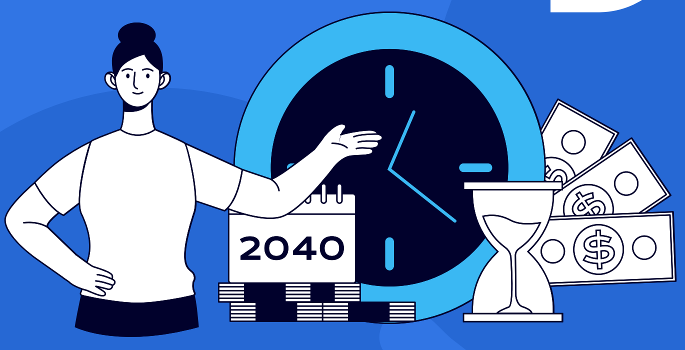
CAN YOU EXPLAIN DERIVATIVES IN 30 SECONDS?



Derivatives Simplified: 4 Core Contracts You Should Know

FORWARDS

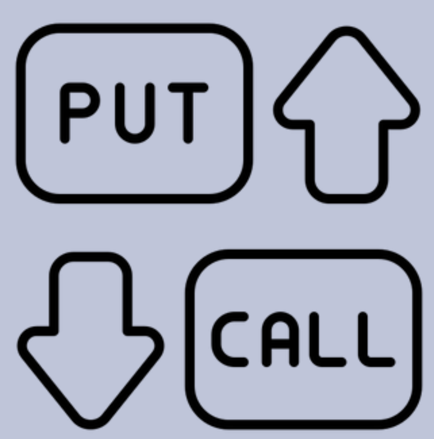
- Private OTC agreement to trade at a fixed price in the future.
- Customized terms (price, quantity, date)
- Higher counter party risk due to no clearinghouse

FUTURES

- Standardized, exchange-traded version of forwards.
- Requires initial & maintenance margin; marked-to-market daily.
- Lower counterparty risk because of exchange clearing.

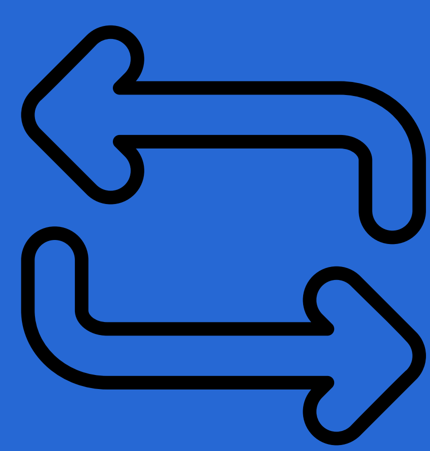
OPTIONS

- Right, not obligation, to buy or sell at a strike price before expiry.
- Loss limited to the premium paid; potential upside significant.
- Used for hedging downside risk or for speculation.



SWAPS

- Agreement to exchange cash flows (e.g., fixed vs floating interest).
- Commonly used to lock in borrowing costs or manage rate exposure.
- No exchange trading, mostly OTC.

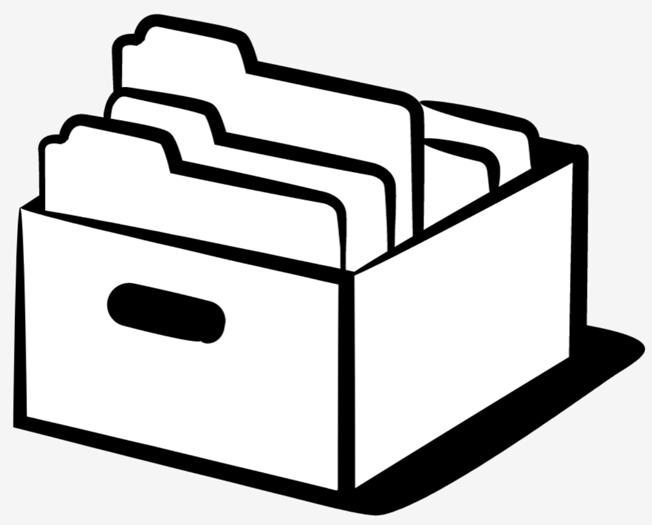


📌*THIS IS A SNAPSHOT OF MY FULL GUIDE:*

“BEYOND OPTIONS - A PRACTICAL GUIDE TO DERIVATIVES AND BONDS”.

💬*WHICH TOPIC SHOULD I COVER NEXT?*

RATIOS OR CASH FLOWS??



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