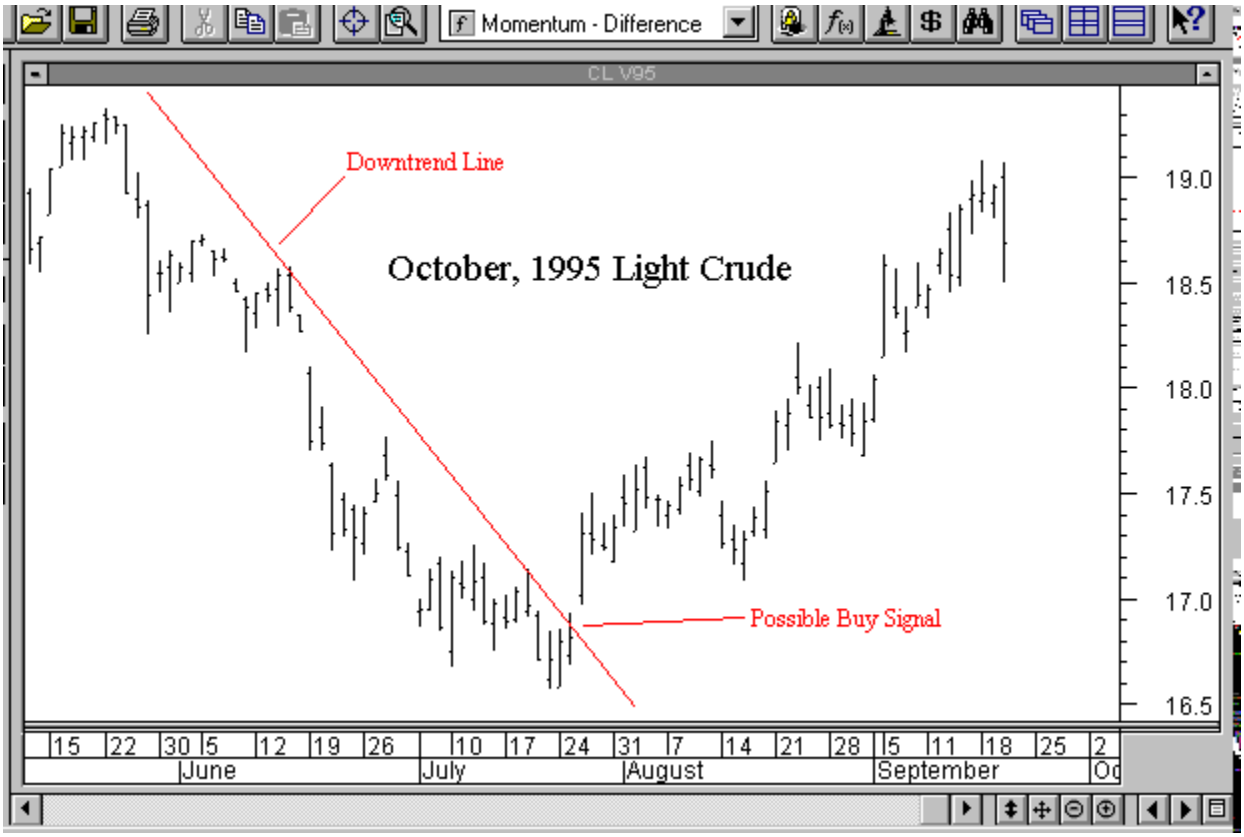
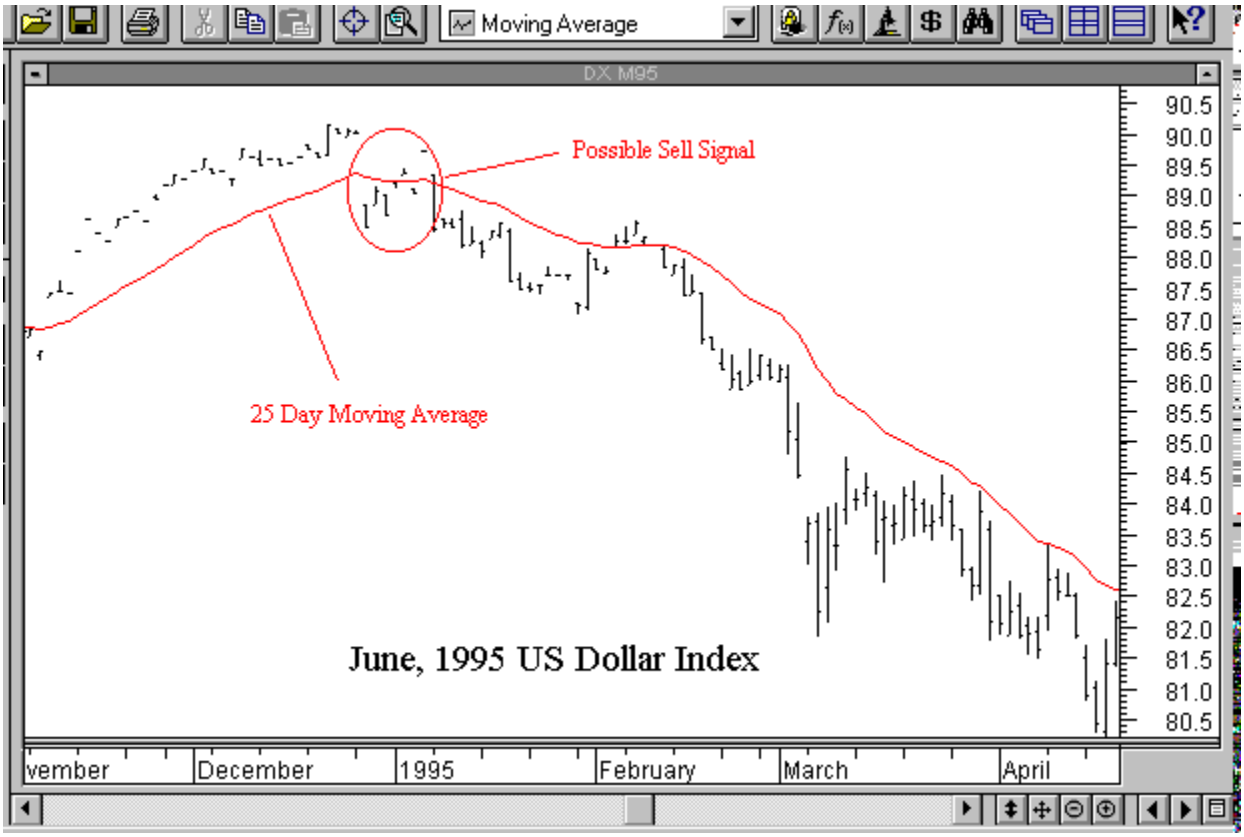
