Glossary

We have compiled this glossary from a number of sources to help you understand commonly used terms in the futures industry.

A

Account Equity

The net worth of a futures account as determined by combining the ledger balance with any unrealized gain or loss in open positions as marked to the market.

Active Month

Usually the most active contract month, often closest to delivery

ACT or CEA

The term "ACT" or "CEA" shall mean the commodity exchange act, as amended from time to time.

Actuals

An actual physical commodity someone is buying or selling, e.g., soybeans, corn, gold, silver, treasury bonds, etc.

Adjusted Futures Price

The cash-price equivalent reflected in the current futures price. This is calculated by taking the futures price times the conversion factor for the particular financial instrument (e.g., bond or note) being delivered.

All-Or-None (AON) Order

An order to be executed in designated contracts in a trading pit via open outcry only for its entire quantity at a single price, with a size at or above a predetermined threshold.

Alternative Delivery Procedure (ADP)

A provision of a futures contract that allows buyers and sellers to make and take delivery under terms or conditions that differ from those prescribed in the contract. An ADP may occur at any time during the delivery period, once long and short futures positions have been matched for the purpose of delivery.

American-Style Option

Type of option contract that can be exercised at the buyer's discretion on any trading day up to and including the expiration date. This differs from a European style option, which may only be exercised on its expiration date.

Application Program Interface (API)

The specific method prescribed by a computer operating system or by an application program by which a programmer writing an application program can communicate with the operating system or another application.

Application Service Provider (ASP)

Application Service Provider (ASP); a company that offers individuals and firms access via the Internet to applications and related services that would otherwise have been located in their personal computers.

Approved Carriers

Armored carriers approved by the exchange for the transportation of gold, platinum, and palladium.

Approved Delivery Facility

Any bank, depository, stockyard, mill, warehouse, plant or elevator authorized by the Exchange for delivery of Exchange contracts.

Approved Warehouse

Any warehouse which has been officially approved by the exchange and from which actual deliveries of commodities may be made on futures contracts.

Arbitrage

The simultaneous purchase of cash, futures, or options in one market against the sale of cash, futures or options in a different market in order to profit from a price disparity.

Ask Price

Also called the "offer." Indicates a willingness to sell a futures or options on futures contract at a given price.

As-of Trade

An unmatched trade from a previous day that is resubmitted to the CME Clearing system; trade is submitted "as of" the original trade date.

Assignment (Options)

The process by which the CME Clearing House, in response to a long exercising its option, randomly selects a seller to fulfill its obligation to buy or sell the underlying futures contract at its strike price. The assigned seller of a put must buy the underlying futures contract; the assigned seller of a call must sell the underlying futures contract.

Assignments (Delivery)

The process by which the CME Clearing house selects the long position to accept delivery on a contract for which a seller has submitted a delivery notice.

Associated Person (AP)

A person, commonly called a commodity broker, associated with and soliciting customers and orders for a futures commission merchant or introducing broker. The AP must pass a Series 3 examination, be licensed by the Commodity Futures Trading Commission and be a member of the National Futures Association. Sometimes referred to as a registered representative.

At-The-Money

The option with a strike (or exercise) price closest to the underlying futures price.

Automated Trading System (ATS)

Automated trading system (ATS); a trading method in which a computer makes decisions and enters orders without a person entering those orders. This is a programmatic way of representing the trader.

Automatic Exercise

Following options expiration, an option which is in-the-money is exercised automatically by the clearinghouse, unless the holder of the option submits specific instructions to the contrary. Please refer to individual contract specifications for Automatic Exercise guidelines.

Average Daily Volume

Volume for a specified time period divided by the number of business days within that same time period.

Average Price System (APS)

CME rule 553 enables clearing firms, in defined circumstances, to confirm average prices when multiple prices are received on the execution of an order or a series of orders ("series averaging") during a single trading session. The aps is the vehicle through which the exchange computes an average price. Firms then allocate such trades (at the average price) to the carrying firm(s) or may sub-allocate those trades to customer accounts on their books.

Average Temperature

The average of a day's high and low temperatures, from midnight to midnight.

At Close

The number of open positions in the contract at the close of trading on the selected trading day.

B

Backbone

Network used to interconnect several networks together.

Back Months

The futures or options on futures contracts being traded that are further from expiration that the current or “front month” contract. Also called deferred or distant months.

Backspreads

Selling one or more at-the-money options and buying a larger number of out-of-the-money options. Backspreads may generate trading profits if implied volatility increases and/or the underlying instrument’s price moves sufficiently in the anticipated direction.

Balance Of Trade

The difference between a country's imports and exports.

Bar Chart

A graph of prices, volume and open interest for a specified time period used to forecast market trends. For example, a daily bar chart plots each trading session's open, high, low and settlement prices.

Barrel

A unit of volume measure used for petroleum and refined products. 1 barrel = 42 U.S. gallons.

Barrels Per Day

Barrel per day (abbreviated BPD, bbl/d, bpd, bd or b/d) is a measurement used to describe the amount of crude oil (measured in barrels) produced or consumed by an entity in one day. For example, an oil field might produce 100,000 bpd, and a country might consume 1 million bpd.

Baseload

The minimum amount of electric power delivered or required over a given period of time at a steady rate. Usually references the minimum amount of power that a utility or distribution company must make available to its customers, or the amount of power required to meet minimum demands based on reasonable expectations of customer requirements. Baseload values typically vary from hour to hour in most commercial and industrial areas

Base Metals

Copper, aluminum, lead, nickel, and tin. These metals are defined as base because they oxidize or corrode relatively easily.

Basis

The difference between the spot or cash price and the futures price of the same or a related commodity. Basis is usually computed to the near future, and may represent different time periods, product forms, qualities and locations. The local cash market price minus the price of the nearby futures contract is equal to the basis.

Basis Point

One-hundredth (.01) of a full index point or percentage.

Basis Risk

The uncertainty as to whether the cash-futures spread will widen or narrow between the time a hedge position is implemented and liquidated.

Batch

A measured amount in which crude oil and refined product shipments are sent through a pipeline.

BCF

In reference to a natural gas meausre of capacity or supply, a billion cubic feet.

Bear

One who believes prices will move lower.

Bear Market

A market in which prices are declining.

Bear Spread (Futures)

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.

Bear Spread (Options)

A vertical spread involving the sale of the lower strike call and the purchase of the higher strike call, called a bear call spread. Also, a vertical spread involving the sale of the lower strike put and the purchase of the higher strike put, called a bear put spread.

Beta

A measure of an asset's return in relation to an underlying factor or index; e.g. the relationship between the movement of an individual stock or a portfolio and that of the overall stock market.

Bid Price

An offer to buy a specific quantity of a commodity at a stated price or the price that the market participants are willing to pay.

Bid/Ask Spread

The price difference between the bid and offer price.

Block Trade

A privately negotiated futures or option on futures transaction that is executed apart from the public auction market and that is permitted in designated contracts subject to specified conditions. These trades are governed by Rule 526 (“Block Trades”).

Blowoff Volume

An extraordinarily high volume trading session occurring suddenly in an uptrend, possibly signaling the end of the trend.

Bond

Instrument traded on the cash market representing a debt a government entity or of a company.

Breakaway Gap

A chart pattern described by gap in prices that may signal the end of a price pattern and the beginning of an important market move.

Breakeven

The point at which an option buyer or seller experiences no loss and no profit on an option. Call breakeven equals the strike price plus the premium; put breakeven equals the strike price minus the premium.

Broad-Based Index Future

A futures contract based upon an index that is not considered narrow-based as defined in section 1a(25) of the commodity exchange act.

Brokerage Fee

The fee paid to an agent to facilitate the execution of orders.

Brokerage House

A firm that handles orders to buy and sell futures and options contracts for customers.

Bull

One who expects prices to rise.

Bull Market

A market in which prices are rising.

Bull Spread (Futures)

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.

Bull Spread (Options)

A vertical spread involving the purchase of the lower strike call and the sale of the higher strike call, called a bull call spread. Also, a vertical spread involving the purchase of the lower strike put and the sale of the higher strike put, called a bull put spread.

Bundle

The simultaneous sale or purchase of one each of a series of consecutive futures contracts. Bundles provide a readily available, widely accepted method for executing multiple futures contracts with a single transaction.

Business Day

Any day on which the Exchange is open for business.

