

Student Trading Group

Futures, Commodities, & Forex

February 22, 2024



Agenda

- Market update
- Open Discussion
- Strategies (Cont.)
- Introduction to Futures, Commodities, and Forex
- MW Investing Competition
- Q&A

Market Update

- NVDA once again beats expected earnings, shares rise ~15% and pull major tech up with it.
- S&P 500 +2.11%, NASDAQ +2.96%, DOW JONES +1.18%
- US Jobless Claims fell 201,000
- Capital one to take over discover credit card in an all-stock deal.
- Walmart announces acquisition of Vizio holding group.

Open Discussion

- Recent Trades?
- News?
- Predictions?
- Economic Data?
- Earnings?
- Etc.

Jordan's Trading Strategies

The ways I became skilled in my Financial Situations



We will go over 6 ways to use my strategy in the real world

- Fundamental Trading
- Betting on Odds
- Economic Strengths
- Influenced Trends
- Environmental Information
- Supply Chain Background

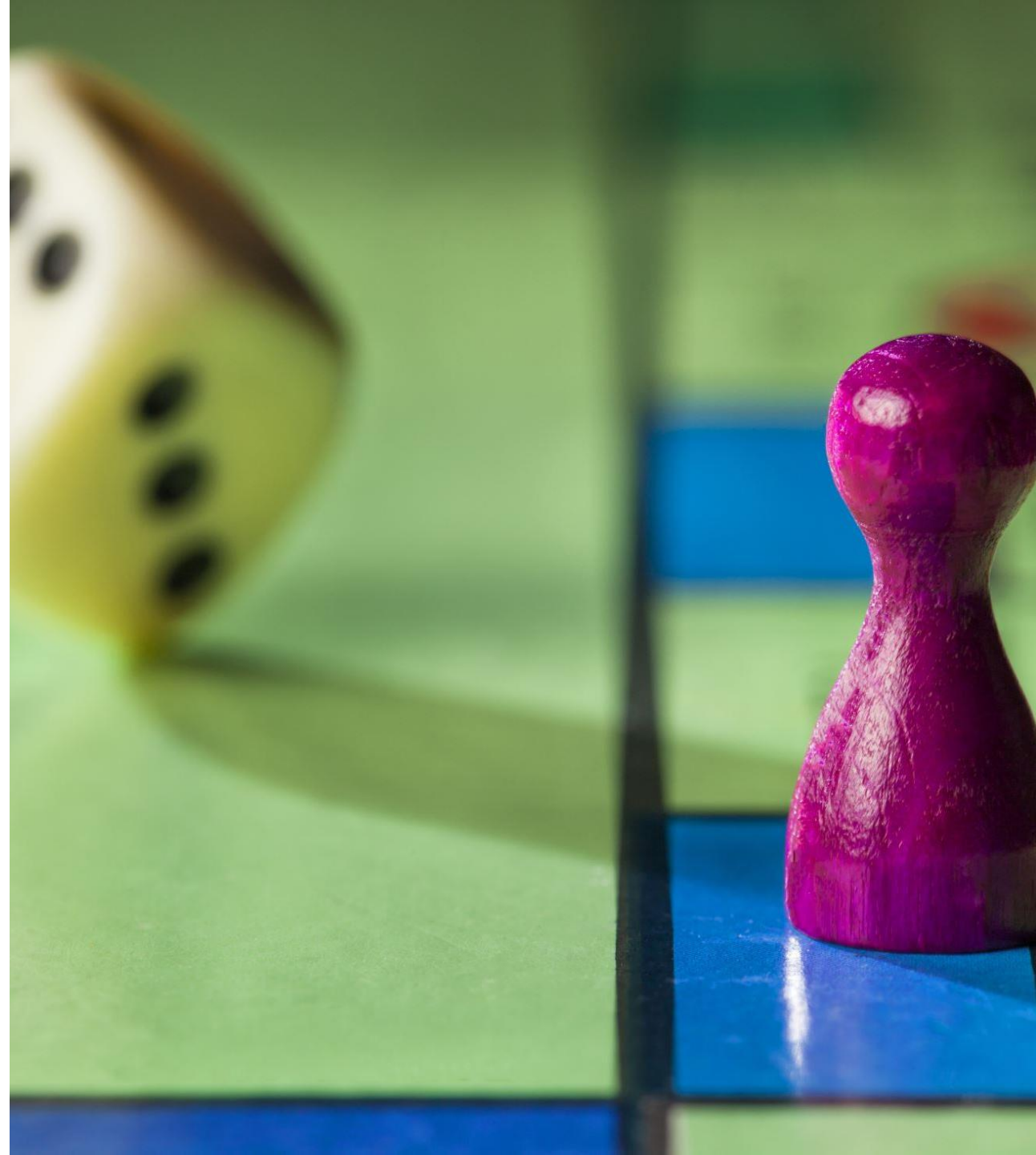
Fundamental Trading

- Investment trading styles
 - Cautious Trading (usually a fiduciary advisor or a fund)
 - Amazon(AMZN)
 - Aggressive trading (usually yourself)
 - Boeing (BA)

Betting on Odds

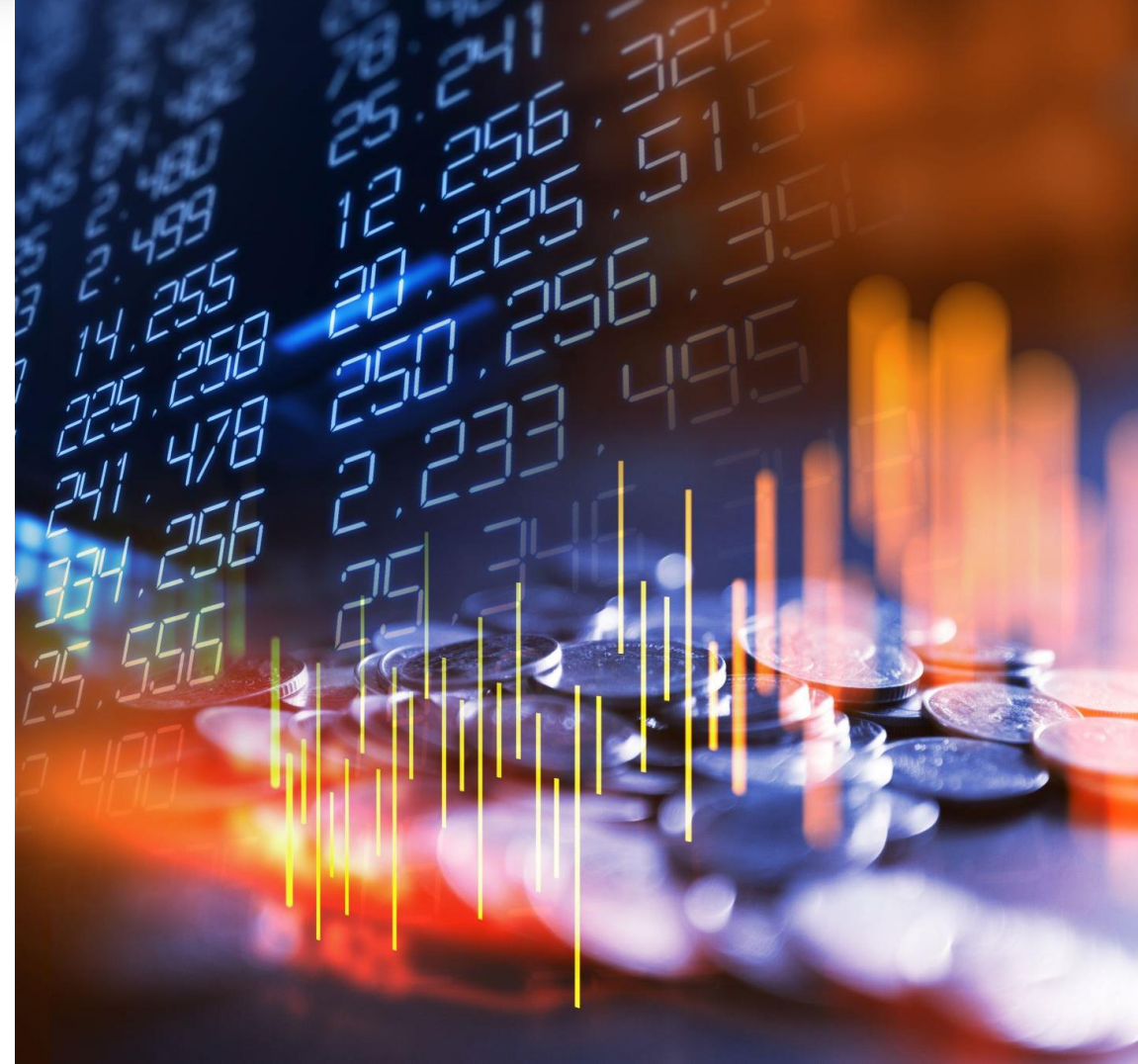
Intuition based on **Learning** and **Knowledge**

