

IBKRWEBINARS.COM



August 18, 2022

CME Group

Eat These Trades: Understanding Agricultural Commodities, Futures & Inflation

Tariq Dennison

TEP, Wealth Manager
GFM Asset Management

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. Interactive Brokers LLC is not responsible for the content of these presentations. You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you.

Interactive Brokers LLC does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.



Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling (312) 542-6901.

Trading on margin is only for experienced investors with high risk tolerance. You may lose more than your initial investment.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit [interactivebrokers.com](#).

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.
- Interactive Brokers LLC is a member of [NYSE](#) [FINRA](#) [SIPC](#)



GFM
ASSET MANAGEMENT

A photograph of a cornfield at sunset. In the distance, a combine harvester is harvesting corn, with a trailer attached. The sky is a warm, golden-orange color. The foreground is filled with green leaves, some in focus and some blurred, framing the scene.

Eat These Trades

Understanding Agricultural Commodities & Their Futures Markets

by **Tariq Dennison**

© 2022 GFM Asset Management LLC, <https://gfmasset.com>

Image credit: MS Office Stock Photo

Disclaimer

This presentation is for educational and discussion purposes only. **Nothing in this presentation is to be taken as investment advice**, nor as any recommendation to buy or sell any security or investment property or product. Please consult with GFM or your own investment advisors 1-on-1 before making any investment decisions.

GFM does NOT provide any tax or legal advice. Tax strategies in this presentation are based on our experience and believed to be current, but please consult with your own tax advisor for tax advice specific to your situation. GFM Group Limited is an SFC Type 9 Licensed Asset Management firm and is not affiliated with any exchange, brokerage firm, or custodian, including the co-presenters of this seminar. GFM Asset Management LLC, an affiliated company, is a US SEC Registered Investment Advisor.

Investing involves risks, including the risk that you may lose some or all the money you invest.

GFM is not affiliated with Interactive Brokers LLC, nor with any other broker-dealer or exchange. Viewpoints here are those of Tariq Dennison and not those of any other entity.

About Tariq Dennison TEP

- Independent Advisor Managing Accounts on the IBKR platform
 - US Advisor: GFM Asset Management LLC
 - HK Advisor: GFM Group Limited
- In the market since 1998
 - Commerzbank (NY, London, Frankfurt)
 - Bear Stearns (NY)
 - J.P. Morgan (NY)
 - Canadian Imperial Bank of Commerce
 - Societe Generale (HK)
- Masters in Financial Engineering
 - University of California at Berkeley
- Lecturer at ESSEC Singapore
 - Fixed Income
 - Alternative Assets
- “Neither Standard Nor Poor”
- Author “Invest Outside the Box”



Agriculture Fundamentals

- The Bloomberg Index
- Grains
 - Corn
 - Wheat
- Oilseeds: Soy, Meal & Oil
- Livestock
 - Cattle (Beef)
 - Live vs Feeder
 - Hogs (Pork)

Futures & Strategies

- Corn in detail
 - Full vs mini futures
 - Contango & backwardation
 - Options
- Wheat & soy futures
 - Chicago-Kansas Spread
 - Crush Spread
- Livestock futures

The Bloomberg Commodity Index (formerly Dow Jones AIG)

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

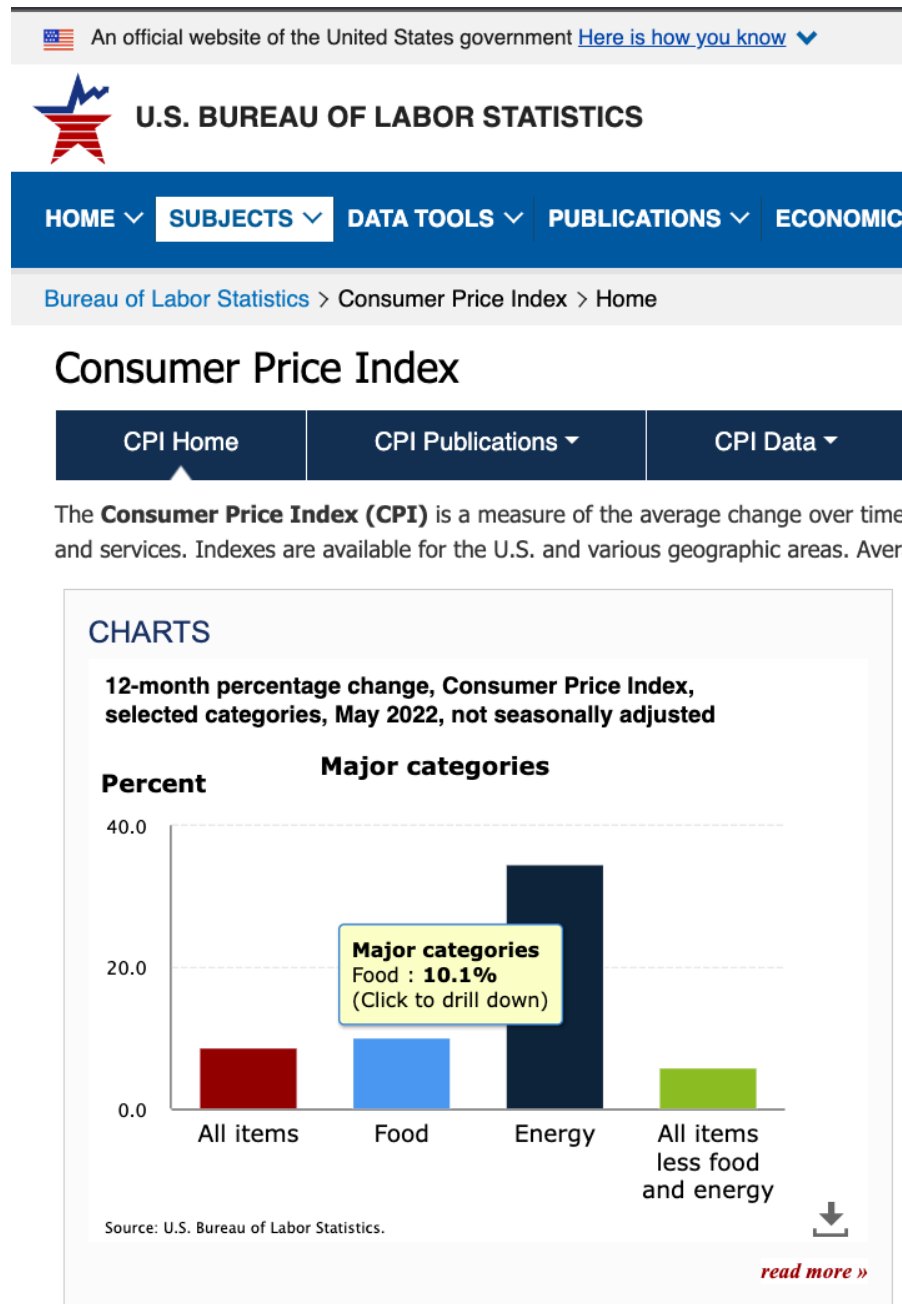
Group	Commodity	Ticker	2022 Target Weight	2021 Target Weight
Energy	WTI Crude Oil	CL	8.0368820%	8.1448320%
	Natural Gas	NG	7.9548670%	8.0720060%
	Brent Crude Oil	CO	6.9631180%	6.8551680%
	Low Sulphur Gas Oil	QS	2.6496240%	2.6415190%
	RBOB Gasoline	XB	2.1728010%	2.1791840%
	ULS Diesel	HO	2.0526330%	2.0820140%
			29.83%	29.97%
Grains	Corn	C	5.5899030%	5.5866490%
	Soybeans	S	5.7888440%	5.8174090%
	Soybean Meal	SM	3.5200260%	3.5987640%
	Wheat	W	2.8463610%	2.8850050%
	Soybean Oil	BO	3.1716110%	3.1955900%
	HRW Wheat	KW	1.6636530%	1.5713880%
			22.58%	22.65%
Industrial Metals	Copper	HG	5.3982920%	5.3937680%
	Aluminum	LA	4.2457680%	4.2083970%
	Zinc	LX	3.1189270%	3.2468830%
	Nickel	LN	2.7134270%	2.7139540%
			15.48%	15.56%
Precious Metals	Gold	GC	15.0000000%	14.6459560%
	Silver	SI	4.7468930%	4.3539140%
			19.75%	19.00%
Softs	Sugar	SB	2.7943260%	2.9870850%
	Coffee	KC	2.7333550%	2.7366190%
	Cotton	CT	1.5032870%	1.5110980%
			7.03%	7.23%
Livestock	Live Cattle	LC	3.5807520%	3.8464030%
	Lean Hogs	LH	1.7546500%	1.7263950%
			5.34%	5.57%

Food was the 2nd largest contributor to US CPI inflation this year

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Source: <https://bls.gov/cpi>



The futures we will be looking at today

	COMPANY NAME	LAST	VLM	FUT OI	CHANGE
ZC ∞ Sep14'22 @ECBOT	Corn Futures	629	5.98K	420K	-8 -1.26%
YC ∞ Dec14'22 @ECBOT	Mini Sized Corn Futures	620 1/4	424	12.1K	-8 3/4 -1.39%
ZW ∞ Sep14'22 @ECBOT	Wheat Futures	838 1/2	6.46K	141K	-18 -2.10%
YW ∞ Sep14'22 @ECBOT	Mini Sized Wheat Futures	837	347	1.40K	-19 1/2 -2.28%
KE ∞ Sep14'22 @ECBOT	Hard Red Winter Wheat -KCBOT-	896 1/4	1.38K	76.6K	-19 -2.08%
ZS ∞ Nov14'22 @ECBOT	Soybean Futures	1385 1/2	14.4K	336K	-19 1/2 -1.39%
YK ∞ Nov14'22 @ECBOT	Mini Sized Soybean Futures	1385 3/4	590	22.6K	-19 1/4 -1.37%
ZM ∞ Dec14'22 @ECBOT	Soybean Meal Futures	397.50	3.11K	171K	-3.40 -0.85%
ZL ∞ Dec14'22 @ECBOT	Soybean Oil Futures	60.50	7.93K	137K	-0.81 -1.32%
LE ∞ Aug31'22 @GLOBEX	Live Cattle	c136.150	42.5K	81.7K	
HE ∞ Aug12'22 @GLOBEX	Lean Hogs	c108.375	23.2K	43.8K	
AIGCI ∞ Sep21'22 @ECBOT	Bloomberg Commodity Index	c116.38		66.4K	
GSCI ∞ Jul18'22 @GLOBEX	S&P-GSCI Index	c702.30		1.36K	