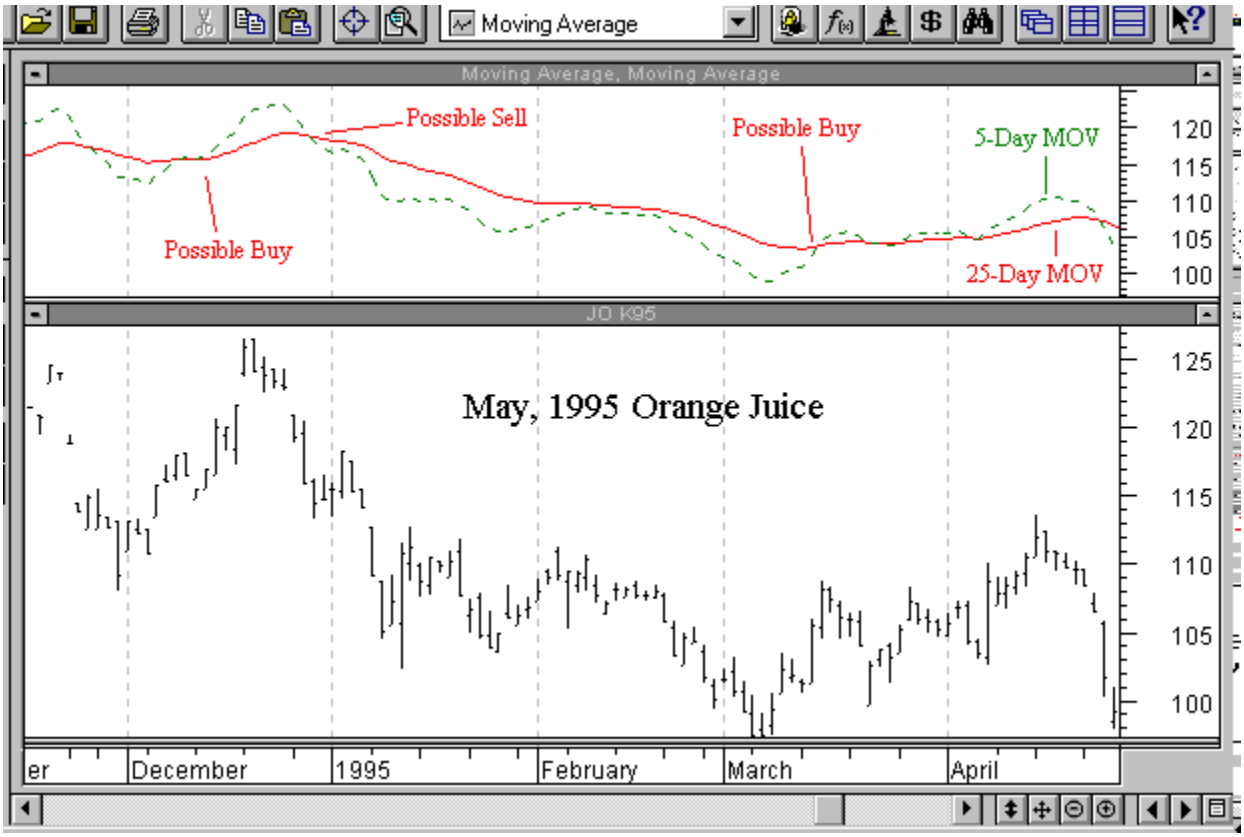
The amount of a commodity required by a futures contract for delivery.