- Historical Trends
 - What has happened in the past?
- Like sports betting, Where you ask
 - Will it hit its **target**?
 - Will you Know your limits?
 - What are you comfortable with?



Economic Strengths

- Market Capitalization
 - How big is the company
 - How much is the company worth
- Market Sector
 - Energy vs. Retail
 - Energy is always needed
 - Retail depends on the desires of consumers
- What are you trading?
 - Exchange Traded Funds(ETFs) vs. Stocks vs. Materials
 - Examples
 - QQQ's
 - AMZN
 - Gold & Silver

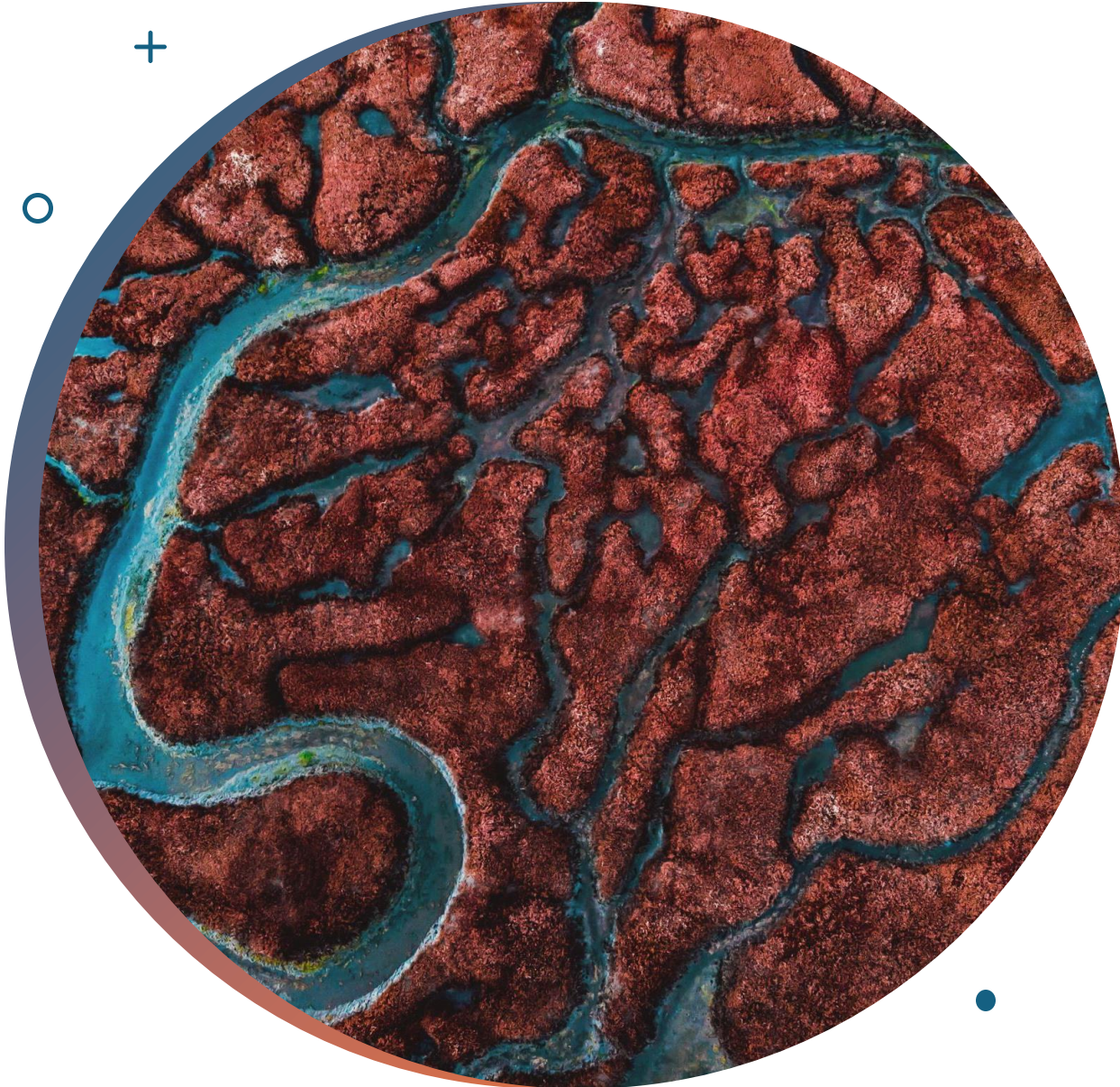




Influenced Trends

- Trend Reading
- Influencer advertising
- New Releases

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- Examples of those are
 - Nike
 - New Shoe Drops
 - Victor Wembanyama & Louis Vuitton
 - Celebrity Start-ups



Environmental Information

- Habitat & Economic Importance
 - Florida Homes vs. California homes
 - Location & Natural disasters
 - Africa vs. United States of America
 - Vast Environments vs. Deserts
- War
 - Ukraine vs. Russia