Butterfly Spread

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

Buyer's Market

A condition of the market in which there is an abundance of goods available and hence buyers can afford to be selective and may be able to buy at less than the price that previously prevailed. See Seller's Market.

C

Calendar Spread (Futures)

Also called a intra-commodity spread. The simultaneous purchase and sale of the same futures contract, but different contract months. (i.e., buying a September CME S&P 500® futures contract and selling a December CME S&P 500 futures contract).

Call Option

A contract between a buyer and seller in which the buyer pays a premium and acquires the right, but not the obligation, to purchase a specified futures contract at the strike price on or prior to expiration. The seller receives a premium and is obligated to deliver, or sell, the futures contract at the specified strike price should a buyer elect to exercise the option. Also see American Style Option and European Style Option.

Cap

A supply contract between a buyer and a seller, whereby the buyer is assured that he will not have to pay more than a given maximum price. This type of contract is analogous to a call option.

Capacity

In reference to electricity, the maximum load that a generating unit or generating station can carry under specified conditions for a given period of time without exceeding approval limits of temperature and stress.

Capacity (Purchased)

The amount of electric energy and capacity available for purchase from outside a utility system.

Car

A contract or unit of trading. Originally, one contract, or "car," was the quantity of a commodity that would fill a railroad car. See also lot.

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.

Carrying Firm

A firm that carries on its books positions that were executed by it or by another firm.

Carryover

Last year's ending stocks of a storable commodity.

Cash Commodity

The actual physical commodity or financial instrument as distinguished from the futures contract that is based on the physical commodity or financial instrument. Also referred to as “spot.”

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. A forward contract is 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.

Cash Price

Current market price of the actual or physical commodity. Also called the spot price.

Cash Sales

The sale of commodities in local cash markets such as elevators, terminals, packing houses and auction markets.

Cash Settlement

A settlement method used in certain future and option contracts where, upon expiration or exercise, the buyer does not receive the underlying commodity but the associated cash position. For buyers not wishing to take actual possession of the underlying physical commodity, cash settlement is sometimes a more convenient method of transacting business. For example, the purchaser of an E-mini S&P future is unable to take ownership of the index at expiration. Therefore he simply pays or receives the difference between the purchase price and the price of S&P futures contract at settlement.

CEA Or Act

The Commodity Exchange Act (CEA) regulates the trading of commodity futures in the United States. Passed in 1936, it has been amended several times since then. The CEA establishes the statutory framework under which the CFTC operates. Under this Act, the CFTC has authority to establish regulations that are published in title 17 of the Code of Federal Regulations.

Central Bank

A government bank that regulates a country's banks and manages a nation's monetary policy. The Federal Reserve is the central bank in the United States, whereas the European Central Bank (ECB) is the central bank of the European Monetary Union.

Central Counterparty Clearing

Central Counterparty Clearing also referred to as simply 'clearing'. The procedure through which a clearing house becomes the buyer to each seller of a futures contract and the seller to each buyer, and assumes the responsibility of ensuring that each buyer and seller performs on each contract.

Clearing Fee

A fee charged by the exchange for each contract cleared. There are also clearing fees associated with deliveries, creation of a futures position resulting from an option exercise or assignment, Exchange for Physicals (EFP), block trades, transfer trades and adjustments.

Clearing Firm

A company that works directly through an exchange's clearing house to execute trades on behalf of futures market participants.

Clearing House

The division of a futures exchange that confirms, clears and settles all trades through an exchange.

Clearing ID

The alpha-numeric firm id under which the firm's trades will clear.

Clearing Member

A firm meeting the requirements of, and approved for, clearing membership at the Exchange. The term "clearing member" as used in the Rules shall include all clearing member categories set forth in Rule 900, unless otherwise specified.

Clearing Non-Trade Transaction

Composed of transfers, exchange-for-physicals (EFPs), blocks and give-ups. Transfers, blocks and EFPs are privately negotiated, ex-pit transactions, while give-ups relate to post-trade processing. "cancels" and "replaces" do not generate clearing non-trade transactions.

Clearing Trade Transaction

Each matched trade between a buyer and a seller generates two clearing trade transactions: one for the buyer and one for the seller.

Clearport/PNT

Clearport is CME Group's clearing service for over-the-counter markets. PNT is an acronym for privately negotiated trades, which may be reported through Clearport or directly into CME Clearing.

Close

The period at the end of the trading session officially designated by the exchange during which all transactions are considered "made at the close." Sometimes used to refer to the closing range.

Closing Bell

Any signal which indicates the conclusion of normal daily trading hours in any commodity.

Closing Price

The last price of a contract at the end of a trading session.

Closing Range

The high and low prices, inclusive of bids and offers, recorded during the time period designated by the Exchange as the close of pit trading in a particular contract.

CME Clearing House

The division of CME Group that confirms, clears and settles all CME Group trades. CME Clearing also collects and maintains performance bond funds, regulates delivery and reports trading data.

CME Globex

The first global electronic trading system for futures and options has evolved to become the world's premier marketplace for derivatives trading. With continual enhancements, the platform has effectively enabled CME, already known for innovation, to transform itself into a leading high-tech, global financial derivatives exchange.

CME Group Inc.

CME Group or CME Group Inc., is the world’s leading derivatives marketplace with exchanges that offer the widest range of global benchmark products across all major asset classes, including derivatives based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals and weather, as well as clearing services for exchange traded and over-the-counter products.

Collar

A supply contract between a buyer and seller of a commodity, whereby the buyer is assured that he will not have to pay more than some maximum price, and whereby the seller is assured of receiving some minimum price. This is analogous to an options fence or collar, also known as a range forward.

Commission

The one time fee charged by a broker to a customer when the customer executes a futures or option on futures trade through the brokerage firm.

Commodity

Any product approved and designated for trading or clearing in accordance with the rules of an exchange. Also may refer to a physical commodity.

Commodity Code

A unique symbol used to identify a particular commodity traded on CME for purposes of submitting data into the clearing system. This code should not be confused with the ticker symbol, which is the code denoting which commodity price is being quoted.

Commodity Exchange

An exchange that lists designated futures contracts for the trading of various types of derivative products and allows use of its facilities by traders. Must comply with rules set forth by the Commodity Futures Trading Commission (CFTC).

Commodity Futures Trading Commission (CFTC)

The U.S. Commodity Futures Trading Commission (CFTC) is an independent agency of the US government created in 1974, that regulates futures and option markets.

Commodity Pool

An enterprise in which funds contributed by a number of persons are combined for the purpose of trading futures contracts or commodity options.

Common Currency

Currency that is eliminated when calculating a cross rate between two currencies when their exchange rates are expressed in terms of the common currency; normally the US dollar.

Consumer Price Index (CPI)

A measuring the average price of consumer goods and services purchased by U.S. households. It is one of several price indices calculated by national statistical agencies. The percent change in the CPI is a measure of inflation. The CPI can be used to index (i.e., adjust for the effects of inflation) wages, salaries, pensions, or regulated or contracted prices.

Contango Market

A market situation in which prices are higher in the succeeding delivery months than in the nearest delivery month. Opposite of backwardation.

Contingency (Or Contingent) Order

An order which becomes effective only upon the fulfillment of some condition in the marketplace.

Contract

Depending on the context in which it is used, a term of reference describing either a unit of trading in a particular futures, options, or cleared product or a product approved and designated for trading or clearing pursuant to the rules of an exchange.

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. 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.

Contract Month/Year

The month and year in which a given contract is delivered in accordance with the Rules (for physically delivered contracts) or the month and year in which a given contract is finally settled in accordance with the Rules (for cash settled contracts). Synonymous with DELIVERY MONTH/YEAR.

Contract Size

The actual amount of a commodity represented in a futures or options contract as specified in the contract specifications.

Control Area

A large geographic area within which a utility (or group of utilities) regulates electric power generation in order to maintain scheduled interchanges of power with other control areas and to maintain the required system frequency.

Controlled Account

Any account for which trading is directed by someone other than the owner. Also called a managed account or a discretionary account.

Convergence

A term referring to cash and futures prices tending to come together (i.e., the basis approaches zero) as the futures contract nears expiration.

Cooling Degree Day (CDD)

A day in which the average daily temperature is more than 65 degrees fahrenheit, and therefore likely to be a day in which people turn on their air conditioning. A cooling degree day is assigned a value that represents the number of degrees that day's average temperature exceeds 65 degrees.