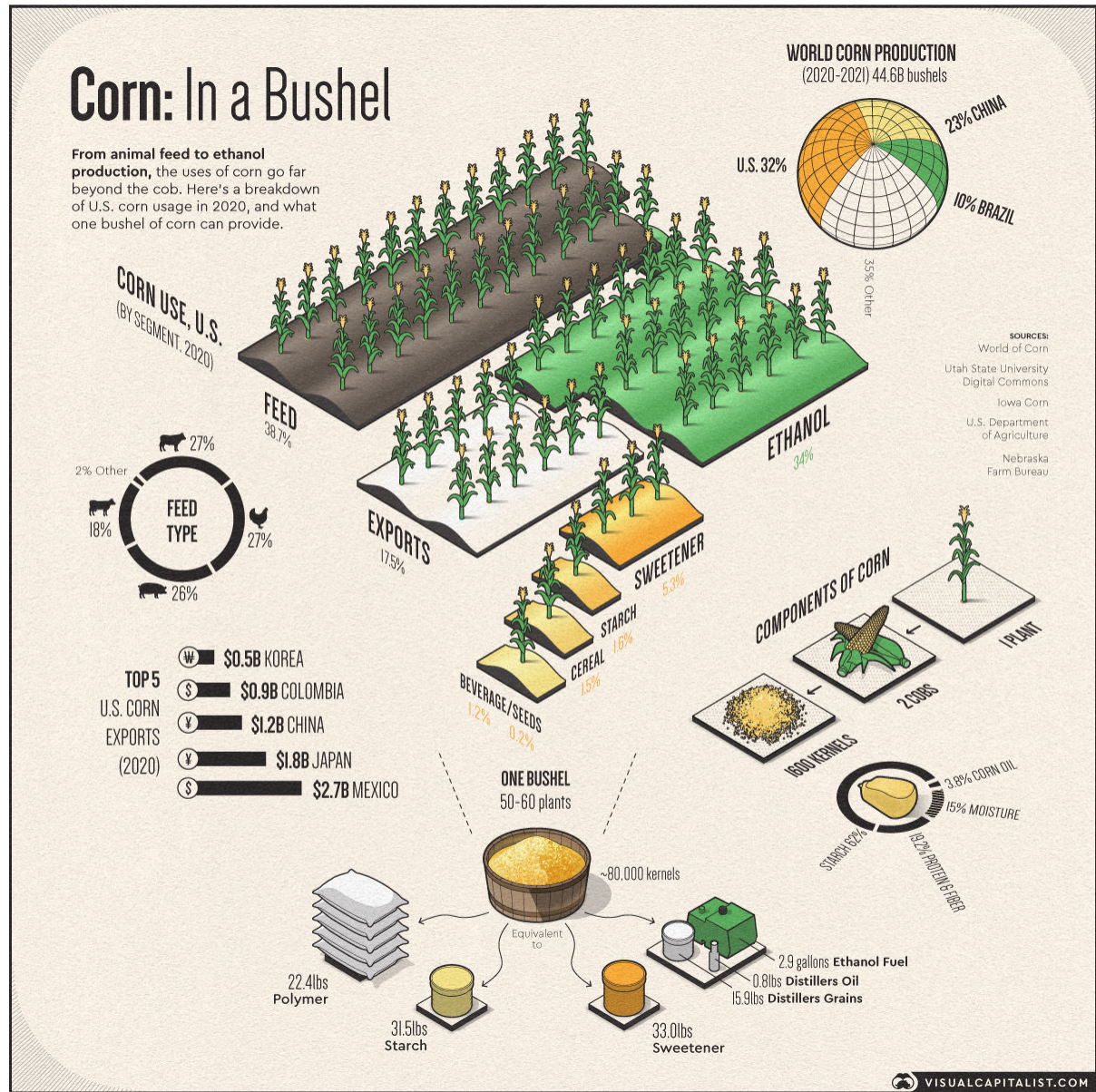
Source: Interactive Brokers, 12 July 2022

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.



corn

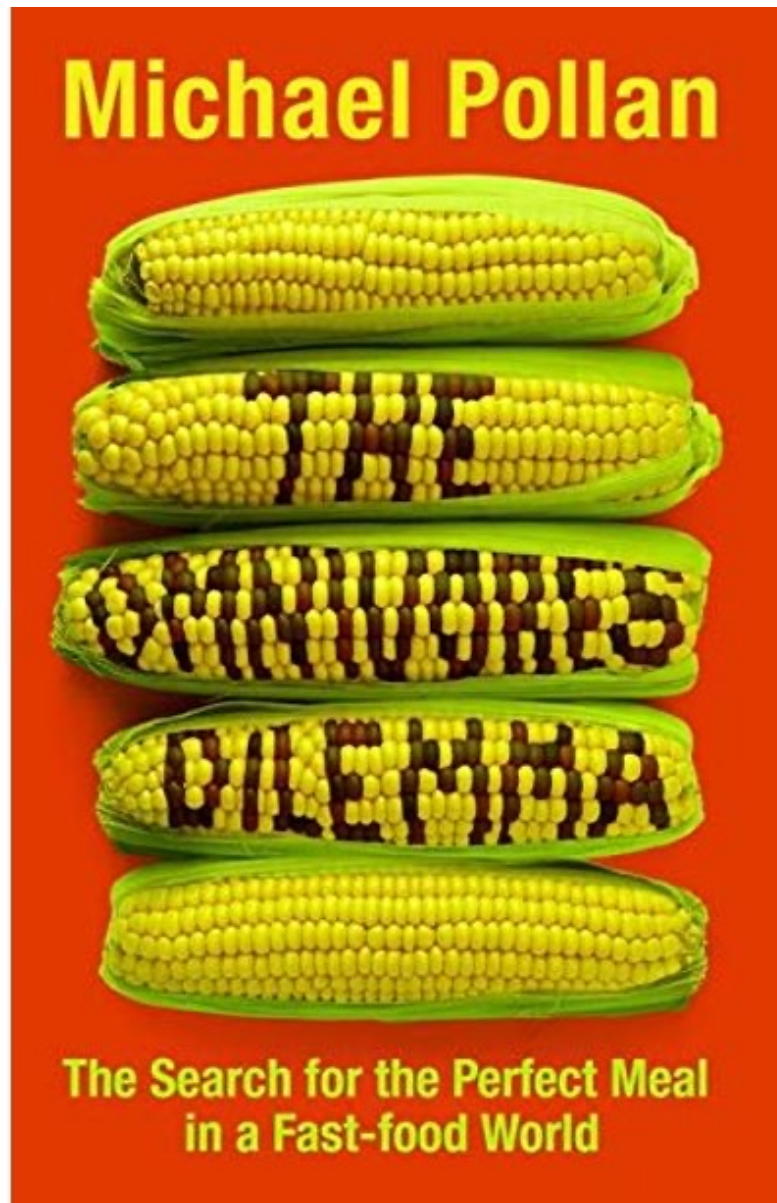
Why it's the top American grain



Source: <https://www.weforum.org/agenda/2021/06/corn-industries-sustainability-food-prices>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

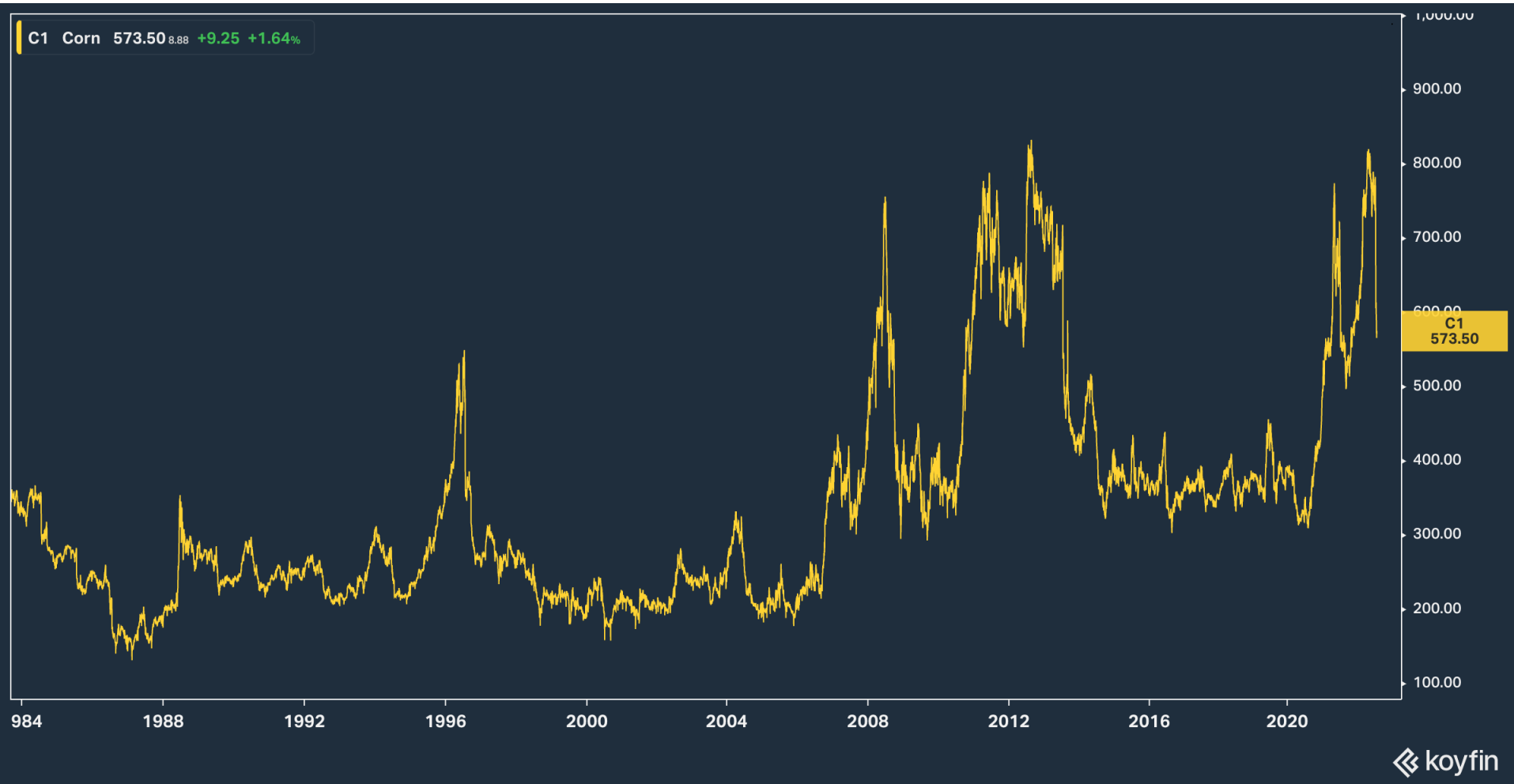
Great book on how
corn is to the
American diet:



Source: <https://www.walmart.com/ip/The-Omnivore-s-Dilemma-Pre-Owned-Paperback-0747586756-9780747586753-Michael-Pollan/789288719?wmlspartner=wlp&selectedSellerId=1719>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Corn prices over the years (front month)



Source: Koyfin

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

...now Corn vs Inflation...