 - Israel vs. Palestine
 - China vs. Taiwan
 - United States of America vs. Taliban/Al Queda/Isis
 - World War II
 - (Boeing, Ford, Chrystler, General Motors, Banks)
 - All of these company saw major increases to Stock Market Value due to their necessity



Supply Chain Background

What **Materials** and things
are needed to make products

- Steel
- Copper
- Concrete
- Wood

To Review

6 Different styles and strategies used

- Fundamental Trading
 - The Basics
- Betting on Odds
 - Will it hit the target?
- Economic Strengths
 - Where, What, and Why?
- Influenced Trends
 - Influencers and New Releases
- Environmental Information
 - Habitat & War
- Supply Chain Background
 - Materials to make the world go



Terminology

- Options
- Support/Resistance
- Key Levels (physiological #'s)
- Indicators
- Price Action (PA)
- Short vs Long Position

Break Out's

- Break Outs are a movement within a stock price from a congested zone.
- Break outs occur due to high levels in volume and momentum.



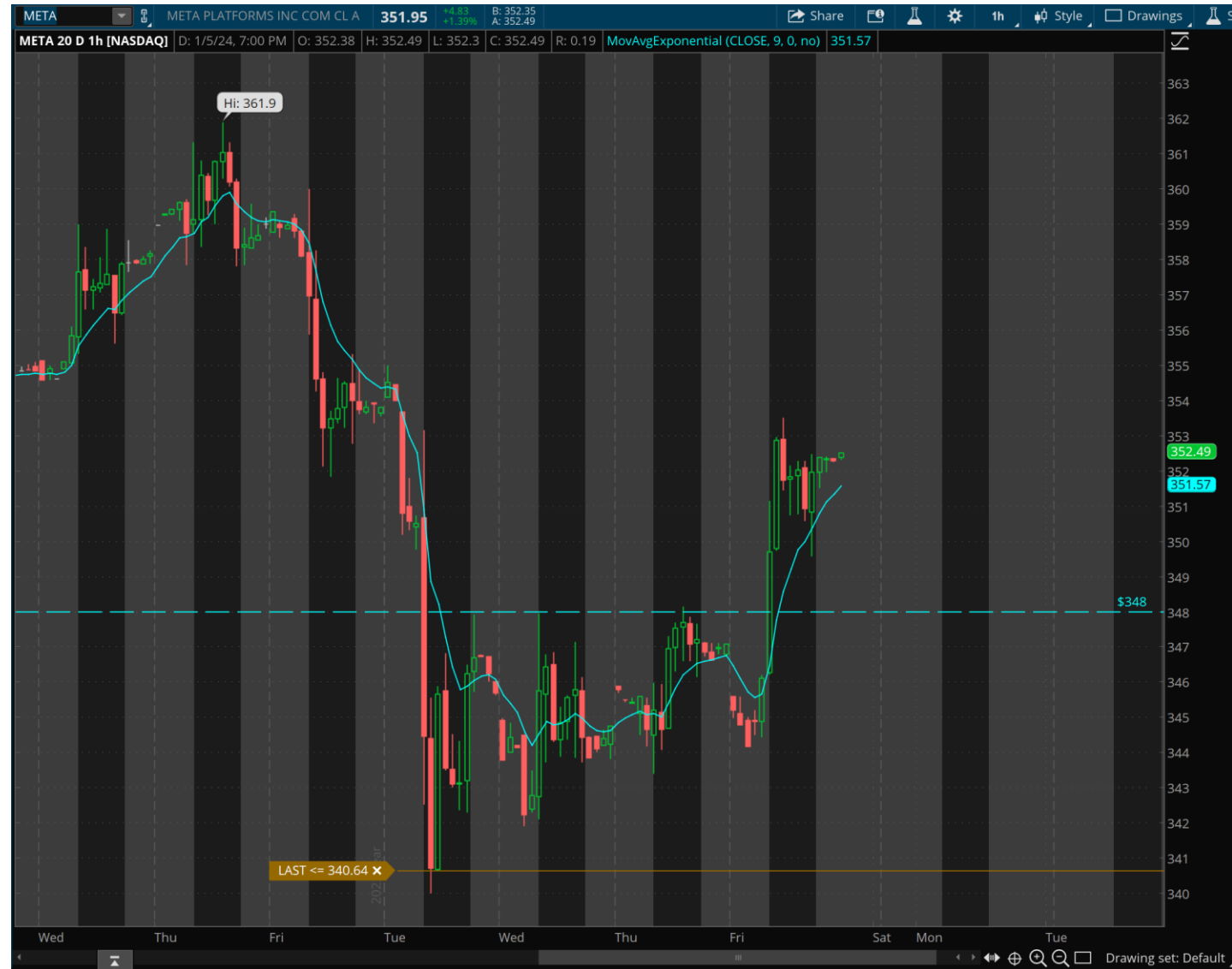
What I look for?