For example, if a day's average temperature is 85 degrees, the CDD value for that day would be 20 (85 - 65). If the average temperature is less than or equal to 65 degrees, the cdd value for the day would be zero. (the day would not be sufficiently warm enough to require air conditioning.)

Cost Of 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. Also referred to as carrying charge.

Cover

To offset a short futures or options position.

Covered Call

Position where a call option is sold in concert with a long position in the futures contract.

Credit Derivative

A credit derivative is a contractual agreement designed to shift credit risk between parties. Originally used primarily by banks to hedge and diversify the credit risk of their customers in the event they could not pay back their loans. In most basic terms, a credit default swap is similar to an insurance contract, providing the buyer, usually a debt holder, with protection against the borrower not repaying the debt.

Credit Spread

An option spread in which there is a net collection of premium.

Cross Hedging

Hedging a cash commodity using a different but related futures contract when there is no futures contract for the cash commodity being hedged and the cash and futures markets follow similar price trends (e.g., using soybean meal futures to hedge fish meal).

Cross Margining

The process of allowing for a reduction in performance bond (margin) requirements. This reduction is possible because risk is reduced when offsetting positions are cleared by the same or affiliated clearing members.

Cross Rate

The exchange rate between two currencies, in which the home country's currency is not included. In the U.S., the Euro/Yen rate would be considered a cross rate, while in Europe or Japan it would be considered a primary pair.

Crude Oil

A mixture of hydrocarbons that exists as a liquid in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude is the raw material which is refined into gasoline, heating oil, jet fuel, propane, petrochemicals, and other products.

Crush Spread

In the soybean futures market, the simultaneous purchase of soybean futures and the sale of soybean meal and soybean oil futures to establish a processing margin.

Current Delivery Month

The futures contract which matures and becomes deliverable during the present month or the month closest to delivery. Also called the spot month.

Current Yield

A term used frequently in bond transactions. Current yield is computed by dividing the annual amount of interest by the price paid for the bond or security. If the security is purchased at a discount from the par or principal value, the current yield with be higher than the stated interest or coupon rate.

Daily Trading Limits

The maximum price range permitted a contract during one trading session. Trading limits are set by the exchange for certain contracts.

D

Day

An order that will be canceled if not filled by the conclusion of the Globex trade date for which it was entered.

Day Order

An order to buy or sell a contract during that trading day only. Session/Day orders that have been placed but not executed during regular trading hours (RTH) do not carry over to the next trade date. Similarly, Session/Day orders placed during electronic trading hours (ETH) are only executed for that trade date

Day Trading

Establishing a position or multiple positions and then offsetting them within the same day, ending the day with no established position in the market.

Debit Spread

An option spread in which there is a net payout of premium.

Default

Failure to perform on a contract as required by exchange rules, such as the failure to meet settlement variation, a performance bond call, or to make or take delivery.

Delivery

The term has distinct meaning when used in connection with futures contracts. Delivery generally refers to the changing of ownership or control of a commodity under specific terms and procedures established by the exchange upon which the contract is traded.

Delivery Month/Year

The month and year in which a given contract is delivered in accordance with the Rules (for physically delivered contracts) or the month and year in which a given contract is finally settled in accordance with the Rules (for cash settled contracts). Synonymous with CONTRACT MONTH/YEAR.

Delta

The measure of the price-change relationship between an option and the underlying futures price. Equal to the change in premium divided by the change in futures price.

Demand

Demand quantity of a good that consumers are willing and able to purchase at various prices during a given period of time.

Derivative

A financial instrument whose value is based upon other financial instruments, such as a stock index, interest rates or commodity indexes.

Devaluation (Of Currency)

A government's reduction of the value of its currency, generally through an official announcement.

Deviation

A noticeable or marked departure from the norm, plan, standard, procedure, or variable being reviewed. Similar to variance.

Double Top, Bottom

A chart formation that signals a possible price trend reversal.

E

Electronic Trading

Computerized system for placing orders, bid and offer posting, and trade execution. The CME Globex platform is an example of an electronic trading system.

Ending Stocks

The amount of a storable commodity remaining at the end of a year.

Equity

(1) Instrument traded on the cash market representing a share in the capital of a company; (2) The net value of a commodity account as determined by combining the ledger balance with an unrealized gain or loss in open positions as marked to the market.

Equity Index

A measure of a group of stocks, also called equities, used to describe the market and analyze the return on specific stock investment.

European Central Bank

The European Monetary Union's central bank, which governs monetary policy for member countries.

Excess Margin

The dollar amount by which the equity exceeds the margin requirements in a performance bond account.

Exchange

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

Exchange Traded Funds

Shares Issued By Financial Institutions That Allow Participants To Trade Benchmark Indexes Like A Stock.

Execution

The completion of an order to buy or sell a futures contract.

Exercise

To invoke the right granted under the terms of an options contract to buy or sell the underlying futures contract. The option holder (long) is the one who exercises the option. Call holders exercise the right to buy the underlying future, while put holders exercise the right to sell the underlying future. The short option holder is assigned a position opposite to that of the option buyer. CME Clearing removes the option and creates the futures positions on the firms' books on the day of exercise.

Exercise Or Strike Price

The price at which the buyer of a call can purchase the commodity during the life of the option, and the price at which the buyer of a put can sell the commodity during the life of the option.

Exercise Price

The terms "exercise price", "strike price" and "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract will be assigned upon exercise of the option. For options contracts which are exercised into multiple futures contracts, the exercise price represents the spread price differential between the futures contracts.

Expiration

The last day of trading for a futures contract. The last day on which an option may be exercised and exchanged for the underlying contract.

Expiration Date

The term "expiration date" shall mean the last day on which an options contract may be exercised.

Extrinsic 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 value.

F

Fair Value (Futures)

Most frequently used in reference to a stock index futures contract price being in equilibrium to the underlying cash index. The equilibrium to the futures price would be the spot price after considering compounded interest (and dividends not received due to being long the futures contract rather than the physical stocks) over a period of time.

Federal Reserve System(Fed)

The central banking system of the United States. Created in 1913 by the enactment of the Federal Reserve Act, it is a quasi-public (part private, part government) banking system composed of (1) the presidentially-appointed Board of Governors of the Federal Reserve System in Washington, D.C.; (2) the Federal Open Market Committee; (3) 12 regional Federal Reserve Banks located in major cities throughout the nation acting as fiscal agents for the U.S. Treasury. The current Federal Reserve Chairman is Dr. Ben S. Bernanke.

Financial Futures

A future contract whose value is based upon financial instruments such as a stock index, interest rates or foreign currency exchange rates.

Financial Information Exchange (FIX) API

An Application Program Interface (API) utilizing the propocol developed for international real-time information exchange designed to allow firms and Independent Software Vendors (ISVs) to easily integrate their order entry and routing systems with CME. It is a software library of functions that enables a member's order management system to communicate with exchange order routing systems. Member firms can run the CME FIX API on their computers to electronically send orders to and receive fills from the CME Globex platform or from the firm's exchange floor operations.

Financial Instrument

A commodity based in financial instruments such as a stock index, interest rates or foreign currency exchange rates.

Financial Information Exchange (FIX)

An electronic communications protocol developed to provide a uniform method of exchanging real-time infomation specifically related to financial transactions.

Flat

Market slang to indicate that all open positions have been offset and an account has no exposure to market risk. The three common ways to describe a trader’s position in the market are long, short or flat.

Floor

Except as otherwise provided by the Exchange, the term "Floor" shall mean any trading floor on which Exchange contracts are listed for open outcry trading.

Floor Broker

An individual who executes orders on the Floor of the exchange for any other person and who is registered as a floor broker under the CEA.

Floor Trader

An exchange member who trades for his own account on the Floor of the Exchange and who is registered as a floor trader under the CEA.

Force Majeure

A standard clause which indemnifies either or both parties to a transaction whenever events which the Exchange declares to be reasonably beyond the contract.

Foreign Exchange Market (FX)

The exchange of one currency for another. Markets exist in over-the-counter, forward and FX Futures where buyers and sellers conduct foreign exchange transactions. CME® FX futures offer financial institutions, investment managers, corporations and private investors ways manage the risks associated with currency rate fluctuation and to take advantage of profit opportunities stemming from changes in currency rates.