Source: Koyfin

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

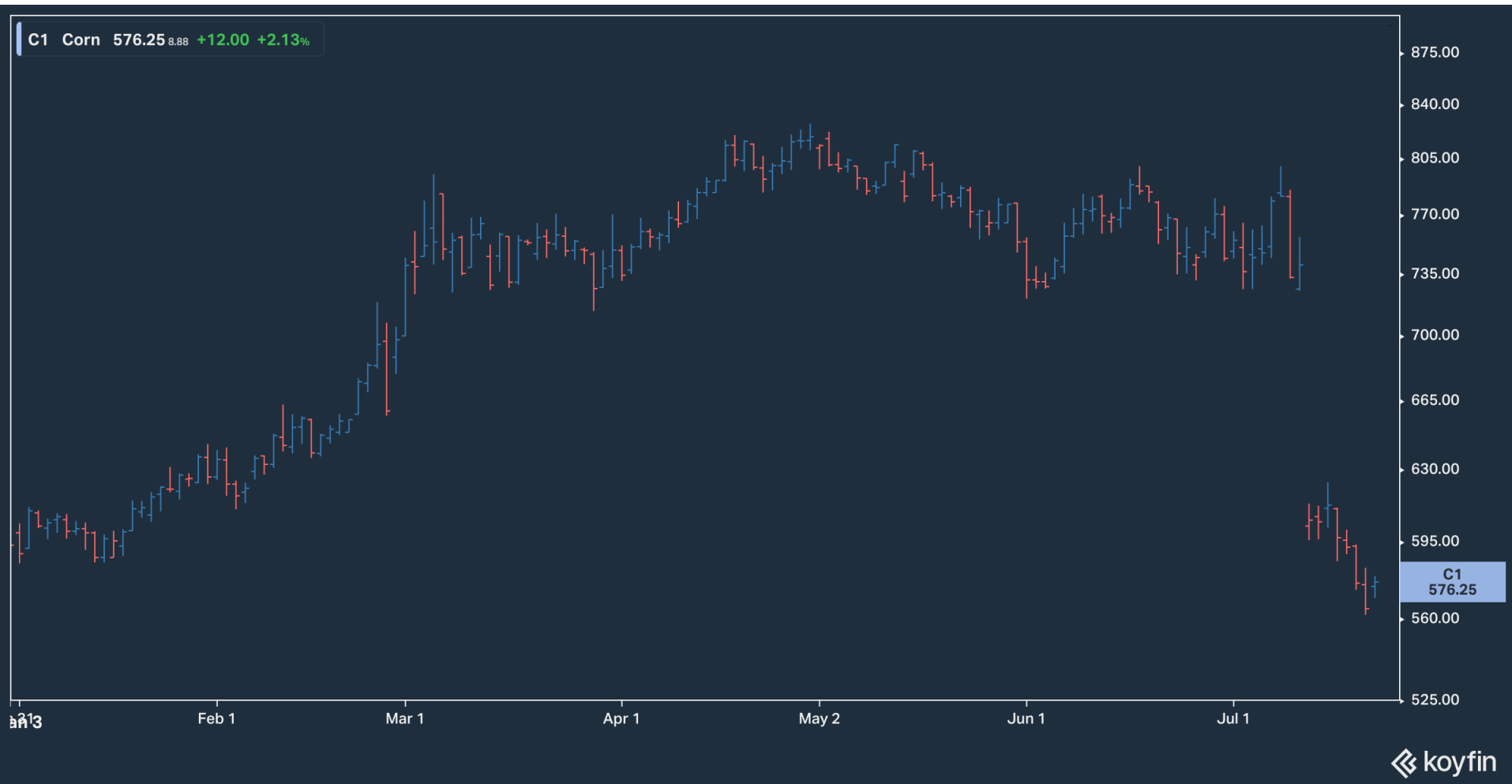
Drivers of Corn Demand

- Livestock markets & including for export
- Energy markets & prices, especially US gasoline
- Direct export markets
 - Mexico, Colombia
 - Japan, China, Korea
- Sugar markets & prices
- Packaged food chains

Drivers of Corn Supply

- Stockpiles / elevators
- Current harvest / supply
 - Planned production
 - Fertilizer
 - Rainfall
- Import markets:
 - Canada, Argentina, Chile

Corn prices in 2022 (front month)



Source: Koyfin

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

The current corn “curve”

MONTH	OPTIONS	CHART	LAST	CHANGE	PRIOR SETTLE	OPEN	HIGH	LOW	VOLUME	UPDATED
SEP 2022 ZCU2	OPT		576'2	+12'0 (+2.13%)	564'2	574'2	579'0	569'0	8,695	06:49:38 CT 25 Jul 2022
DEC 2022 ZCZ2	OPT		577'0	+12'6 (+2.26%)	564'2	575'0	580'0	570'0	23,757	06:49:58 CT 25 Jul 2022
MAR 2023 ZCH3	OPT		583'4	+12'4 (+2.19%)	571'0	581'6	586'4	576'4	5,565	06:48:58 CT 25 Jul 2022
MAY 2023 ZCK3	OPT		586'0	+10'4 (+1.82%)	575'4	586'0	590'6	581'0	2,953	06:40:44 CT 25 Jul 2022
JUL 2023 ZCN3	OPT		588'0	+12'0 (+2.08%)	576'0	582'6	590'4	581'4	1,183	06:46:50 CT 25 Jul 2022
SEP 2023 ZCU3	OPT		562'6	+8'6 (+1.58%)	554'0	565'0	565'0	559'0	208	06:30:24 CT 25 Jul 2022
DEC 2023 ZCZ3	OPT		555'0	+9'0 (+1.65%)	546'0	551'6	556'0	549'6	386	06:42:47 CT 25 Jul 2022
MAR 2024 ZCH4	OPT		561'6	+7'6 (+1.40%)	554'0	564'0	564'0	559'6	10	05:54:59 CT 25 Jul 2022
MAY 2024 ZCK4	OPT		-	-	557'4	-	-	-	0	16:00:00 CT 24 Jul 2022
JUL 2024 ZCN4	OPT		-	-	556'2	-	-	-	0	16:00:00 CT 24 Jul 2022
SEP 2024 ZCU4	OPT		-	-	523'2	-	-	-	0	16:00:00 CT 24 Jul 2022
DEC 2024 ZCZ4	OPT		525'0	+9'0 (+1.74%)	516'0	525'0	525'0	525'0	2	05:58:09 CT 25 Jul 2022
JUL 2025 ZCN5	OPT		-	-	522'0	-	-	-	0	16:00:00 CT 24 Jul 2022
DEC 2025 ZCZ5	OPT		500'0	+4'4 (+0.91%)	495'4	500'0	500'0	500'0	1	19:00:09 CT 24 Jul 2022

Source: CME

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.



Corn curve on IBKR TWS

		LAST	CHANGE		FUT OI	VLM
ZC Sep14'22 @ECBOT	◆	568	+3 3/4	0.66%	363K	34.3K
ZC Dec14'22 @ECBOT	◆	570	+5 3/4	1.02%	605K	64.8K
ZC Mar14'23 @ECBOT	◆	577	+6	1.05%	140K	10.8K
ZC May12'23 @ECBOT	◆	581	+5 1/2	0.96%	63.0K	5.55K
ZC Jul14'23 @ECBOT	◆	582	+6	1.04%	72.4K	3.94K
ZC Sep14'23 @ECBOT	◆	556 3/4	+2 3/4	0.50%	17.2K	770
ZC Dec14'23 @ECBOT	◆	547 1/4	+1 1/4	0.23%	59.1K	1.18K
ZC Mar14'24 @ECBOT	◆	560 1/2	+6 1/2	1.17%	3.37K	17
ZC May14'24 @ECBOT	◆	c557 1/2			951	
ZC Jul12'24 @ECBOT	◆	c556 1/4			654	
ZC Sep13'24 @ECBOT	◆	c523 1/4			45	
ZC Dec13'24 @ECBOT	◆	522	+6	1.16%	3.37K	7
ZC Jul14'25 @ECBOT	◆	c522			8	
ZC Dec12'25 @ECBOT	◆	500	+4 1/2	0.91%	634	1

Source: IBKR TWS

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Corn and its mini: 5,000 vs 1,000 bushels*

DESCRIPTION	File	Configure
Stock Description		
Corn Futures		
Security Type	FUT	
Underlying	ZC IND	
Contract Month	SEP22	
Expiration Date	SEP 14 '22	
Last Trading Date	SEP 14 '22 12:01 CST	
Currency	USD	
Notation	Price quotes are displayed in cents per bushel	
Multiplier	5000	
Exchange	ECBOT	
Trading Class	ZC	
Symbol	ZC SEP 22	
Product Type	Agriculture	
Settlement Method	Physical Delivery	
Physical Delivery	Not permitted at Interactive Brokers	
Trading Schedule: July 12, 2022 Calendar		
Regular Trading Session	08:30 - 13:20 (21:30 - 02:20 your time)	
Total Available Hours	19:00* - 07:45 (08:00 - 20:45 your time)	
	08:30 - 13:20 (21:30 - 02:20 your time)	
Exchange Time Zone	(UTC-06:00) US/Central	
<i>Note: Trader Workstation follows timezone adjustments for daylight savings time</i>		
<i>* Times in italics are on the calendar date preceding trade date</i>		
Mini Sized Corn Futures		
Security Type	FUT	
Underlying	YC IND	
Contract Month	DEC22	
Expiration Date	DEC 14 '22	
Last Trading Date	DEC 14 '22 12:01 CST	
Currency	USD	
Notation	Price quotes are displayed in cents per exchange bushel	
Multiplier	1000	
Exchange	ECBOT	
Trading Class	XC	
Symbol	XC DEC 22	
Product Type	Agriculture	
Settlement Method	Physical Delivery	
Physical Delivery	Not permitted at Interactive Brokers	
Trading Schedule: July 12, 2022 Calendar		
Regular Trading Session	08:30 - 13:45 (21:30 - 02:45 your time)	
Total Available Hours	19:00* - 07:45 (08:00 - 20:45 your time)	
	08:30 - 13:45 (21:30 - 02:45 your time)	
Exchange Time Zone	(UTC-06:00) US/Central	
<i>Note: Trader Workstation follows timezone adjustments for daylight savings time</i>		
<i>* Times in italics are on the calendar date preceding trade date</i>		

* 1 bushel = 8 US gallons, or around 35.2 liters volume

Source: Interactive Brokers, 12 July 2022

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Sample Mini Corn Futures Trade

Order Confirmation

Mini Sized Corn Futures

Financial Instrument	Bid	Ask	Last
YC ∞ Dec14'22 @ECBOT	♦ 578 5/8	578 5/8 ♦	♦ 578 1/4

Order Description

SELL 1

Order Type LMT Routing ECBOT Time in Force DAY
 Limit Price 578 7/8 Clearing IB

Messages

Amount		Balances (in USD)			
Amount			Current	Change	Post-trade*
Amount	5,788.75 USD	Equity with Loan	267,970	-2	267,968
Commission (est.)	1.90 USD	Initial Margin	16	867	883
Total	5,786.85 USD	Maintenance Margin	9	694	703
		Position	0	-1	-1