- Stocks with high liquidity
- Levels of support/resistance
- Build up of volume
- Increase in order flow



How to trade BE?

- Options CALL/PUT
- Shares for penny stocks
- Anticipation (IV pump!)
- Trade Plan



Indicators

Time & Sales

Price	Qty	Time	Exch
30.15	30	16:31:41	EDGX
30.16	100	16:31:41	NASD
30.15	1	16:31:40	FADF
30.15	40	16:31:32	ARCA
30.15	1	16:31:07	ARCA
30.16	800	16:29:59	FADF
30.15	1	16:29:50	FADF
30.15	5	16:29:25	FADF
30.15	10	16:29:21	ARCA
30.15	75	16:28:40	FADF
30.15	500	16:28:37	FADF
30.15	77	16:28:25	ARCA
30.15	15	16:28:17	ARCA
30.16	18	16:28:05	ARCA
30.15	12	16:28:05	EDGX
30.15	10	16:27:46	FADF
30.15	1	16:27:37	ARCA
30.15	1	16:27:37	FADF
30.15	7	16:27:30	FADF
30.08	1900	16:25:55	FADF
30.15	2	16:24:53	FADF

Level 2

CHX	27.820	38	ARCA	27.850	12
ARCA	27.820	2	ACB	27.850	12
ACB	27.820	2	NSDQ	27.860	33
NSDQ	27.820	0	NASD	27.860	33
NSDQ	27.810	3	ACB	27.860	10
NASD	27.810	3	NSDQ	27.870	10
ACB	27.800	21	NSDQ	27.880	20
NSDQ	27.800	5	ACB	27.890	20
EDGX	27.800	2	NSDQ	27.890	9
ACB	27.790	4	NSDQ	27.900	15
NSDQ	27.780	35	ACB	27.950	111
ACB	27.770	2	ACB	27.980	5
Montage	INET	ARCA	NYSE	IEX	

Why does this work?

- Limit orders being filled which ease creates gateway to big Break-Outs.
- There will always be an either stronger buyer or stronger seller in every minute of the market

Adapting!

