

Commodities Notes

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Contents

1	General/Derivatives	1
1.1	Futures	1
1.2	Swaps	1
1.3	Strategies	1
1.3.1	Calendar/Timespreads	1
1.3.2	Flys	1
1.3.3	Boxes	1
2	PnL calculation	1
2.1	Calculating PL change	1
2.2	Delta	1
2.3	Unit conversion	1
2.3.1	Volume unit conversion	1
2.3.2	price unit conversion	2
2.3.3	Unit conversion example	2
2.4	Combining positions	2
2.5	Alternative ways to calculate PL change	2

1 General/Derivatives

1.1 Futures

1.2 Swaps

1.3 Strategies

1.3.1 Calendar/Timespreads

1.3.2 Flys

1.3.3 Boxes

2 PnL calculation

2.1 Calculating PL change

2.2 Delta

In some sense a reflection of market exposure to a underlying instrument/index/reference price, expressed as a quantity.

2.3 Unit conversion

In general, we either want to convert the volume from one unit of measure to another unit of measure or to convert the price per x unit to price per y unit.

2.3.1 Volume unit conversion

Let x and y be different unit of measures for some arbitrary product and their conversion ratio is show below

$$x = \alpha y$$

In general if we want to convert V volume of y into its equivalent x volume, we can use the following method.

1. Express y in terms of x

$$\begin{aligned} x &= \alpha y \\ y &= \frac{x}{\alpha} \end{aligned}$$

2. Multiply the expression by volume V

$$V_y = \frac{Vx}{\alpha}$$

Example : Volume unit conversion example

Gasoil has the below conversion ratio

$$1mt = 7.45bbl$$

then to convert 50kb of gasoil into its mts equivalent would be.

$$\begin{aligned} 1bbl &= \frac{1}{7.45}mt \\ 50000bbl &= 50000 \times \frac{1}{7.45}mt \approx 6,711.4mt \end{aligned}$$

2.3.2 price unit conversion

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Example : Price unit conversion example

2.3.3 Unit conversion example

2.4 Combining positions

2.5 Alternative ways to calculate PL change