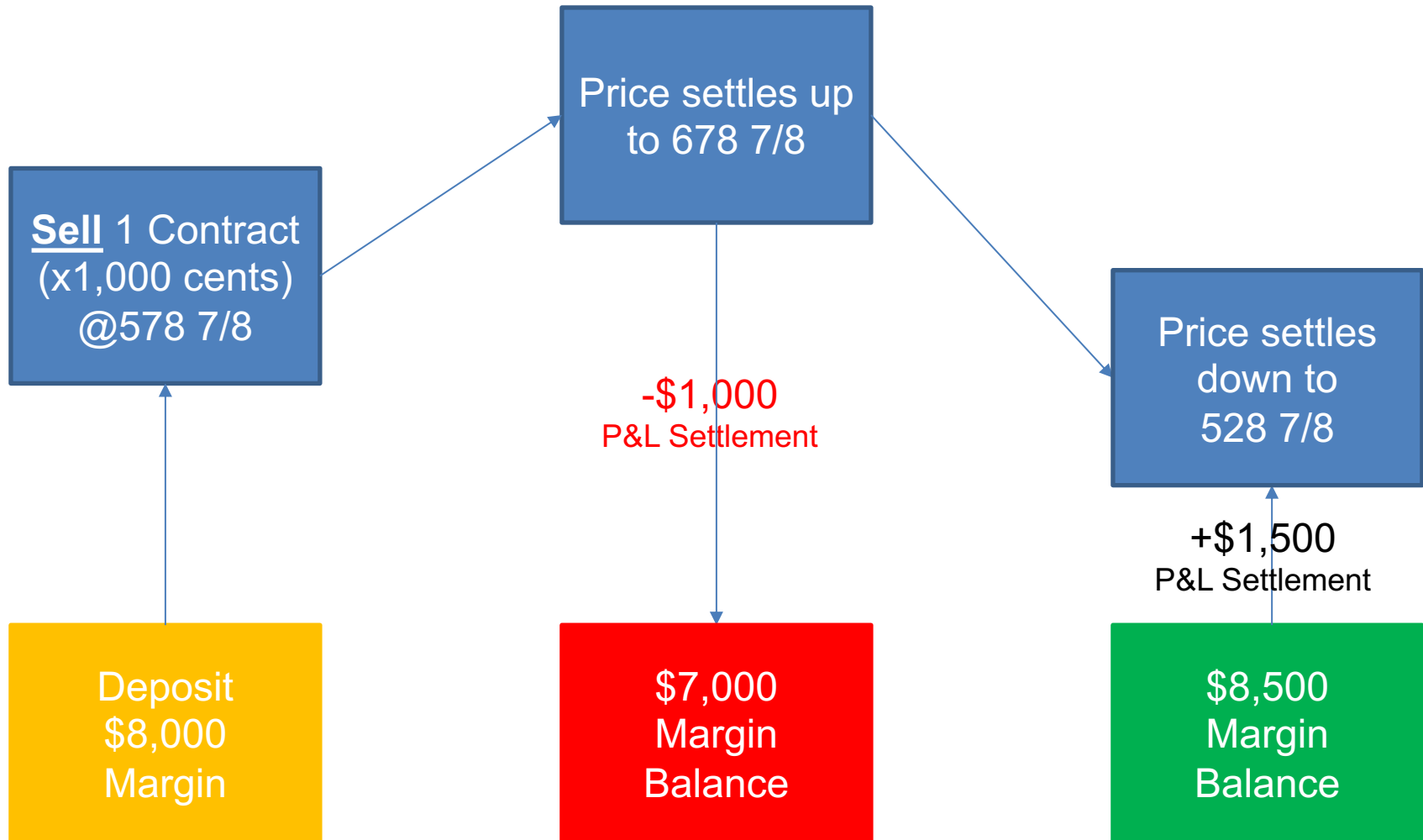
*This is a current projection and is subject to change.
[Margin Requirements Per Contract](#)

Don't display this message again.

DATA POWERED BY GFIS

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

How Futures Settlements Work



A quick look at options on corn futures

ZC Dec14'22 @ECBOT PUT/CALLS (Side by Side) 575 1/2 +11 1/4 (+1.99%) ?

OCT OZC / DEC OZC 5000 88 DAYS OCT / DEC'23 OCD 5000 88 DAYS NOV OZC / DEC OZC 5000 123 DAYS NOV / DEC'23 OCD 5000 123 DAYS MORE

TABBED VIEW PUT/CALL All STRIKES ECBOT TRADING CLASS 5000 IV: 31.4%

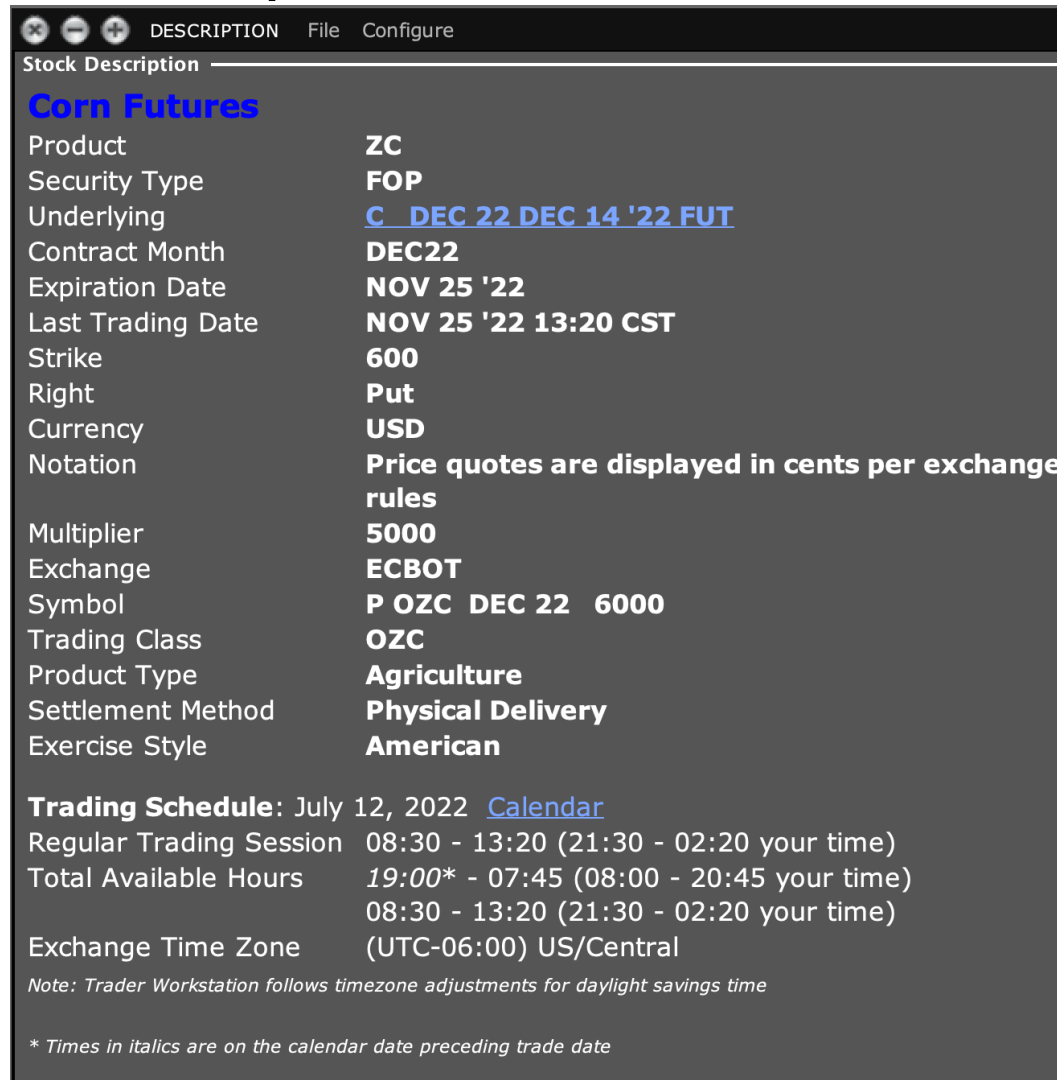
CALLS										PUTS										
OPTN OP...	VOLUME	BID	SIZE	BID x ASK	DELTA	IMPLD	V...	ASK	SIZE	STRIKE	OPTN OP...	VOLUME	BID	SIZE	BID x ASK	DELTA	IMPLD	V...	ASK	SIZE
565		8		145 3/4 x 147	0.964	30.2%		32		430	1.00K		220		1 1/2 x 1 5/8	-0.037	29.5%			3,582
210		8		136 1/4 x 137 1/2	0.956	29.2%		32		440	23.7K		3,382		1 7/8 x 2 1/8	-0.046	29%			10,115
454		1		127 1/8 x 127 5/8	0.943	28.5%		1		450	5.45K	158	698		2 1/2 x 2 3/4	-0.059	28.6%			8,346
223		1		117 7/8 x 118 1/2	0.926	28.5%		1		460	5.82K	108	2,381		3 1/4 x 3 1/2	-0.076	28.4%			5,037
1.15K		1		108 7/8 x 109 5/8	0.908	28.1%		11		470	3.22K	1	5,314		4 1/4 x 4 1/2	-0.094	28.1%			393
882		1		100 1/4 x 101	0.884	27.9%		11		480	3.31K	3	1,301		5 5/8 x 5 7/8	-0.118	28%			799
1.11K		1		92 1/8 x 92 3/4	0.856	28.2%		11		490	5.56K	10	473		7 3/8 x 7 5/8	-0.146	28.2%			574
5.03K		1		84 1/4 x 84 7/8	0.825	28.5%		1		500	19.9K	294	592		9 1/2 x 9 3/4	-0.177	28.4%			10
720		1		77 x 77 5/8	0.790	28.6%		1		510	6.74K	780	208		12 1/4 x 12 1/2	-0.212	28.6%			64
1.23K		1		70 1/4 x 70 7/8	0.753	29%		11		520	9.00K	182	257		15 3/8 x 15 5/8	-0.249	29.1%			10
4.69K		11		64 x 64 5/8	0.713	29.7%		17		530	9.64K	110	10		19 1/8 x 19 3/8	-0.289	29.5%			102
2.47K	10	1		58 3/8 x 58 7/8	0.673	29.8%		1		540	25.1K	186	282		23 1/4 x 23 5/8	-0.329	29.9%			92
8.34K	449	10		53 1/8 x 53 5/8	0.633	30.6%		66		550	22.1K	100	10		28 x 28 1/4	-0.369	30.4%			72
3.78K	18	53		48 1/4 x 48 3/4	0.594	30.7%		5		560	6.77K	402	180		33 x 33 3/8	-0.409	30.9%			16
4.78K	55	46		43 7/8 x 44 3/8	0.555	31.3%		93		570	7.27K	373	231		38 1/2 x 38 7/8	-0.447	31.4%			10
7.74K	308	34		39 7/8 x 40 1/4	0.518	31.8%		10		580	12.5K	867	25		44 1/2 x 44 3/4	-0.485	31.8%			10
6.32K	126	2		36 1/4 x 36 5/8	0.482	32.1%		35		590	8.62K	55	43		50 5/8 x 51 1/8	-0.521	32.1%			59
26.9K	528	8		32 7/8 x 33 1/4	0.448	32.5%		35		600	31.6K	270	20		57 1/4 x 57 5/8	-0.555	32.5%			10
7.42K	69	60		29 3/4 x 30 1/8	0.416	32.8%		60		610	8.66K	4	102		64 x 64 1/2	-0.588	33%			10
10.8K	1.19K	8		27 x 27 3/8	0.385	33.1%		25		620	11.6K	165	26		71 1/8 x 71 3/4	-0.619	33.3%			11
7.45K	45	10		24 1/2 x 24 3/4	0.357	33.8%		16		630	11.1K	10	21		78 1/2 x 79 1/8	-0.648	33.8%			11
11.2K	554	64		22 1/8 x 22 3/8	0.329	34.1%		10		640	10.7K		27		86 1/8 x 86 3/4	-0.676	34%			11
26.5K	419	91		20 x 20 3/8	0.303	34.4%		111		650	15.4K	153	1		94 x 94 5/8	-0.702	34.5%			11
12.6K	71	55		18 1/8 x 18 1/2	0.280	34.5%		155		660	5.25K	105	16		102 x 102 5/8	-0.725	34.7%			1
9.95K	125	10		16 1/2 x 16 3/4	0.257	35%		37		670	4.18K		1		110 1/4 x 110 7/8	-0.748	35%			1
11.4K	304	296		14 7/8 x 15 1/8	0.237	35.3%		10		680	9.08K		1		118 5/8 x 119 1/4	-0.769	35.4%			1
4.24K	88	428		13 1/2 x 13 3/4	0.219	35.5%		64		690	2.35K		1		127 1/4 x 127 3/4	-0.788	35.7%			1
36.5K	367	609		12 1/4 x 12 1/2	0.201	35.9%		10		700	11.8K	83	1		135 7/8 x 136 1/2	-0.805	35.8%			1
6.08K		3		11 1/4 x 11 1/2	0.186	36.3%		445		710	2.57K		1		144 3/4 x 145 3/8	-0.822	36.5%			1
14.3K	1.03K	11		10 1/4 x 10 1/2	0.171	36.6%		1,450		720	4.31K		1		153 3/4 x 154 3/8	-0.836	36.6%			1
6.81K		4		9 3/8 x 9 1/2	0.158	37%		10		730	1.14K	25	11		162 3/4 x 163 3/8	-0.850	36.9%			1
6.10K		1	686	8 1/2 x 8 3/4	0.146	37.5%		208		740	2.68K		1		172 x 172 5/8	-0.862	37.4%			1
38.6K		110	1,323	7 3/4 x 8	0.134	37.6%		17		750	2.62K		1		181 1/4 x 181 7/8	-0.874	37.6%			1