- This strategy is always changing
- Must be able to understand PA as market trades
- Every stock will have different reactions to limit order liquidation

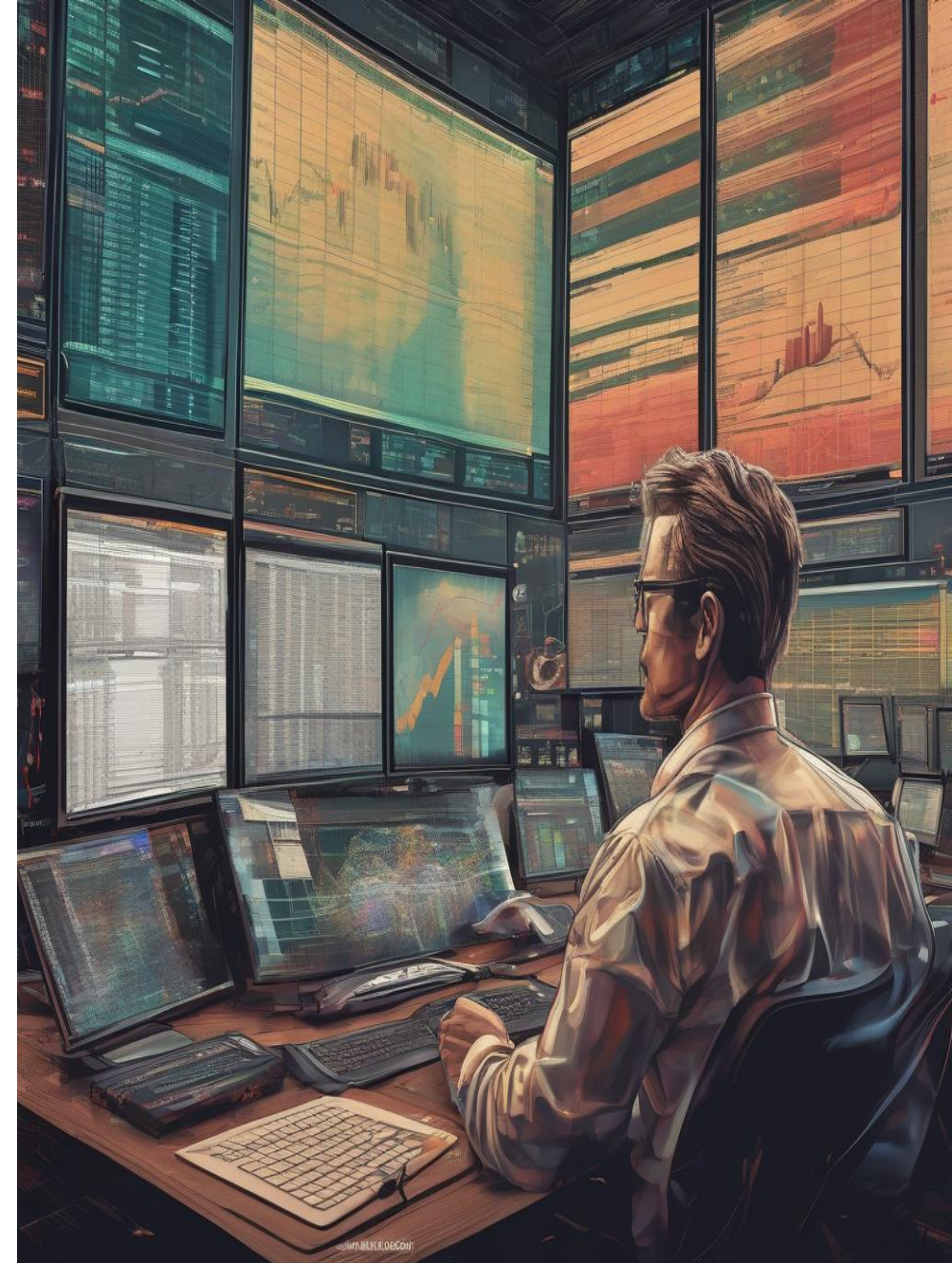
Questions?

(Before we shift into Futures, Commodities, & Forex)

Futures

Financial contracts obligating the buyer to purchase an asset, or the seller to sell an asset at a predetermined future price and date.

Futures contracts are based on various underlying assets, including commodities, financial instruments, and currencies.