Foreign Exchange Rate

The price of a country's currency when converted from another country's currency.

Forward Contract

A private, cash-market agreement between a buyer and seller for the future delivery of a commodity at an agreed price. In contrast to futures contracts, forward contracts are not standardized and not transferable.

Forward Points

A metric that can be employed to calculate forward exchange rates. , Forward Points express the premium or discount for the base currency in terms of the quote currency. Forward Points are a function of the spot exchange rate, interest rates, and time. Forward points are added to the spot rate to obtain the forward rate.

Free On Board (FOB)

A transaction in which the seller provides a commodity at an agreed unit price, at a specified loading point within a specified period; it is the responsibility of the buyer to arrange for transportation and insurance.

Fundamental Analysis

The study of supply and demand information to aid in anticipating futures price trends.

Futures

Standardized contracts for the purchase and sale of financial instruments or physical commodities for future delivery on a regulated commodity futures exchange.

Futures Commission Merchant (FCM)

An individual or organization which solicits or accepts orders to buy or sell futures or options on futures contracts and accepts money or other assets from customer in connection with such orders. An FCM must be registered with the National Futures Association (NFA).

Futures Industry Association (FIA)

Futures Industry Association. A national not-for-profit futures industry trade association that represents the brokerage community on industry, regulatory, political, and educational issues.

Futures-Equivalent

A term frequently used with reference to speculative position limits for options on futures contracts. The futures-equivalent of an options position is the number of options multiplied by the previous day's risk factor or delta for the options series. For example, 10 deep out-of-the money options with a risk factor of 0.20 would be considered two futures-equivalent contracts. The delta or risk factors used for this purpose is the same as that used in delta-based margining and risk analysis systems.

G

Gamma

The measure of the change in an option's delta given a change in the futures price. Equal to the change in delta divided by the change in futures price.

Gap

A price area at which the market didn't trade from one day to the next. See breakaway gap, exhaustion gap, and runaway gap. >

Gap Theory

A type of technical analysis that studies gaps in prices.

Gigawatt (GW)

One billion Watts.

Give Up

An order to be given to another member firm in clearing system, an allocation. An order executed by clearing firm a and given to clearing firm b where it will be cleared and processed. Give-up order indicator of "GU" is populated in f-ex field.

Global Command Center (GCC)

CME Global Command Center, the exchange department that supports and maintains CME's electronic trading system.The CME® Global Command Center (GCC) can assist registered CME Globex contacts in canceling orders during emergency situations, when an order cannot be canceled through ordinary means

Globex

GLOBEX refers to CME Globex, an electronic trading platform.

Globex Order Types

The availability of specific Globex Order Types is dependent on the product, and not all Order Types are available for all products. Supported Order Types by Product are set forth in the Globex Reference Guide (http://www.cmegroup.com/globex/files/GlobexRefGd.pdf)

Globex Terminal Operator

Globex terminal operator refers to 1) any person who physically enters orders into Globex or 2) any automated trading system which enters orders into Globex, either directly or through an automated order routing system or independent software vendor. All Globex terminal operators must be identified to the Exchange in accordance with the provisions of Rule 576 (Identification of Globex Terminal Operators).

Globex Trading Hours

Those hours designated for trading particular contracts on GLOBEX.

Good Delivery

Approved metals brands acceptable for delivery against the metals contracts.

Good-Til-Canceled (GTC)

Also known as an open order a GTC order, in the absence of a specific limiting designation, will remain in force during RTH and ETH until executed, canceled or the contract expires.

Good-Till-Date (GTD)

GTD orders remain in force during RTH and ETH through the specified date unless executed or canceled.

Gross Domestic Product

One of the ways of measuring the size of the economy. GDP is defined as the total market value of all final goods and services produced within a country in a given period of time (usually a calendar year).

Gross Margining

A method by which a clearing firm's customer margins are based on the firm's positions and applicable submitted spreads. For example, if a firm had only two accounts for two customers in its customer origin and one of those accounts had three open long positions and the other had two open short positions, the firm's margin would be based on five open positions if the firm did not submit spreads (rather than one net long position).

Gross Position

The sum of a clearing firm's current open positions in a given contract.

Gross Processing Margin

Refers to the difference between the cost of a commodity and the combined sales income of the finished products which result from processing the commodity. Various industries have formulas to express the relationship of raw material costs to sales income from finished products. One example would be the difference between the cost of soybeans and the combined sales income of the processed soybean oil and meal.

Guaranty Fund Deposit

The amount required to be deposited with the clearing house by the clearing member as a guaranty of its obligations to the clearing house.

H

Hallmark (Precious Metals)

A stamped impression on the surface of a precious metals bar that indicates the producer, serial number, weight, and purity of metal content.

Head And Shoulders

A sideways price formation at the top or bottom of the market that may indicate a major market reversal.

Heating Oil

No. 2 fuel oil, a distillate fuel oil used either for domestic heating or in moderate capacity commercial-industrial burners.

Heavy Crude

Crude oil with a high specific gravity and a low api gravity due to the presence of a high proportion of heavy hydrocarbon fractions.

Hedge

The purchase or sale of a futures contract as a temporary substitute for a cash market transaction to be made at a later date. Usually involves simultaneous, opposite positions in the cash market and futures market.

Hedge Ratio

1) Ratio of the value of futures contracts purchased or sold to the value of the cash commodity being hedged, a computation necessary to minimize basis risk. 2) The ratio, determined by an option's delta, of futures to options required to establish a riskless position. For example, if a $1/barrel change in the underlying Oil futures price leads to a $0.25/barrel change in the options premium, the hedge ratio is four (four options for each futures contract).

Hedger

An individual or firm who uses the futures market to offset price risk when intending to sell or buy the actual commodity. See pure hedger, selective hedger.

Hedging Line Of Credit

Financing received from a lender for the purpose of hedging the sale and purchase of commodities.

Hidden Quantity

Order qualifier: indicates that the total quantity will not be displayed to the market, but only per increments as indicated. Difference between order quantity and displayed quantity is hidden.

High

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

Historical Volatility

The volatility of a financial instrument based on historical returns. This phrase is used particularly when it is wished to distinguish between the actual volatility of an instrument in the past, and the current volatility implied by the market.

One who purchases an option (also called the 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.

House

(1) A designation that refers to proprietary, non-segregated clearing member firm trading activity; (2) A clearing member or a firm.

House Account

Clearing firm's proprietary, non segregated trading account.

I

Implied Volatility

The volatility implied by the market price of the option based on an option pricing model. In other words, it is the volatility that, given a particular pricing model, yields a theoretical value for the option equal to the current market price.

In-the-Money

A call option with a strike price lower (or a put option with a strike price higher) than the current market value of the underlying futures commodity. Therefore someone who exercised their option on a future would receive a futures position that was already “in the money”.

Independent Power Producer (IPP)

A non-utility power generating company that is not a qualifying facility (see qualifying facility).

Index

An indicator that is representative of a whole market or market segment, usually computed by a sum product of a list of instruments' current prices and a list of weights assigned to these instruments. The index variations give trends of the market/market segment measured.

Indicative Opening Price (IOP)

CME indicative opening price. Calculated in real-time during pre-opening phase, each time an order is entered / modified / cancelled. Maximizes the quantities to be traded while minimizing the non-executed quantities.

Indirect Quote

Price of the domestic currency in terms of the foreign currency.

Indirect Rate Parity

Forward premium (or discount) that is dependent on the interest rate differential between two currencies

Inflation

An economic term describing conditions in which overall prices for goods and services are rising.

Initial Margin

See initial performance bond.

Initial Performance Bond

The minimum deposit a clearing firm must require from customers for each contract, when an account is new or when the account's equity falls below minimum maintenance requirements required by the Exchange.

Institutional Trader

A person or entity employed to trade on behalf of entities, including institutions, investment banks, pension funds, hedge funds and mutual funds.

Instrument

A product traded at CME, i.e., the CME S&P 500 Index futures contract.

Interbank Rates

The price that major banks quote each other for currency transactions.

Intercommodity Spread (Intermarket)

A spread in which the long and short legs are in two different but generally related commodity markets. Also called an Intermarket Spread. See spread trade.

Interdelivery Spread

A spread trade involving the simultaneous purchase of one delivery month of a given commodity futures contract and the sale of another delivery month of the same contract on the same exchange. See spread trade.