OFF Strategy Builder

Source: Interactive Brokers, 25 July 2022

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Description of this option on corn futures



The screenshot shows a window titled 'DESCRIPTION' with a menu bar containing 'File' and 'Configure'. The main content area is titled 'Stock Description' and displays the following information:

Corn Futures	
Product	ZC
Security Type	FOP
Underlying	C DEC 22 DEC 14 '22 FUT
Contract Month	DEC22
Expiration Date	NOV 25 '22
Last Trading Date	NOV 25 '22 13:20 CST
Strike	600
Right	Put
Currency	USD
Notation	Price quotes are displayed in cents per exchange rules
Multiplier	5000
Exchange	ECBOT
Symbol	P OZC DEC 22 6000
Trading Class	OZC
Product Type	Agriculture
Settlement Method	Physical Delivery
Exercise Style	American
Trading Schedule: July 12, 2022 Calendar	
Regular Trading Session	08:30 - 13:20 (21:30 - 02:20 your time)
Total Available Hours	<i>19:00*</i> - 07:45 (08:00 - 20:45 your time)
	08:30 - 13:20 (21:30 - 02:20 your time)
Exchange Time Zone	(UTC-06:00) US/Central
<i>Note: Trader Workstation follows timezone adjustments for daylight savings time</i>	
<i>* Times in italics are on the calendar date preceding trade date</i>	

Source: Interactive Brokers, 12 July 2022

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Sample Put Write: 540 Strike Nov/Dec

✕ Order Confirmation

▼ Corn Futures

Financial Instrument	Bid	Ask	Last
ZC FOP (OZC) Dec'22 540 PUT @ECB...	♦ 23 1/2	23 3/4 ♦	♦ 22 5/8

Order Description

SELL 1

Order Type LMT Routing ECBOT Time in Force DAY

Limit Price 27 Clearing IB

Messages

Amount	Balances (in USD)																				
Amount	1,350 USD																				
Commission (est.)	2.92 USD																				
Total	1,347.08 USD																				
<input type="checkbox"/> Performance Profile																					
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid #ccc;"></th> <th style="text-align: right; border-bottom: 1px solid #ccc;">Current</th> <th style="text-align: right; border-bottom: 1px solid #ccc;">Change</th> <th style="text-align: right; border-bottom: 1px solid #ccc;">Post-trade*</th> </tr> </thead> <tbody> <tr> <td>Equity with Loan</td> <td style="text-align: right;">267,937</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">267,937</td> </tr> <tr> <td>Initial Margin</td> <td style="text-align: right;">16</td> <td style="text-align: right;">2,632</td> <td style="text-align: right;">2,648</td> </tr> <tr> <td>Maintenance Margin</td> <td style="text-align: right;">9</td> <td style="text-align: right;">2,106</td> <td style="text-align: right;">2,115</td> </tr> <tr> <td>Position</td> <td style="text-align: right;">0</td> <td style="text-align: right;">-1</td> <td style="text-align: right;">-1</td> </tr> </tbody> </table>		Current	Change	Post-trade*	Equity with Loan	267,937	0.00	267,937	Initial Margin	16	2,632	2,648	Maintenance Margin	9	2,106	2,115	Position	0	-1	-1
	Current	Change	Post-trade*																		
Equity with Loan	267,937	0.00	267,937																		
Initial Margin	16	2,632	2,648																		
Maintenance Margin	9	2,106	2,115																		
Position	0	-1	-1																		
	<p>*This is a current projection and is subject to change.</p> <p>Margin Requirements Per Contract</p>																				

Don't display this message again.

Override and Transmit
Cancel

DATA POWERED BY GFIS

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Wheat

The two types of wheat we'll look at trading:

SOFT RED WINTER (Chicago)



Soft Red Winter (SRW) is a profitable choice for producing a wide range of confectionary products like cookies, crackers and cakes, and for blending for baguettes and other bread products.

[LEARN MORE](#)

HARD RED WINTER (Kansas)



Versatile, with excellent milling and baking characteristics for wheat foods like hearth breads, hard rolls, croissants and flat breads. Hard Red Winter (HRW) is also an ideal wheat choice for some types of Asian noodles, general purpose flour and as an improver for blending.

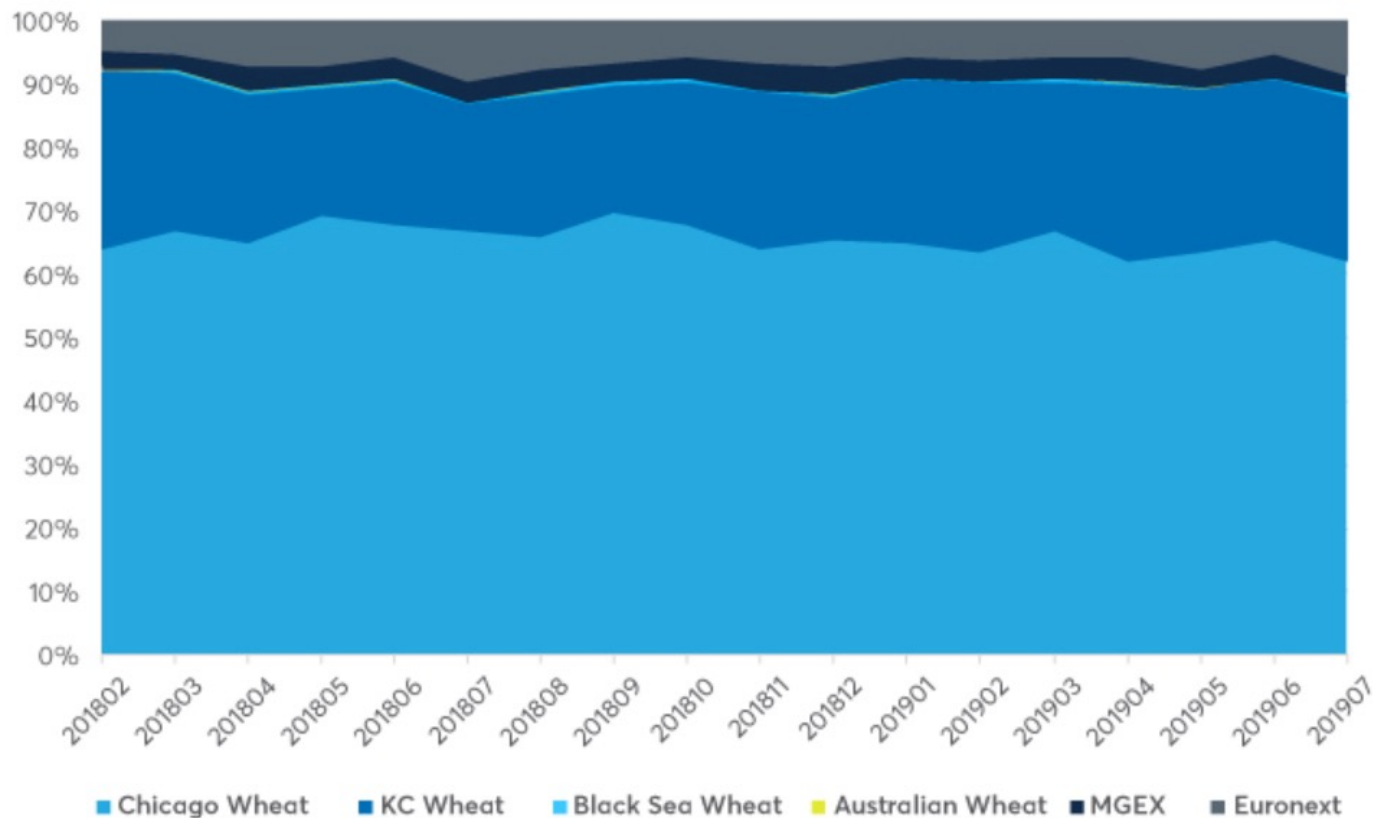
[LEARN MORE](#)

Source: <https://www.uswheat.org/working-with-buyers/wheat-classes/>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Global Wheat Futures Market Share