Graph produced by MetaStock for Windows.



Graph produced by MetaStock for Windows.



Graph produced by MetaStock for Windows.

The Shareware definitions in this document are reprinted from an article which was prepared by Paul Mayer, author of GRAB Plus.

If a producer owns a cash commodity and intends to sell at some future date then any decreases in price would decrease the value of the inventory.

Similarly, if a consumer does not own but intends to make a future purchase of a cash commodity then price increases would adversely affect the costs of that cash commodity as a raw material for the consumer.

Increase in value.

Basis is the difference between the local cash price for the commodity and the nearby futures price.

A bear spread consists of going long on the more distant month and taking a short position on the more nearby of the two months. This spread profits if the more distant months prices increase more rapidly than those of the more nearby month.

The prices are decreasing, trending downward.

Market prices change from trending downward to trending upward.

Prices are increasing, trending upward.

Carrying or time charges are due to storage, insurance, handling and discount costs. Storage and insurance are examples of charges associated with maintaining an inventory for a commodity contracted for future delivery. Interest is an example of a discount charge associated with the future delivery of a financial instrument.

Being either short (not in inventory, does not own but intend to buy in the future) or long (does own the commodity) on the cash commodity.

Red colored text is attempting to issued some kind of a warning. Please read carefully when it shows up.

Farm machine capable of separating grain from the rest of the plant material. Usually does so with a violent beating or threshing action followed by a sifting procedure.

The maximum price deviation allowed in a contract price during a trading session. This is set by the various exchanges and can be related to the previous session's pricing activity. The exchange can also change or suspend the limit.

Decrease in value.