In-The-Money

A call option with a strike price lower (or a put option with a strike price higher) than the current market value of the underlying futures commodity. Therefore someone who exercised their option on a future would receive a futures position that was already "in the money".

Intracommodity Spread (Intramarket)

A spread involving two different months of the same commodity. Also called an Interdelivery Spread.

Intrinsic Value

The relationship of an option's in-the-money strike price to the current futures price. For a put: strike price minus futures price. For a call: futures price minus strike price.

Introducing Broker (IB)

A firm or individual that solicits and accepts orders to buy or sell futures or options on futures contracts from customers but does not accept money or other assets from such customers. An IB must be registered with the National Futures Association (NFA).

Inverted Market

A futures market in which the relationship between two delivery months of the same commodity is abnormal.

Invisible Supply

Uncounted stocks of a commodity in the hands of wholesalers, manufacturers, and producers that cannot be identified accurately; stocks outside commercial channels but theoretically available to the market.

In-Well Transfer

An inventory transfer of propane held in underground caverns or storage.

J

Joule

A metric unit of energy.

K

Key Reversal

A chart formation that signals a reversal of the current trend. In an uptrend, the market must open above the previous day's close, make a new high for the trend and then close below the previous day's low. In a downtrend, the market must open below the previous day's close, make a new low for the trend and then close higher than the previous day's high. Key reversals on days of high volume are given more weight than others.

Kilowatt (KW)

One thousand Watts.

Kilowatt Hour (KWH)

Amount of electricity needed to light ten 100-watt light bulbs for a one-hour period. One thousand Watts used for one hour.

L

Lagging Indicators

Market indicators showing the general direction of the economy and confirming or denying the trend rather than predicting its direction as implied by the leading indicators. Also referred to as concurrent indicators.

Last Intent Day

The final day on which notices of intent to deliver on futures contracts may be presented to the Clearing House.

Last Inventory Day

The final day in which long firms need to report their long position via the CME Clearing deliveries system.

Last Notice Day

The final day on which notices of intent to deliver on futures contracts may be issued.

Last Trading Day

The day on which trading ceases in futures contract for a particular contract month.

Lead Month

The most current contract month in which delivery may take place in physically delivered contracts or in which cash settlement may take place in cash-settled contracts.

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.

Leg

Each component transaction of a spread or swap.

leverage

To increase the potential return on an investment through the use of futures contracts (or other financial instruments).

Light Crude

Crude oil with a low specific gravity and high api gravity due to the presence of a high proportion of light hydrocarbon fractions.

Light Ends

The more volatile products of petroleum refining, such as butane, propane, and ethane.

Limit Move

A contract's maximum price advance or decline from the previous day's settlement price permitted in one trading session, as determined by the exchange. See Price Limit.

Limit Order (LMT)

A Limit order allows the buyer to define the maximum price to pay and the seller the minimum price to accept (the limit price). A Limit order remains on the book until the order is either executed, canceled or expires. Any portion of the order that can be matched is immediately executed.

Liquefied Natural Gas (LNG)

Natural gas which has been made liquid by reducing its temperature to minus 258 degrees Fahrenheit at atmospheric pressure. Its volume is 1/600 of gas in vapor form.

Liquefied Petroleum Gas (LPG)

Propane, butane, or propane-butane mixtures derived from crude oil refining or natural gas fractionation. For convenience of transportation, these gases are liquefied through pressurization.

Liquid

A characteristic of a security or commodity market with enough units outstanding to allow large transactions without a substantial change in price. Institutional investors are inclined to seek out liquid investments so that their trading activity will not influence the market price.

Liquidate

To offset an existing position.

liquidity

The ability to buy or sell orders of any size quickly and efficiently without a substantial impact on market price.

Livestock Cycle

A long, repeating pattern of increasing and decreasing livestock supply and prices.

Local Distribution Company (LDC)

Company that distributes natural gas primarily to end-users. A gas utility.

Locals

Exchange members who trade for their own accounts and/or fill orders for customers.

Long

One who has bought futures or options contracts to create an open position or owns a cash commodity. Opposite of Short.

Long Cash

To own the physical commodity.

Long Hedge

The purchase of a futures contract in anticipation of an actual purchase in the cash commodity market. Used by processors or exporters as protection against an advance in the cash price. See hedge.

Long Position

A market position in which the trader has bought a futures contract or options on futures contract that does not offset a previously established short position.

Long The Basis

Position where a hedger is long the cash market and short in the futures market.

Lot

A unit of trading (used to describe a designated number of contracts). For example, a trade quantity of one equals a "one lot;" a trade quantity of four equals a "four lot." Also called cars.

Low

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

M

Macroeconomic

The field of economics focused on movements and trends in the economy as a whole. Its central concepts include the laws of supply and demand.

Maintenance Margin

See maintenance performance bond.

Maintenance Performance Bond

The minimum equity that must be maintained for each contract in a customer's account subsequent to deposit of the initial performance bond. If the equity drops below this level, a deposit must be made to bring the account back to the initial performance bond level.

Major (Energy)

A term broadly applied to those multinational oil companies which by virtue of size, age, or degree of integration are among the preeminent companies in the international petroleum industry.

Margin

See Performance Bond.

Margin Call

See Performance Bond Call.

Market (Mkt) Order

An order with instructions to be executed upon receipt by a floor broker at the best available price.

Market If Touched (MIT) Order

A sell (buy) order placed above (below) the market which becomes a market order when the designated price is touched.

Market Maker

A firm or person with trading privileges on an exchange who has an obligation to buy when there is an excess of sell orders and to sell when there is an excess of buy orders. In the futures industry, this term is sometimes loosely used to refer to a floor trader or local who, in speculating for his own account, provides a market for commercial users of the market.

Market On Close (MOC) Order

An order to be executed as a market order only in the closing range.

Market On Open (MOO)

A market order entered before an opening, to be executed immediately upon the open of the trading session.

Market Order (MKT)

An order placed at any time during the trading session to immediately execute the entire order at the best available offer price (for buy orders) or bid price (for sell orders).

Market Participant

Any person, entity or organization who hedges and/or speculates through a futures exchange.

Market Profile

Market Profile is an analytical tool that organizes price and time information to reveal trends and patterns as they develop. Its ability to identify areas where price is being accepted and where price is being rejected allowing traders of any market to adjust their trading accordingly.

Market-If-Touched (MIT)

An order that automatically becomes a market order if the price is reached. An MIT order to buy becomes a limit order if and when the instrument trades at a specific or lower trigger price; an MIT order to sell becomes a limit order if and when the instrument trades at a specified or higher trigger price.

Market-On-Close (MOC)

An order submitted at any time within a trading session, but only executed on the close.

Market Segment

A part of a market that relates to a place, an exchange authority, a type of security (equity / bond / option / future), and a list of securities with a given set of trading methods

Market Order With Protection

Electronic market orders at cme group are implemented using a “market with protection” approach. Unlike a conventional market order, where customers are at risk of having their orders filled at extreme prices, market with protection orders are filled within a predefined range of prices (the protected range). The protected range is typically the current best bid or offer, plus or minus 50 percent of the product’s no bust range. If the entire order cannot be filled within the protected range, the unfilled quantity remains on the book as a limit order at the limit of the protected range.

Mark-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.

Matched Trade

The execution of the buy and sell orders that together consummate a trade; consists of one or more contracts and occurs when the same price is specified by buy and sells orders, for a specified number of contracts.

Maturity

Period within which a futures contract can be settled by delivery of the actual commodity; the period between the first notice day and the last trading day of a commodity futures contract.

Maximum Price Fluctuation

The maximum amount the contract price can change up or down during one trading session, as stipulated by exchange rules. Consult CME Clearing contract specifications for specific price limit information.

Megawatt (MW)

One million Watts.

Member

An individual owning or holding a membership in the Exchange.

Member Firm

An entity to which membership privileges on the Exchange have been conferred.

Member Performance Bond

The minimum equity that must be maintained for each contract in a member's account subsequent to deposit of the initial margin. Also see member rate.

Minimum Price Fluctuation

The smallest increment of price movement possible in trading a given contract often referred to as a tick. The minimum unit by which the price of a commodity can fluctuate, as established by the Exchange.

Minimum Quantity Order

An order which is executed only if a certain minimum quantity of that order can be immediately matched.