Market Share - Wheat



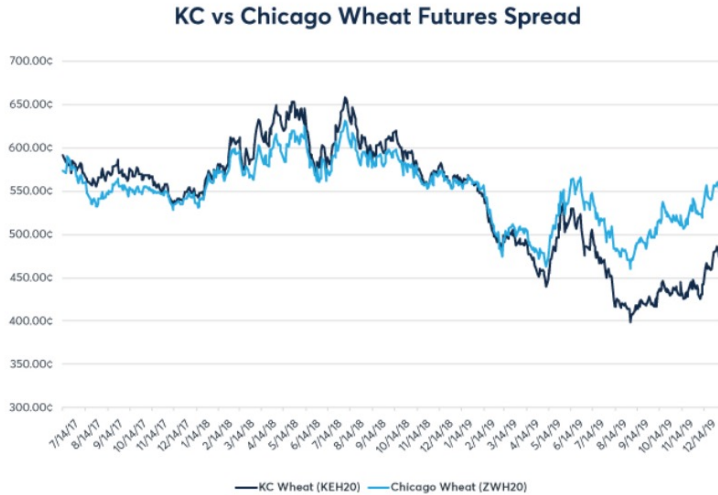
Source: <https://www.cmegroup.com/trading/agricultural/wheat-futures.html>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Kansas City vs. Chicago Wheat Spread: A Tale of Two Markets

13 Jan 2020 // By Dominic Sutton-Vermeulen // Topics: #Agriculture

Figure 1: Kansas City vs Chicago Wheat Futures Spread



Source: CME Group

Starting in 2019 and going into 2020, The Kansas City Wheat futures (KE) contract has been trading at an unusual discount relative to Chicago Wheat futures (ZW). With the Mar 2020 KE contract trading at a 75 cent per bushel discount and the Dec 2020 KE contract trading at a 65 cent per bushel discount, the market's current expectations imply continued tightness in the Chicago Wheat market compared to KC throughout 2020.



Source: <https://www.cmegroup.com/education/articles-and-reports/kc-vs-chicago-wheat-spread-a-tale-of-two-markets.html>, IBKR

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Sample Mini Wheat Futures Trade

✕ Order Confirmation

▼ Mini Sized Wheat Futures

Financial Instrument	Bid	Ask	Last
YW Jul14'25 @ECBOT			♦ c679 3/4

Order Description

BUY 1

Order Type LMT Routing ECBOT Time in Force DAY

Limit Price 668 7/8 Clearing IB

Messages

Amount	Balances (in USD)																				
Amount 6,688.75 USD	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid #ccc;"></th> <th style="text-align: right; border-bottom: 1px solid #ccc;">Current</th> <th style="text-align: right; border-bottom: 1px solid #ccc;">Change</th> <th style="text-align: right; border-bottom: 1px solid #ccc;">Post-trade*</th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid #ccc;">Equity with Loan</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">267,952</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">-2</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">267,950</td> </tr> <tr> <td style="border-bottom: 1px solid #ccc;">Initial Margin</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">16</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">1,997</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">2,012</td> </tr> <tr> <td style="border-bottom: 1px solid #ccc;">Maintenance Margin</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">9</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">810</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">819</td> </tr> <tr> <td style="border-bottom: 1px solid #ccc;">Position</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">0</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">1</td> <td style="text-align: right; border-bottom: 1px solid #ccc;">1</td> </tr> </tbody> </table>		Current	Change	Post-trade*	Equity with Loan	267,952	-2	267,950	Initial Margin	16	1,997	2,012	Maintenance Margin	9	810	819	Position	0	1	1
	Current	Change	Post-trade*																		
Equity with Loan	267,952	-2	267,950																		
Initial Margin	16	1,997	2,012																		
Maintenance Margin	9	810	819																		
Position	0	1	1																		
Commission (est.) 1.90 USD																					
Total 6,690.65 USD																					

*This is a current projection and is subject to change.
[Margin Requirements Per Contract](#)

Don't display this message again.

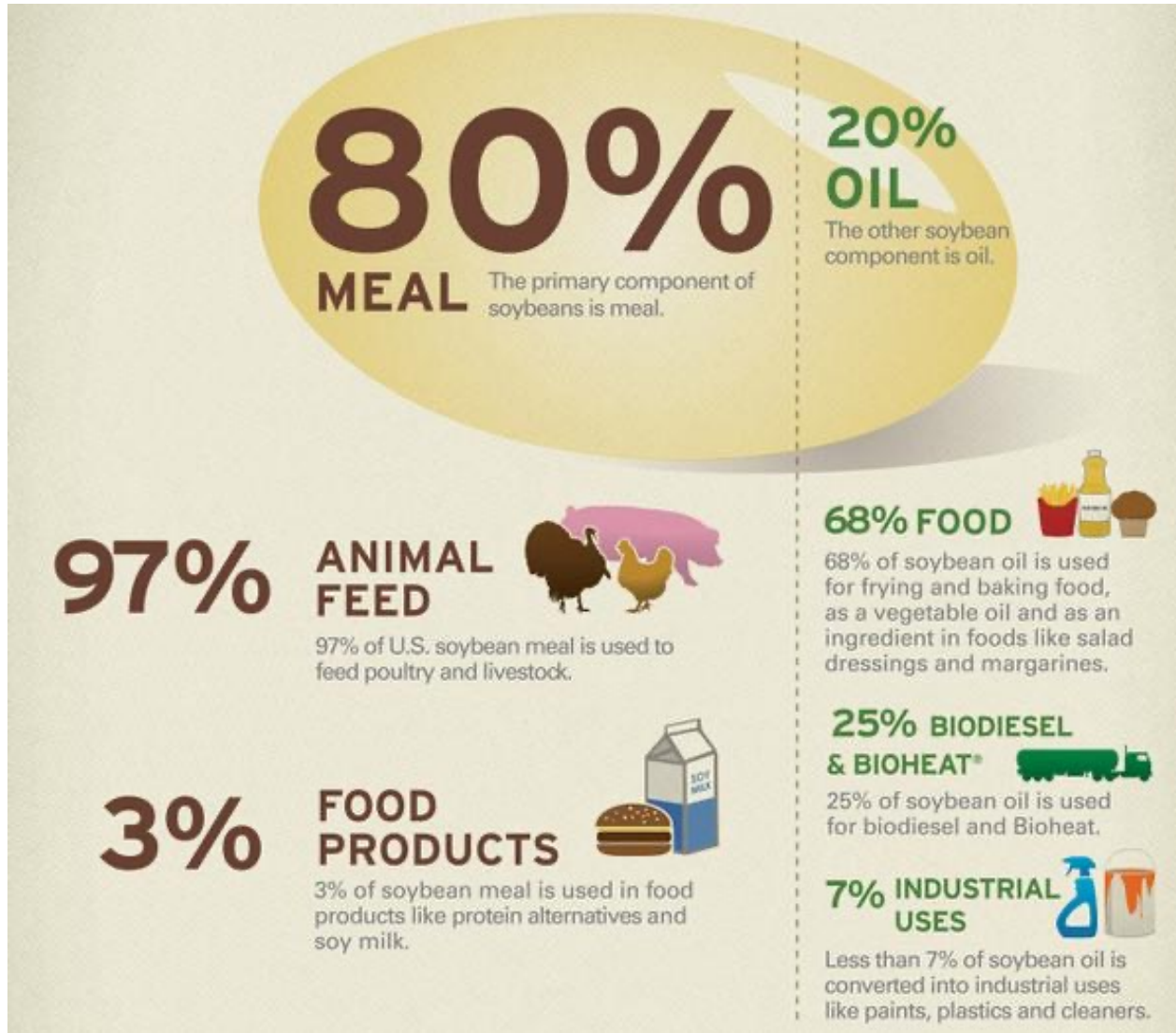
Override and Transmit
Cancel

DATA POWERED BY GFI

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Soy

What's in a soybean?

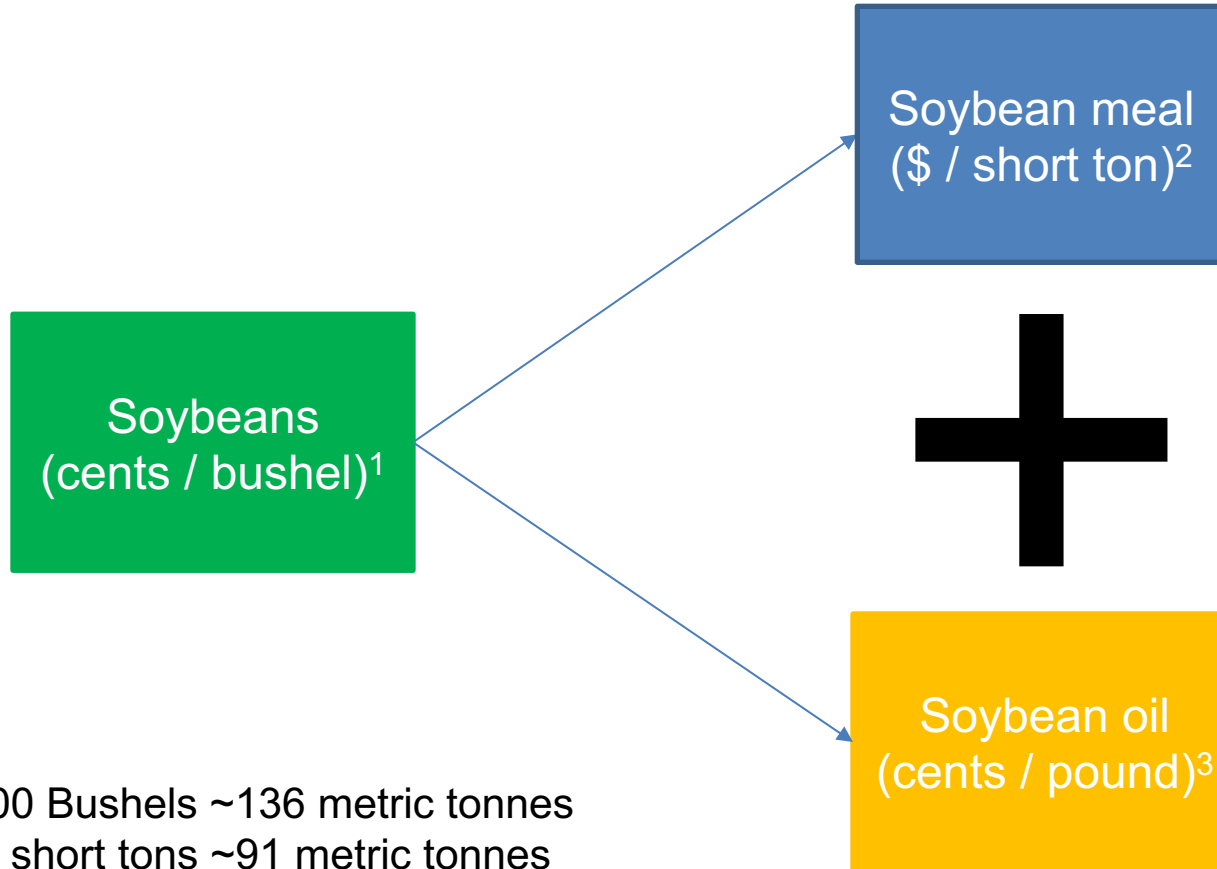


Source: <https://content.ces.ncsu.edu/north-carolina-soybean-production-guide/soybean-facts>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