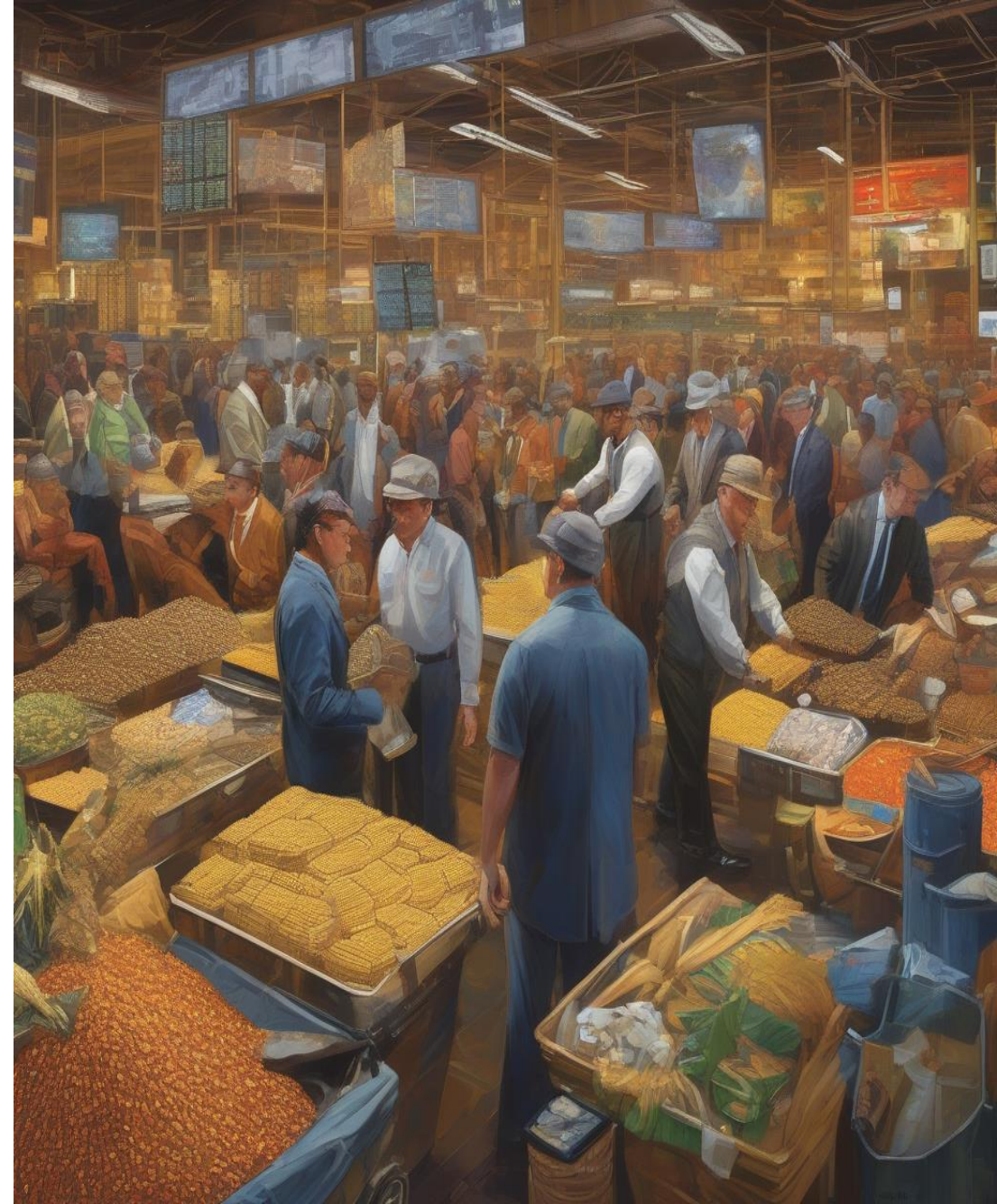
Why Futures?

- The most common reason investors use futures is to speculate moves in major stock market indexes (S&P 500, Nasdaq, DOW)
- Investors also use futures to leverage their position, much like options.
- Futures can be a powerful tool to hedge against price fluctuations for businesses and producers and consumers of commodities.

Commodities

Buying and selling of raw materials or primary goods such as gold, steel, oil, wheat, coffee, and other agricultural products.

Similar to futures and options, commodities trading involves a predetermined price and date for an action (buying or selling) to occur.



Why Commodities?

Producers and consumers can use commodities contracts to lock in a current price for future purchases as well as price hedging.

- A manufacturing company may buy contracts for steel in order to lock in the current market price of steel if they predict the price will rise.
- A company that produces steel may sell contracts in order to secure profits for a not yet fulfilled sale.
- In both of these situations a contract on commodities is being used as a hedge against unexpected future events and prices.