Moving Average Chart

A chart recording moving averages (three-day, ten-day, etc.) of market prices.

Moving Averages

A statistical price analysis method of recognizing different price trends. A moving average is calculated by adding the prices for a predetermined number of days and then dividing by the number of days.

N

Naked Futures Position

An open futures position that is not covered by an offsetting futures position or by an options contract against which it can be spread.

National Futures Association (NFA)

The National Futures Association. NFA is an independent self-regulatory organization for the U.S. futures industry with no ties to any specific marketplace.

National Introducing Brokers Association

Established in 1991—the National Introducing Brokers Association is one of the foremost, nationally recognized organizations representing professionals in the futures and options industry.

Natural Gas

A naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in porous rock formations. Its principal component is methane.

Nearby

The nearest active trading month of a futures or options on futures contract. Also referred to as the lead month.

Near-The-Money

The relationship between an option's strike price and the value of the underlying instrument, where the strike price is near the underlying instrument's current market price.

Negative Yield Curve

A chart in which the yield level is plot on the vertical axis and the term to maturity of debt instruments of similar creditworthiness is plotted on the horizontal axis. The yield curve is positive when long-term rates are higher than short-term rates. However, the yield curve is referred to as negative or inverted as short term rates begin to rise above longer term ones.

Net Change

The amount of increase or decrease from the previous trading period's settlement price.

Net Margining

A method by which a clearing firm's margins are based on the net position, e.g. the remaining position after netting long positions in a contract against the short positions in the customer origin. For example, if a firm had only two accounts for two customers in its customer segregated origin and one of those accounts had three open long positions and the other had two open short positions, the firm's margin would be based on the one net long position.

Net Position

The difference between an individual or firm's open long contracts and open short contracts in any one commodity.

Nominal Price

The declared price for a futures month sometimes used in place of a closing price when no recent trading has taken place in that particular delivery month; usually an average of the bid and asked prices.

Non-Member

Any person who is not a member of the exchange

Non-Member Firm

An entity to which membership privileges on the exchange have not been conferred.

Not Held

A discretionary note on an order telling the floor broker that he or she won't be held accountable if the trade is executed outside the requirements of the order.

Notice Day

The day the buyer with the oldest long position is matched with the seller's intent and both parties are notified of delivery obligations.

Notional Value

The underlying value (face value), normally expressed in U.S. dollars, of the financial instrument or commodity specified in a futures or options on futures contract.

O

Offer (Ask Or Sell)

An offer to sell a specific quantity of a commodity at a stated price. (Opposite of a bid.)

Off-Peak (Energy)

The load for the remaining hours that are not on-peak (See on-peak).

Offset

To remove an open position from an account by establishing a position equal to or opposite the existing position, making or taking delivery, or exercising an option (i.e., selling if one has bought, or buying if one has sold.

Offsetting A Hedge

For a short hedger, to buy back futures and sell a commodity. For a long hedger, to sell back futures and buy a commodity. Also called lifting a hedge.

On-Peak (Energy)

Refers to hours of the business day when demand is at its peak. For example, the NYMEX division California-Oregon border and Palo Verde electricity futures contracts define the on-peak period from the hour ending 0700 to the hour ending 2200 (6 a.m. To 10 p.m.), prevailing time. In the physical market, on-peak definitions vary by North America electric reliability corporation region.

Open Interest

The total number of futures contracts long or short in a delivery month or market that has been entered into and not yet offset or fulfilled by delivery Also known as Open Contracts or Open Commitments. Each open transaction has a buyer and a seller, but for calculation of open interest, only one side of the contract is counted.

Open Market Operation

The buying and selling of government securities Treasury bills, notes, and bonds by the Federal Reserve.

Open Order

An order that remains good until filled, canceled, or eliminated. See Good-'till-canceled

Open Outcry

A method of public auction for making bids and offers in the trading pits of futures exchanges.

Open Position

A long or short position that has not been liquidated.

Opening

The period at the beginning of the trading session officially designated by the exchange during which all transactions are considered made "at the opening."

Opening Only Order

An order that is to be executed during the time period designated by the Exchange as the Regular Trading Hours session opening range time period. Any remaining unfilled quantity not executed during the time period designated as the opening range will be deemed cancelled.

Opening Price

The price at which the first transaction was completed.

Opening Range

The price range recorded during the period designated by the exchange as the official opening.

Or Better Order (OB)

Order qualifier that instructs a broker to fill an order at a specific price or better.

Order

A request by a trader to buy or sell a given futures instrument with specified conditions such as price, quantity, type of order.

Order To Pay

A payment guarantee provided by a buyer's (or in some cases, the seller's) paying bank to CME's agent bank to guarantee payment on a currency delivery transaction. Orders to Pay are due by 1:00 p.m. on the day following the last day of trading in currencies.

Outages

A planned outage is the shutdown of a generating unit, transmission line, or other facility for inspection and maintenance, in accordance with an advance schedule. A forced outage is the unplanned loss of service of a generating unit, transmission line, or other facility for purposes other than inspection and maintenance.

Out-Of-The-Money

A term used to describe an option that has no intrinsic value. A call option with a strike price higher (or a put with a strike price lower) than the current market value of the underlying futures commodity. Since it depends on current prices, an option can vary from in the money to out of the money with market price movements during the life of the options contract.

Over The Counter (OTC) Market

A market in which custom-tailored contracts such as stocks and foreign currencies are bought and sold between counterparties and are not exchange traded.

Overbought

A technical opinion of a market which has risen too high in relation to underlying fundamental factors.

Oversold

A technical opinion of a market which has fallen too low in relation to underlying fundamental factors.

Over The Counter (OTC) Derivative

Over-the-counter (OTC) derivatives are contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary. Products such as swaps, forward rate agreements, exotic options – and other exotic derivatives – are almost always traded in this way.

Over The Counter (OTC) Trade

Trades that take place outside of a formal futures exchange.

P

Paper Barrels

A term used to denote trade in non-physical oil (futures, forwards, swaps, etc.) Markets which give a buyer or seller the right to a certain quantity and quality of crude oil or refined products at a future date, but not to any specific physical lot.

Par Grade

The grade or grades specified in a given futures contract for delivery. A contract may permit substitutions for and deviations from the par grade subject to specified premiums or discounts. Also know as basis grade.

Performance Bond

The minimum amount of funds that must be deposited as a performance bond by a customer with his broker, by a broker with a clearing member or by a clearing member with the Clearing House. This is one of the financial safeguards that help to ensure that clearing members (usually companies or corporations) perform on their customers' open futures and options contracts.

Performance Bond Call

A request from a brokerage firm to a customer to bring performance bond deposits up to minimum levels or a request by CME Clearing to a clearing firm to bring clearing performance bonds back to levels required by the Exchange Rules. Most exchanges refer to this as a "margin call."

Physical Commodity

A tangible commodity—such as corn, oil, gold or beef—upon which futures prices are set.

Pin Risk

Typically at expiration, the risk to a trader who has sold an option that has a strike price identical to, or pinned to, the underlying futures price. In this case, the trader will not know whether he will be required to assume his options obligations.

Pit

The area on the trading floor of where trading in a specific futures or options contracts is conducted by open outcry.

Point And Figure Chart

A graph of prices charted where Xs denote price increases and Os represent price decreases. A method used by technical analyst to help anticipate price movement.

Position

An obligation to perform in the futures or options market. A long position is an obligation to buy at a specified date in the future. A short position is an obligation to sell at a specified date in the future. However a vast majority of all open positions are simply offset prior to expiration. See also call option and put option.

Position Adjustment

The position adjustment may increase or decrease a position in a given contract and origin by equal quantities long and short to correct discrepancies in position reporting. The adjustment is made to reconcile out of balance trade conditions between clearing records and transaction records.

Position Limit

The maximum number of speculative futures contracts one can hold as determined by the Commodity Futures Trading Commission and/or the exchange upon which the contract is traded. Also referred to as trading limits.

Position Trader

A trader who takes a position in anticipation of a longer term trend in the market. Unlike a day trader a position trader hopes to maintain the position over a longer period of time.

Posted Price (Energy)

The price some refiners will pay for crude of a certain API gravity from a particular field or area.

Premium

(1) The price paid by the purchaser of an option to the grantor (seller);(2) The amount by which a cash commodity price trades over a futures price or another cash commodity price.