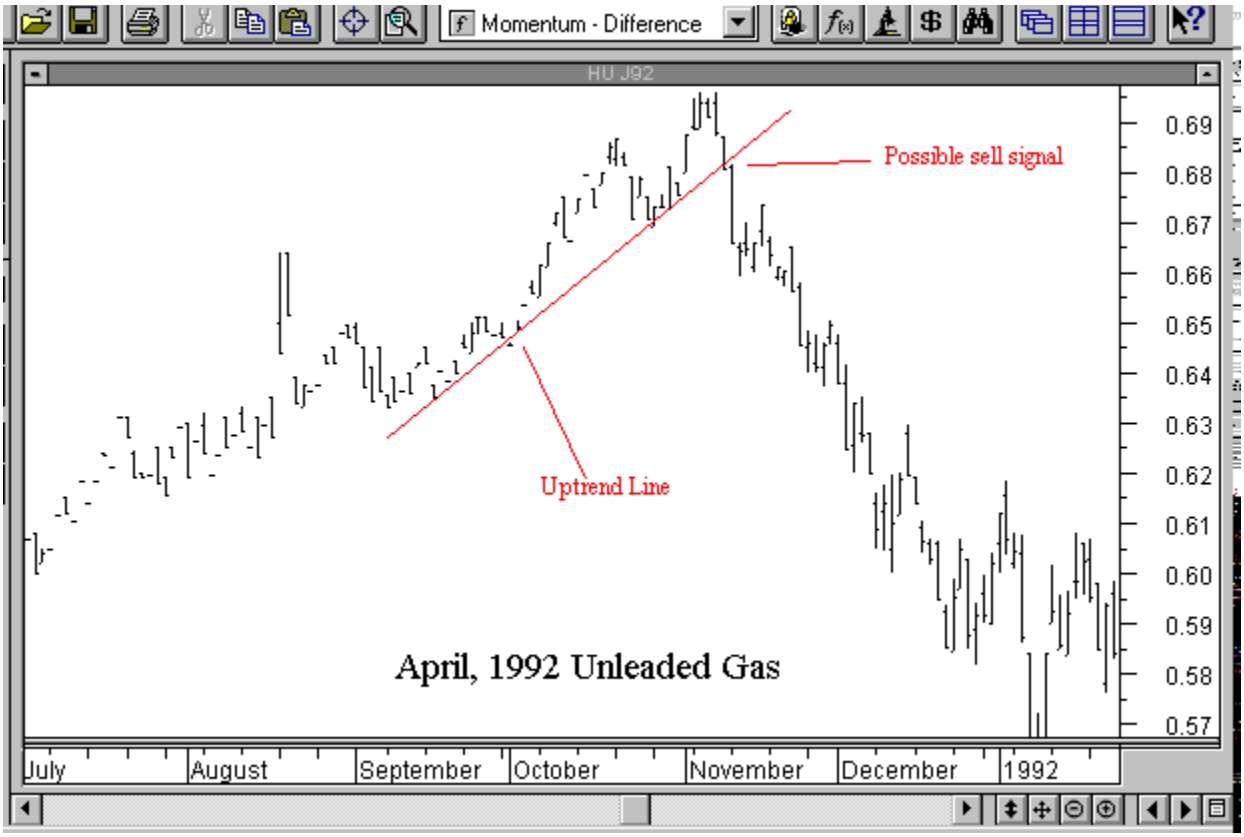
Momentum = (Current Close) - (Close X Sessions Previous)

The May closing prices are subtracted from the August closing prices. The prices of the short contract are subtracted from those of the long contract.

To go in different directions, to spread apart.

In the case of a call, the trader will buy, go long on, a contract. In the case of a put, the trader will sell, go short on, a contract.

The facility would possess equipment capable of weighing and otherwise measuring the commodity as well as equipment and instrumentation which could evaluate the quality of the commodity.



Graph produced by MetaStock for Windows.

Selling or purchasing a futures or option contract.

The two sessions referred to here are the sessions at which the contract is bought and the session at which the contract is sold back to the market.

The time for delivery or taking delivery of the commodity is approaching.

Buying or selling a commodity futures contract--taking on a contract which promises to accept or to make delivery of the commodity at some future date.

Being purchased last, they have the least value.