Futures/Commodities Problem

An investor buys a futures contract for 1000 barrels of oil at \$60 per barrel with a delivery date in 3 months. If the price of a barrel of oil is \$70 on the expiration date what would the investors “profit” be.

$$(\$70 - \$60) * 1000 = \$10000$$

Futures/Commodities Problem

An investor buys a futures contract for 2000 barrels of oil at \$75 per barrel with a delivery date in 1 month. If the price of a barrel of oil is \$70 on the expiration date what would the investors “profit” be.

$$(\$70 - \$75) * 2000 = -\$10000$$

Forex

Global marketplace where different currencies are traded.

Currencies are traded in pairs such as EUR/USD, USD/JPY, GBP/USD, etc.

- Each pair has a **Base** currency and a **Quote** currency
- Base currency is listed first, Quote currency is listed second
- The exchange rate of the pair indicates how much of the quote currency is needed to purchase one unit of the base currency



Forex Example

The currency pair EUR/USD currently has an exchange rate of 1.08

This means...

1.08 USD (quote currency)
can be exchanged for ...
1 Euro (base currency)



Forex Example

If the EUR/USD exchange rate increased to 1.10 it means that the Euro has strengthened compared to the US Dollar.

If the EUR/USD exchange rate decreased to 1.05 it means that the Euro has weakened compared to the US Dollar.

A good way to think about this is

- if the exchange rate increases, the **base** currency strengthens relative to the quote
- if the exchange rate decreases, the **quote** currency strengthens relative to the base

Why Forex?

- Speculation regarding economic news and events that would cause one currency to weaken or strengthen to generate profits.
- Forex can be scalp traded (trades lasting minutes or less) based on pure technical and price action.
- Forex is traded 24 hours a day on Monday-Friday.
- Brokerages offer high leverage to capitalize off small moves.

Forex Problem

A Trader believes that due to tariffs and trade wars in China the strength of the Yuan will fall relative to the US Dollar. How would this trader enter a trade on the USD/CNY currency pair?

The trader would enter a **Long Position (Buy)**

Since the trader expects the quote currency weaken, the exchange rate would increase, therefore making a long position profitable.

Forex Problem

The previously mentioned trader entered this position for 10,000 units at an exchange rate of \$7.19 and sold at an exchange rate of \$7.23. What was this trader's profit?

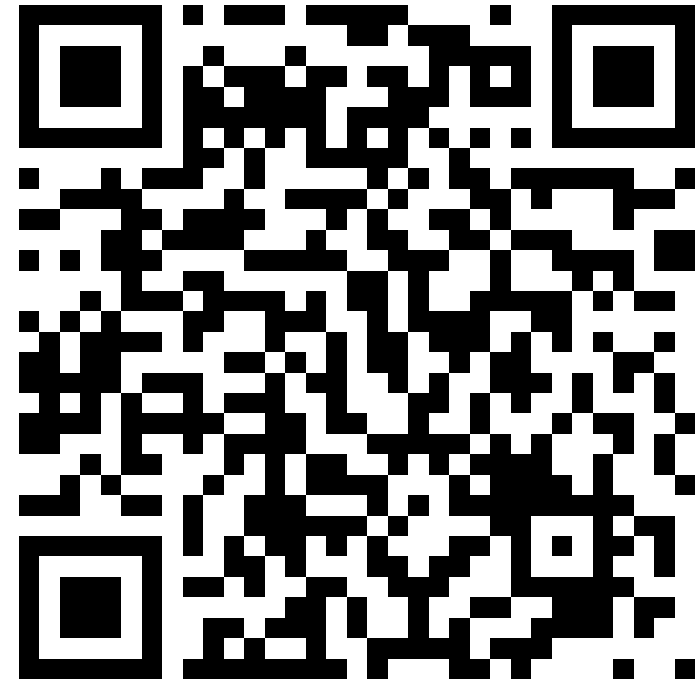
$$(\$7.23 - \$7.19) * 10,000 = \$400$$

What would the profit be with a 25x leverage

$$\$400 * 25 = \$10,000$$

MarketWatch Investing Competition

- <https://www.marketwatch.com/games/msu-stg-ss24>
- ID: MSU STG SS24
- Password: msustg



Discord



Q & A