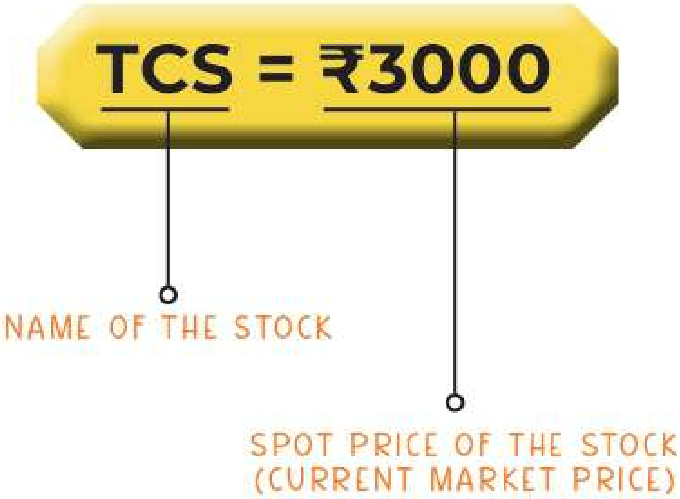
3.5 FEATURES OF FUTURES CONTRACT

A futures contract is generally used for risk hedging purposes. For instance, if you have an exceptionally large chunk of Reliance shares and you are expecting some movement against your position then instead of selling the whole lot you may simply hedge yourself via a futures contract and bag your profits from it to compensate your actual position with the shares you own of Reliance.

3.6 WHAT DOES A FUTURES CONTRACT QUOTATION LOOK LIKE?

The traded price of a TCS at the spot is directly written as TCS = ₹3000 or whatever the current price may be.



For a futures contract, on the other hand, the futures price is quoted with its Month and year of expiry. For instance, a TCS November'21 futures contract would look like