Before commission.

This means they are not related to one another.

Discharges her responsibility to deliver or take delivery of the commodity by offsetting the position with an opposite position. If the trader is long (purchased a contract), then she sells the contract back to the market and is free from further obligation.

The currently own the cash commodity.

To purchase a commodity futures contract. To contract to take delivery of the commodity in the future.

At a market top, prices reverse from trending upward to trending downward.

The minimum increment permitted in the price of a contract.

The contract month which is next to expire.

A trader offsets a long position by selling the contract back to the market or offsets a short position by buying the contract back from the market. In either case, the trader has offset the position and is no longer contractually obligated.

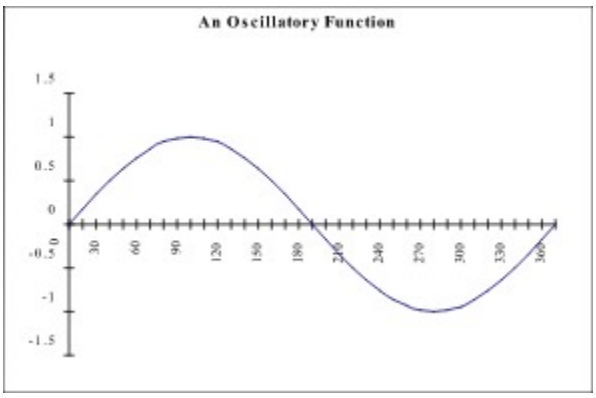
An open position is a contract which is active and currently obligates the buyer and seller to the terms of the contact.

Any contract, long or short, currently in force and not liquidated or offset.

Buying or selling a futures contract.

If you are going long, "at the price or better" would mean "at the price or lower". Going short would mean "at the price or higher."

Oscillatory motion is motion which tends to move back and forth:



A caption like this pops up with some additional information. To close it just click somewhere else on the screen.

Enters into a commodity futures contract to either deliver (short position) or to accept delivery (long position) of a commodity at some future time.

Normally, the prices for a distant month should be approximately equal to the prices in the nearby month plus any carrying charges. A premium is said to exist when the nearby month prices become larger than the distant month minus the carrying charges.

In this example we are using price periods of complete trading sessions. The time period can be minutes, hours, sessions, weeks, etc.

For example, a trader may automatically exit a position after trade produces $1,000 in profit.

A term referring to executing the spread, that is to simultaneously assume opposite positions in the two contracts.

Momentum = (Current Session Close) / (Close X Sessions Previous)

Refers to the complete process of first taking on a position and then the later liquidation of that position.

They do not currently own the cash commodity but intend to buy it sometime in the future.

To sell a commodity futures contract. To contract to deliver the commodity in the future.

Largely independent because we know there are some relationships. For example, they cannot be completely independent from from one another if daily limits apply.

Consider, for example corn. World corn harvest begins in August and peaks in the northern hemisphere fall. This harvest period produces the new crop and therefore new marketing forces. Thus, the marketing cycle for corn is from harvest-to-harvest.

A trader who is not hedging. One who has no intent to accept or make delivery.

A stop loss is used to attempt to minimize losses when the market moves against the trader's position. For example, when going long, a trader might put a stop loss at a price somewhere below the price at which she entered the market. If the market reverses back to that price, the contract would be sold back to the market.

A stop is a price condition which, when met, liquidates the contract.

The test button takes you to another part of the Helper. Click the "Back" button at the top of the screen to return.

The trading price range is from the low price to the high price of the session.

The contracts can involve different contract months of the same commodity or can involve different commodities. When different commodities are spread, they should be related in some way so the trader has some chance of successfully predicting the spread in price between the two commodities.

Commodity Trader's Helper for Windows 95

Shareware Version 1.00
(Distribution File: TDHP9S10.ZIP)

This version is incomplete and is intended for your evaluation. The entire list of definitional terms has been included and can be seen by scrolling through the index. A sample definition has also been included from each major topic.

Please use the "Order Full Version" jump if you are interested.

Large swings in the trading price.