The “Crush Spread”



¹ 5,000 Bushels ~136 metric tonnes

² 100 short tons ~91 metric tonnes

³ 1 short tons = 2,000 pounds

Soy: Standard, Mini, Meal and Oil

DESCRIPTION File Configure

Stock Description

Soybean Futures

Security Type **FUT**
 Underlying **ZS IND**
 Contract Month **NOV22**
 Expiration Date **NOV 14 '22**
 Last Trading Date **NOV 14 '22 12:01 CST**
 Currency **USD**
 Notation **Price quotes are displayed in cents per exchange rules**
 Multiplier **5000**
 Exchange **ECBOT**
 Trading Class **ZS**
 Symbol **ZS NOV 22**
 Product Type **Agriculture**
 Settlement Method **Physical Delivery**
 Physical Delivery **Not permitted at Interactive Brokers**

Trading Schedule: July 12, 2022 [Calendar](#)

DESCRIPTION File Configure

Stock Description

Mini Sized Soybean Futures

Security Type **FUT**
 Underlying **YK IND**
 Contract Month **NOV22**
 Expiration Date **NOV 14 '22**
 Last Trading Date **NOV 14 '22 12:01 CST**
 Currency **USD**
 Notation **Price quotes are displayed in cents per exchange rules**
 Multiplier **1000**
 Exchange **ECBOT**
 Trading Class **XK**
 Symbol **XK NOV 22**
 Product Type **Agriculture**
 Settlement Method **Physical Delivery**
 Physical Delivery **Not permitted at Interactive Brokers**

Trading Schedule: July 12, 2022 [Calendar](#)

Regular Trading Session 08:30 - 13:45 (21:30 - 02:45 your time)
 Total Available Hours *19:00** - 07:45 (08:00 - 20:45 your time)
 08:30 - 13:45 (21:30 - 02:45 your time)
 Exchange Time Zone (UTC-06:00) US/Central

Note: Trader Workstation follows timezone adjustments for daylight savings time

* Times in italics are on the calendar date preceding trade date

DESCRIPTION File Configure

Stock Description

Soybean Meal Futures

Security Type **FUT**
 Underlying **ZM IND**
 Contract Month **DEC22**
 Expiration Date **DEC 14 '22**
 Last Trading Date **DEC 14 '22 12:01 CST**
 Currency **USD**
 Multiplier **100**
 Exchange **ECBOT**
 Trading Class **ZM**
 Symbol **ZM DEC 22**

DESCRIPTION File Configure

Stock Description

Soybean Oil Futures

Security Type **FUT**
 Underlying **ZL IND**
 Contract Month **DEC22**
 Expiration Date **DEC 14 '22**
 Last Trading Date **DEC 14 '22 12:01 CST**
 Currency **USD**
 Notation **Price quotes are displayed in cents per exchange rules**
 Multiplier **60000**
 Exchange **ECBOT**
 Trading Class **ZL**
 Symbol **ZL DEC 22**
 Product Type **Agriculture**
 Settlement Method **Physical Delivery**
 Physical Delivery **Not permitted at Interactive Brokers**

Trading Schedule: July 12, 2022 [Calendar](#)

Regular Trading Session 08:30 - 13:20 (21:30 - 02:20 your time)
 Total Available Hours *19:00** - 07:45 (08:00 - 20:45 your time)
 08:30 - 13:20 (21:30 - 02:20 your time)
 Exchange Time Zone (UTC-06:00) US/Central

Note: Trader Workstation follows timezone adjustments for daylight savings time

* Times in italics are on the calendar date preceding trade date

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Sample Mini Soy Futures Trade

✕ Order Confirmation
▼

▼ Mini Sized Soybean Futures

Financial Instrument	Bid	Ask	Last
YK ∞ Nov14'22 @ECBOT	♦ 1332 5/8	1333 1/4 ♦	♦ 1332 3/4

Order Description

BUY 1

Order Type LMT Routing ECBOT Time in Force DAY

Limit Price 1288 Clearing IB

Messages

Amount	Balances (in USD)																				
Amount	12,880 USD																				
Commission (est.)	1.90 USD																				
Total	12,881.90 USD																				
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">Current</th> <th style="text-align: right;">Change</th> <th style="text-align: right;">Post-trade*</th> </tr> </thead> <tbody> <tr> <td>Equity with Loan</td> <td style="text-align: right;">267,966</td> <td style="text-align: right;">-2</td> <td style="text-align: right;">267,964</td> </tr> <tr> <td>Initial Margin</td> <td style="text-align: right;">16</td> <td style="text-align: right;">1,569</td> <td style="text-align: right;">1,585</td> </tr> <tr> <td>Maintenance Margin</td> <td style="text-align: right;">9</td> <td style="text-align: right;">1,255</td> <td style="text-align: right;">1,265</td> </tr> <tr> <td>Position</td> <td style="text-align: right;">0</td> <td style="text-align: right;">1</td> <td style="text-align: right;">1</td> </tr> </tbody> </table>		Current	Change	Post-trade*	Equity with Loan	267,966	-2	267,964	Initial Margin	16	1,569	1,585	Maintenance Margin	9	1,255	1,265	Position	0	1	1
	Current	Change	Post-trade*																		
Equity with Loan	267,966	-2	267,964																		
Initial Margin	16	1,569	1,585																		
Maintenance Margin	9	1,255	1,265																		
Position	0	1	1																		

*This is a current projection and is subject to change.
[Margin Requirements Per Contract](#)

Don't display this message again.

Override and Transmit

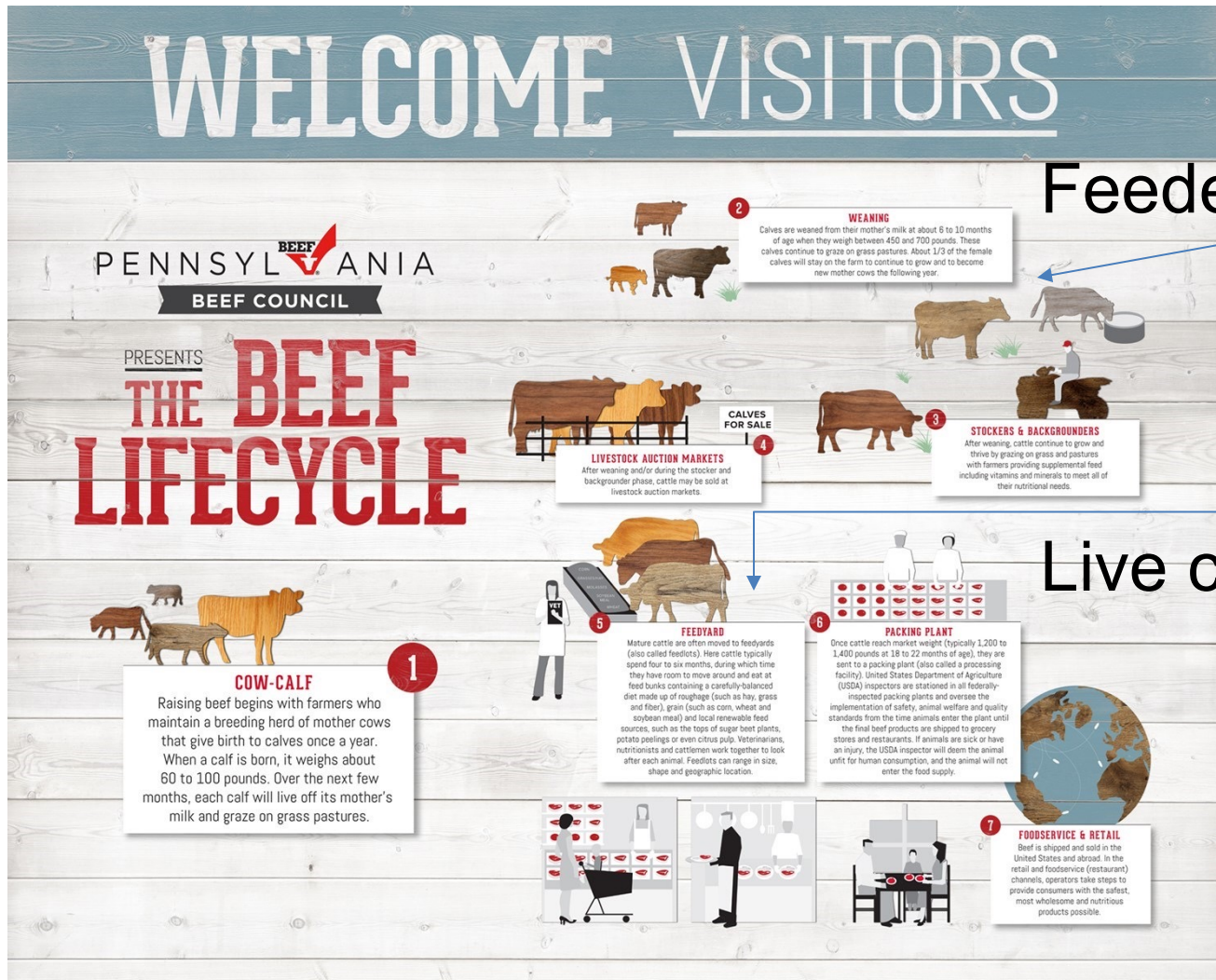
Cancel

DATA POWERED BY

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Livestock

Life cycle of beef cattle



Feeder cattle

Live cattle

Source: <https://www.pabeef.org/raising-beef/beef-lifecycle>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

The Feeder Cattle-Live Cattle Spread In 2022



Source: Koyfin

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Why pork is (often) cheaper than beef

1. Hogs grow faster than cattle, and tend to have more piglets
2. Hogs are omnivores, with cheaper feeding options than with cattle
3. Hog processing is more automated, requiring fewer employees to transport and butcher
4. More of a hog can be eaten, meaning less waste

Source: <https://carnivorestyle.com/why-is-pork-cheaper-than-beef/>

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Cattle & Hogs Futures Specs in cents per pound (options available)

DESCRIPTION File Configure	
Stock Description	
Live Cattle	
Security Type	FUT
Underlying	LE IND
Contract Month	AUG22
Expiration Date	AUG 31 '22
Last Trading Date	AUG 31 '22 12:00 CST
Currency	USD
Notation	Price quotes are displayed in cents per exchange rules
Multiplier	40000
Exchange	GLOBEX
Trading Class	LE
Symbol	LEQ2
Product Type	Meat
Settlement Method	Physical Delivery
Physical Delivery	Not permitted at Interactive Brokers