Price Discovery

The process of determining the price for a commodity or financial instrument based on the supply and demand for it in the underlying market.

Price Gap

A chart pattern of the price movement of a commodity when the low price of one bar on a Bar Chart is higher than the high of the preceding bar (or inversely, the high is lower than the low of the preceding bar); depicting a price or price range where no trades take place. The price patterns are used by technical analysts to try to recognize changes in a price trend.

Price Limit

The maximum daily price fluctuations on a futures contract during any one session, as determined by the Exchange. (Also known as limit).

Price Transparency

Market prices that are universally available in real time, where all market participants have equal access to the same markets and prices at the same time. This facilitates a fair and anonymous trading environment where the best bid and best offer have priority. A level playing field.

Primary Dealer

A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria. Among the criteria are capital requirements and meaningful participation in the Treasury auctions.

Primary Market

(1) For producers, their major purchaser of commodities; (2) in commercial marketing channels, an important center at which spot commodities are concentrated for shipment to terminal markets; and (3) to processors, the market that is the major supplier of their commodity needs.

Primary Stocks (Energy)

Stocks of crude oil or refined products held in storage at leases, refineries, natural gas processing plants, pipelines, tankfarms, and bulk terminals that can store at least 50,000 barrels of refined products.

Prime Rate

Interest rate charged by institutional banks to their larger most creditworthy customers.

Producer Price Index (PPI)

A measure of the average change in prices received by domestic producers for their output. Most of the data is collected through a systematic sampling of producers in manufacturing, mining, and service industries, and is published monthly by the bureau of labor statistics.

Purchase And Sales (P&S) Statement

A statement issued by an FCM to a customer when his or her futures or options position has changed, showing the number of contracts involved, the prices at which the contracts were bought or sold, the gross profit or loss, the commission charges, and the net profit or loss on the transactions.

Purchase Date

The date on which a long position, used to assign agricultural deliveries, is established on a clearing firm's books.

Pure Hedger

A person who places a hedge to lock in a price for a commodity. He or she offsets the hedge and transacts in the cash market simultaneously.

Put Option

A contract that provides the purchaser the right (but not the obligation) to sell a futures contract at an agreed price (the strike price) at any time during the life of the option. A put option is purchased in the expectation of a decline in price.

Q

Quantity

Number of units or lots of a futures contract. Sometimes also called size.

Quote

(1) The actual price, bid, or asked price of either cash commodities or futures contracts; (2) An indication of current bids and offers in the market on a particular instrument or spread.

Quote Currency

Currency Being Used To Pay For The Transaction.

R

Rally

A market reaction resulting in an upward movement of prices. The opposite of a decline.

Range

The difference between the highest and lowest prices recorded during a given time period, trend, or trading session.

Ratio Spread

This strategy, which applies to both puts and calls, involves buying or selling options at one strike price in greater number than those bought or sold at another strike price.

Reference Price

The Price Of Future Contract Used As "Reference" E.G., For Determining An Opening Price, Starting An Algorithm, Or Figuring Into An Index; Is Usually The Settlement Price Or Last Closing Price.

Reforming Process

The use of heat and catalysts to effect the rearrangement of certain hydrocarbon molecules without altering their composition appreciably; for example, the conversion of low-octane naphthas or gasolines into high-octane number products.

Registered Representative

A person employed by, and soliciting business for, a commission house or futures commission merchant. See also associated person.

Regular Trading Hours (RTH)

Those hours designated for open outcry trading of the relevant product as determined from time to time.

Reporting Levels

Sizes of positions set by the exchanges and/or the CFTC at or above which commodity traders or brokers who carry these accounts must make daily reports about the size of the position by commodity, by delivery month, and whether the position is controlled by a commercial or non-commercial trader.

Repurchase Agreement Or Repo

An agreement between a seller and a buyer, usually in U.S. government securities, in which the seller agrees to buy back the security at a later date.

Request For Quote (RFQ)

An electronic message disseminated on Globex for the purpose of soliciting bids or offers for specific contract(s) or combinations of contracts.

Reserve Requirements

The minimum amount of cash and liquid assets as a percentage of demand deposits and time deposits that member banks of the Federal Reserve are required to maintain.

Resistance Line

The place on a chart where the selling of futures contracts is sufficient to halt a rise in prices.

Resting Order

An order away from the market, waiting to be executed.

Retender

An act that an assigned long may perform to avoid obligation to receive delivery of live cattle. To avoid obligation, the assigned long must establish a short position on the business day following assignment and pay a retender fee.

Retracement

A price move in the opposite direction of a recent trend.

Reverse Crush Spread

The sale of soybean futures and the simultaneous purchase of soybean oil and meal futures.

Risk

(1) The possibility of losing some or all profits or investment return due to external market factors. (2) The dollar difference between the current price and the price at which the liquidation of open positions would occur. (3) The portion of the performance bond requirement associated with the likely worst case change in value from one day to the next.

Risk Management

Identifying, analyzing and either mitigating or absorbing the price risk in investing or business planning.

Rollover

As pertaining to an existing futures position, exiting your current delivery month and entering the next expiring month. For example, if long a December contract, offsetting that position (by selling) and entering a postion in the next expiration (by buying).

Round-Turn

A completed transaction involving both a purchase and a liquidating sale, or a sale followed by a covering purchase. A round turn counts both the buy and the sell as one event. In a typical exchange volume measurement, a one-contract trade would be counted as one round turn (i.e., single event, same trade, different customers). From the customer's perspective, a round turn represents two filled orders from his or her brokerage firm - one to take a position and one to offset that position (i.e., same customer, different trades).

Runaway Gap

A gap in prices after a trend has begun that signals the halfway point of a market move.

Runners

Messengers who rush orders received by phone clerks to brokers for execution in the pit.

S

Scalp

To trade for small gains. Scalping normally involves establishing and liquidating a position quickly, usually within secconds.

Scalper

A speculator on an exchange floor who trades in and out of the market on very small price fluctuations. The scalper, trading in this manner, provides market liquidity but seldom carries a position overnight.

Secondary Market

Market where previously issued securities are bought and sold.

Security Futures Products

Security Futures Products. Security futures products (SFP) are futures whose underlying instrument is either a single security or a narrow-based security index. SFPs are considered both a futures and securities contract and are regulated by both the SEC and the CFTC.

Segregation Type

The account which holds open position for customer (segregated), for the house (non-segregated), and for customer non-segregated origins.

self-regulatory organization (SRO)

Futures exchanges and regulatory entities that set rules and regulations and have internal functions that perform complex checks and balances to adhere to the principles they set.

Seller

A person who takes a short futures position or grants (sells) a commodity option. An option seller is also called a marker, grantor, or granter, or writer.

Seller's Market

A condition of the market in which there is a scarcity of goods available and hence sellers can obtain better conditions of sale or higher prices. Opposite of buyer's market.

Selling Climax

An extraordinarily high volume occurring suddenly in a downtrend, signaling the end of the trend.

Settlement

The delivery of cash or commodities in exchange for payment, as specified by the terms of the underlying contract.

Settlement Price

The official daily closing price of futures and options on futures contracts, as determined in accordance with Rule 813, used by the Clearing House for marking all open positions at the close of the daily settlement cycle.

Settlement Variation

The change in dollar amount calculated by the Clearing House for clearing members figured to the daily settlement price on the basis of their positions.

Short

An open futures or options position where you have been a net seller. The opposite of being long.

Short Hedge

The sale of a futures contract in anticipation of a later cash market sale. Used to eliminate or minimize the possible decline in value of ownership of an approximately equal amount of the cash financial instrument or physical commodity. See hedge.

Short The Basis

Position where a hedger is short the cash market and long the futures market.

Short-Term Interest Rates

Interest rates on loan contracts--or debt instruments such as Treasury bills, bank certificates of deposit, or commercial paper--having maturities of less than one year. Often called money market rates.

Side

Each buy and sell represents ½ of a trade. Every contract that trades has two sides - the buy side and the sell side. Taken together, these two sides equal one unit of volume known as a round turn.

Side-By-Side Trading

Where a single futures contract trades in two locations at the same time. Usually on a trading floor via open outcry as well as on an electronic trading platform.

Single-Stock Futures (SSF)

A single-stock future (SSF) is a type of futures contract between two parties to exchange a specified number of stocks in a company for a price agreed today (the futures price or the strike price) with delivery occurring at a specified future date, the delivery date.