DESCRIPTION File Configure	
Stock Description	
Feeder Cattle	
Security Type	FUT
Underlying	GF IND
Contract Month	SEP22
Expiration Date	SEP 30 '22
Last Trading Date	SEP 29 '22 12:00 CST
Currency	USD
Notation	Price quotes are displayed in cents per exchange rules
Multiplier	50000
Exchange	GLOBEX
Trading Class	GF
Symbol	GFU2
Product Type	Meat
Settlement Method	Cash
Trading Schedule: July 25, 2022 Calendar	
Regular Trading Session	08:30 - 13:05 (21:30 - 02:05 your time)
Total Available Hours	08:30 - 13:05 (21:30 - 02:05 your time)
Exchange Time Zone	(UTC-06:00) US/Central
<i>Note: Trader Workstation follows timezone adjustments for daylight savings time</i>	
Margin Information	
Margin Requirements Per Contract More	
Initial	8554.63 USD
Maintenance	6843.70 USD

DESCRIPTION File Configure	
Stock Description	
Lean Hogs	
Security Type	FUT
Underlying	HE IND
Contract Month	AUG22
Expiration Date	AUG 16 '22
Last Trading Date	AUG 12 '22 12:00 CST
Currency	USD
Notation	Price quotes are displayed in cents per exchange rules
Multiplier	40000
Exchange	GLOBEX
Trading Class	HE
Symbol	HEQ2
Product Type	Meat
Settlement Method	Cash
Trading Schedule: July 12, 2022 Calendar	
Regular Trading Session	08:30 - 13:05 (21:30 - 02:05 your time)
Total Available Hours	08:30 - 13:05 (21:30 - 02:05 your time)
Exchange Time Zone	(UTC-06:00) US/Central
<i>Note: Trader Workstation follows timezone adjustments for daylight savings time</i>	

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Sample Lean Hogs Futures Trade

✕ Order Confirmation
▼

▼ Lean Hogs

Financial Instrument	Bid	Ask	Last
HE ∞ Oct14'22 @GLOBEX	♦ 95.225	95.275 ♦	♦ 95.250

Order Description

SELL 1

Order Type LMT Routing GLOBEX Time in Force DAY

Limit Price 100.000 Clearing IB

Messages

Amount	Balances (in USD)		
Amount	Current	Change	Post-trade*
Amount 40,000 USD	Equity with Loan 267,620	-3	267,617
Commission (est.) 2.90 USD	Initial Margin 16	5,021	5,036
Total 39,997.10 USD	Maintenance Margin 9	4,017	4,026
	Position 0	-1	-1

*This is a current projection and is subject to change.
[Margin Requirements Per Contract](#)

Don't display this message again.

Override and Transmit

Cancel

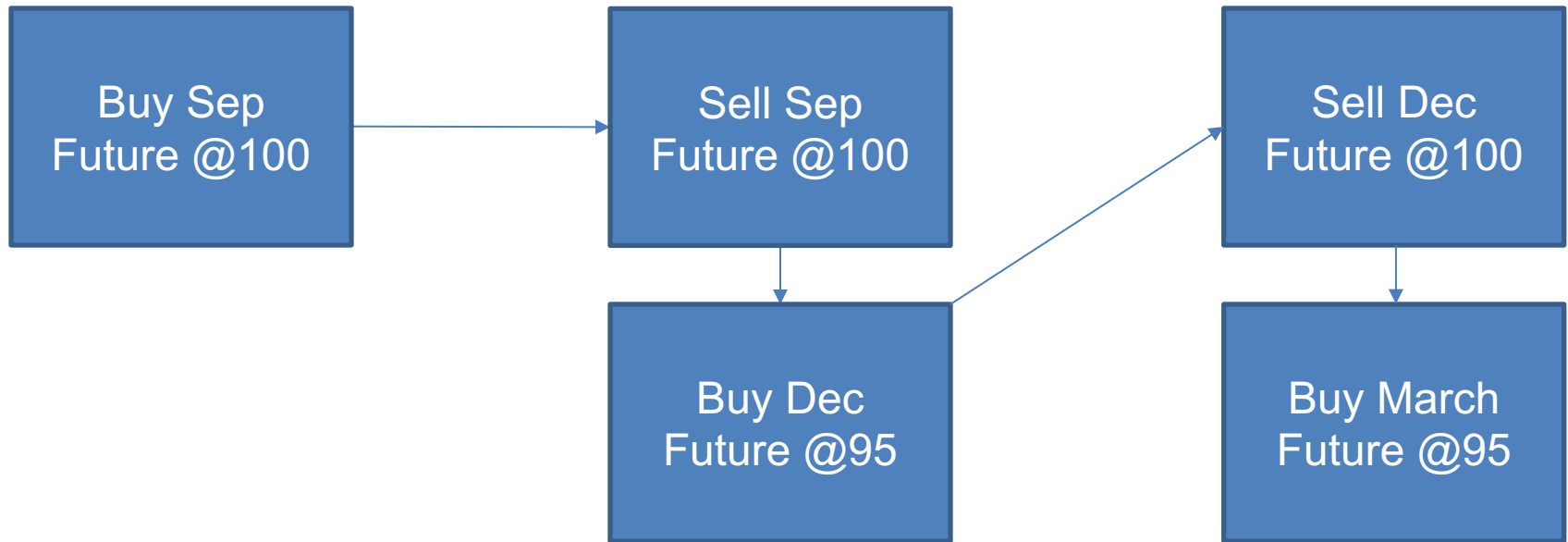
DATA POWERED BY

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Index

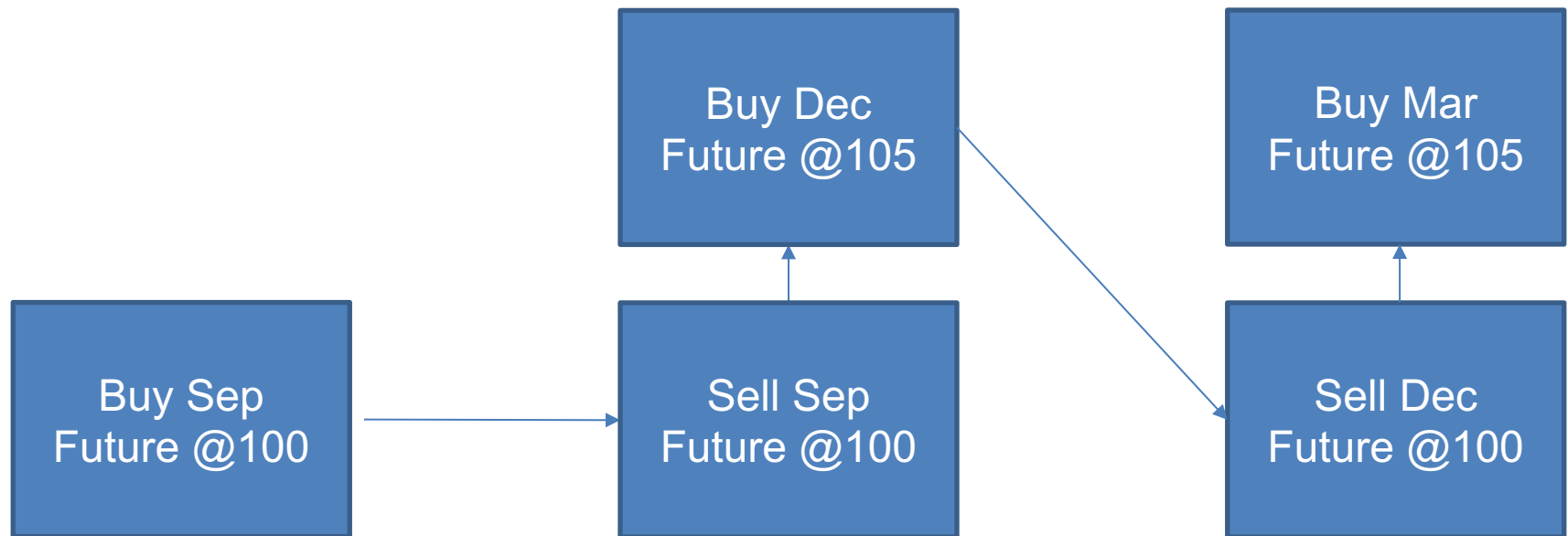
Very Important: Backwardation

Here, you profit 5/contract/quarter even the underlying "remains" at 100 through Sep->Dec



... vs Contango

Here, you lose 5/contract/quarter even the underlying "remains" at 100 through Sep->Dec



Bloomberg Commodity Index Futures

DESCRIPTION		File	Configure
Stock Description			
Bloomberg Commodity Index			
Security Type	FUT		
Underlying	AIGCI IND		
Contract Month	SEP22		
Expiration Date	SEP 21 '22		
Last Trading Date	SEP 21 '22 13:30 CST		
Currency	USD		
Multiplier	100		
Exchange	ECBOT		
Trading Class	AW		
Symbol	AW SEP 22		
Product Type	Commodity Index		
Settlement Method	Cash		
Trading Schedule: July 25, 2022 Calendar			
Regular Trading Session	08:30 - 13:30 (21:30 - 02:30 your time)		
Total Available Hours	08:15 - 13:30 (21:15 - 02:30 your time)		
Exchange Time Zone	(UTC-06:00) US/Central		
<i>Note: Trader Workstation follows timezone adjustments for daylight savings time</i>			
Margin Information			
Margin Requirements Per Contract More			
Initial	1381.37 USD		
Maintenance	1105.09 USD		

Source: Interactive Brokers, 25 July 2022

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Sample Index Futures Trade

Order Confirmation

▼ Bloomberg Commodity Index

Financial Instrument	Bid	Ask	Last
AIGCI ∞ Sep21'22 @ECBOT	◆ 116.94	117.64 ◆	◆ c116.52

Order Description

BUY 1

Order Type LMT Routing ECBOT Time in Force DAY

Limit Price 115.00 Clearing IB

Messages

Amount		Balances (in HKD)			
Amount		Current	Change	Post-trade*	
Amount	11,500 USD	Equity with Loan	1,522,680	-15	1,522,665
Commission (est.)	1.87 USD	Initial Margin	330,255	10,795	341,050
Total	11,501.87 USD	Maintenance Margin	230,670	8,636	239,306
		Position	0	1	1

*This is a current projection and is subject to change.
[Margin Requirements Per Contract](#)

Don't display this message again.

DATA POWERED BY

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Forming your Agricultural Commodities Strategy

- Do you have a timely view on a specific commodity or spread, or are you seeking a more permanent risk allocation?
- Is your strategy more triggered on fundamentals, or on technical / momentum factors?
- How will you factor in contango / backwardation and what the options market tells you?
- Is it better to implement your strategy with the micro futures, full sized, or options?

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Questions?

GFM Contact

Tariq Dennison

<https://gfmasset.com>

TDennison@gfmgrp.com

Twitter: @QuantOfAsia

Seeking Alpha: TARIQ DENNISON