Speculative Position Limit

The maximum position, either net long or net short, in one commodity futures or options, or in all futures or options of one commodity combined, which may be held or controlled by an entity without a hedge exemption as prescribed by an exchange or the Commodity Futures Trading Commission

Speculator

An individual who accepts market risk in an attempt to profit from buying and selling futures and/or options contracts by correctly anticipating future price movements.

Spot Market

The market in which cash transactions for the physical commodity occurs -- (cattle, currencies, stocks, etc.) are bought and sold for cash and delivered immediately.

Spot Month

The contract month of a futures contract which is also the current calendar month.

Spot Price

The price at which a physical commodity for immediate delivery is selling at a given time and place. The cash price.

Spread

The price difference between two contracts. Holding a long and a short position in two or more related futures or options on futures contracts, with the objective of profiting from a change in the price relationship.

Spread Order Or Combination Order

A combination of buy and/or sell orders for the same account, except as provided by Rule 527, at the market, at a fixed differential or by some other appropriate pricing convention. Also referred to as a combination order.

Standard Deviation

A representation of the risk associated with a financial instrument (stocks, bonds, etc.) or a portfolio of investments. The larger the standard deviation in a given period, the greater implied risk. Risk is an important factor in determining how to efficiently manage investments and understanding the standard deviation gives investors a statistical basis for their decisions.

Stock Index

A statistic reflecting the composite value of a selected group of stocks. How a particular stock index tracks the overall market depends on the sampling of stocks, the weighing of individual stocks, and the method of averaging used to establish the index. Many indexes are used to benchmark the performance of portfolios such as mutual funds.

Stop Close Only

A stop order that is executed only if the stop price is triggered during the closing range of the trading session.

Stop Limit Order

A stop order which becomes executable at its limit price or better, when and if the market: (1) in the case of a Buy Stop Limit order, trades at or above, or is bid at or above the Stop Price; or (2) in the case of a Sell Stop Limit order, trades at or below, or is offered at or below the Stop Price.

Stop Order

An order that becomes a market order when a particular price level is reached. A sell stop is placed below the market; a buy stop is placed above the market. Sometimes referred to as Stop Loss Order.

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Storage Gain

The selling price received after storage minus the previous harvest market price.

Strike Price

The terms "exercise price", "strike price" and "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract will be assigned upon exercise of the option. For options contracts which are exercised into multiple futures contracts, the exercise price represents the spread price differential between the futures contracts.

Supply

The quantity of a commodity that producers are willing to provide to the market at a given price.

Support

The place on a chart where the buying of futures contracts is sufficient to halt a price decline.

Swap (OTC)

A custom-tailored, individually negotiated transaction designed to manage financial risk, usually over a period of one to 12 years. Swaps can be conducted directly by two counterparties, or through a third party such as a bank or brokerage house. The writer of the swap, such as a bank or brokerage house, may elect to assume the risk itself, or manage its own market exposure on an exchange. Swap transactions include interest rate swaps, currency swaps, and price swaps for commodities, including energy and metals. In a typical commodity or price swap, parties exchange payments based on changes in the price of a commodity or a market index, while fixing the price they effectively pay for the physical commodity. The transaction enables each party to manage exposure to commodity prices or index values. Settlements are usually made in cash.

Synthetic Futures

A combination of a put and a call with the same strike price, in which both are bullish, called synthetic long futures. Also, a combination of a put and a call with the same strike price, in which both are bearish, called synthetic short futures.

Synthetic Spot

Futures price information that is consistent with spot market convention where positive or negative forward points are added to the futures price to produce an equivalent spot price.

T

Target Price

An expected selling or buying price. For long and short hedges with futures: futures price + expected basis. For puts: futures price - premium + expected basis. For calls: futures price + premium + expected basis.

Technical Analysis

An approach to forecasting commodity prices which examines patterns of price change, rates of change, and changes in volume of trading and open interest, without regard to underlying fundamental market factors.

Telestat

CME® TeleSTAT is an automated phone system that provides individual traders the ability to cancel and status CME Globex® orders. After entering a unique ID and PIN, users quickly navigate through the menu prompts to expedite their requests

Tender (Intent)

An intention to deliver, submitted to the clearing house against a futures contract.

Theoretical Value

An option's value generated by a mathematical model given certain prior assumptions about the term of the option, the characteristics of the underlying futures contract, and prevailing interest rates.

Throughput (Energy)

1) a term used to describe the total volume of raw materials that are processed by a plant such as an oil refinery in a given period. 2) the total volume of crude oil and refined products that are handled by a tank farm, pipeline, or terminal loading facility.

Tick

The minimum fluctuation in price allowed for a futures or options contract during a trading session as specified by a contract's terms.

Ticker

Summarized display of almost instantaneous information on instruments of an exchange. Provides information on performed trades by displaying the instrument and the last trade price in scrolling mode.

Time Decay

Decline in the theoretical value of an option position based solely on the passage of time.

Time Spread

The selling of a nearby option and buying of a more deferred option with the same strike price. Also known as a Calendar or Horizontal Spread.

Time Value

The amount by which an option's premium exceeds its intrinsic value. Usually relative to the time remaining before the option expires.

Trade Balance

The difference between a nation's imports and exports of merchandise.

Trading Limit

The maximum number of speculative futures contracts one can hold as determined by the Commodity Futures Trading Commission and/or the exchange upon which the contract is traded. Also referred to as 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. The level of the discount depends on the level of prevailing interest rates. In general, the higher short-term interest rates are, the greater the discount. The return to an investor in bills is simply the difference between the issue price and par value.

Treasury Bond

Government-debt security with a coupon and original maturity of more than 10 years. Interest is paid semiannually.

Treasury Note

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

U

Underlying

The stock, commodity, futures contract, or cash index against which a futures or options contract is valued.

Underlying Futures Contract

The futures contract that may be purchased (in the case of a call) or sold (in the case of a put upon the exercise of the option.

User Defined Spreads

The ability to choose the legs of a spread if the spread is not identified by CME already.

V

Variation

Payment made on a daily or intraday basis by a clearing member to the clearinghouse to cover losses created by adverse price movement in positions carried by the clearing member, calculated separately for customer and proprietary positions.

Vertical Spread

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

Virtual Private Network (VPN)

A private data network that makes use of the public telecommunication infrastructure, maintaining privacy through the use of a tunneling protocol and security procedures.

Viscosity

A method of measuring a given liquid's resistance to flow, usually decreasing with increasing temperatures. Material with higher viscosity is more resistant to flow.

Volatility

A measurement of the change in price over a given time period.

Volatility Quote

An alternative means of quoting options, or combinations involving options, by bidding or offering the implied volatility. Any transactions quoted in volatility terms will be translated into price terms for clearing purposes by means of a standard options pricing model maintained and disseminated by the exchange.

Volume

The number of contracts in futures or options on futures transacted during a specified period of time.

W

Warehouse Receipt

A document indicating a specific contract and location information of a commodity in storage; commonly used as the instrument of transfer of ownership in both cash and futures transactions.

Warrant (Metals)

A document of title issued by a warehouse or depository for a specific lot of stored metal that meets the specifications of the corresponding exchange metals futures contract. Metal that is "on warrant" is eligible for delivery against a short position on the exchange.

West Texas Intermediate (WTI)

A grade of crude oil deliverable against the New York Mercantile Exchange light, sweet crude oil contract. Nominally, the benchmark crude of the U.S. oil industry.

Writer

The issuer or seller of an option contract.

Y

Yard

Market slang for a billion.

Yield

1) A measure of the annual return on an investment expressed as a percentage. 2) The proportion of heavy or light products which can be derived from a given barrel of crude oil.

Yield Change

One day's change in the futures' interest rate - equal and opposite to change in the settlement price.

Yield Curve

A chart that graphically depicts the yields of different maturity bonds of the same credit quality and type. Yield is depicted on the vertical axis and maturity on the horizontal axis. A normal yield curve is upward sloping, with short-term rates lower than long-term rates. An inverted yield curve is downward sloping, with short-term rates higher than long-term rates. A flat yield curve occurs when short-term rates are the same as long-term rates.

Yield-To-Maturity

The rate of return an investor receives if a fixed-income security is held to maturity.

Z

Zero-Sum Game

Type of game when one player gains only at the expense of another player.