

# What Futures Contract to trade?

Which among so many available Futures (or commodities) worldwide Contracts are the best adapted to a user's investment?

To make a thorough choice, the trader's questions/answers shall include:

- 1. What is the minimum investment that Brokerage Firms/Clearing Houses require?** (usually ranging from US\$2,000 to US\$5,000). This is the most basic factor to consider prior to start trading on Futures. It triggers: what can a trader afford?
- 2. The margin amount necessary to trade one lot in a contract.** The margin amount varies widely from about US\$500 to about €10,000 (or about US\$12,500). Some traders may not afford the costly Contracts such as Dax 30 (Index of the German Market) but many could afford E-mini Gold.
- 3. The Point value of the Contract.** The Point value varies from US\$5 to US\$100 meaning that each point gained is generating a profit of US\$5 to US\$100. So obviously the Point value shall be a strong consideration. Russell 2000 leads the pack with US\$100 per point while the DJ Industrial is only at US\$5. What matters is how many points average does a Contract do daily. The DJ certainly moves by a lot of Points daily so the liquidity potential is there.
- 4. The volume of trades and volatility of a Contract.** The more the volume of trades daily the better chance to experience huge changes in the market, then the largest opportunity for a high amount of liquidity. This fourth factor is a key element in writing automated strategies. If the market does not move substantially every day, there are no chances for an Automated Strategy to perform well. At StrategyLand Research Pte Ltd, we concentrate on writing Automated Strategies for about 5 to 6 worldwide Contracts, mostly considering the volume of trades daily and the probability of volatility. Why write a Strategy on a Contract moving only 5 points a day, when the next Contract moves up to 50 points a day? Writing Strategies for Equities is somehow pointless as opposed to writing Automated Strategies for Futures.

	DAX	Russell	S&P	FTSE	NSDQ	Yen	CAC-40	DJ IND	Euro Cur.	Euro Stxx	TBOND	Br Pound
Average	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11	#12
Profit/Day	€ 1,687	\$1,219	\$882	£451	\$753	\$601	€ 589	\$575	\$524	€ 383	\$424	\$348
Average	#2	#12	#10	#6	#9	#5	#4	#1	#7	#8	#11	#3
Points/Day	77.06	12.69	18.92	50.46	40.89	55.39	64.89	133.43	49.38	44.14	15.41	67.83
in US\$	\$2,075			\$811			\$725			\$471		
Point Value	€ 25	\$100	\$50	£10	\$20	\$12.50	€ 10	\$5	\$12.50	€10	\$31.25	\$6.25

- 5. The minimum daily performance or Return of Investment (ROI) of a Contract over several months.** After analysing these Contracts for several months, we list in the chart above the "minimum average amount of money in US\$ which could have been won per day" and the corresponding daily number of Points.

The calculations are mathematical formulas in regards to only the daily Open, High, Low and Close values over several months. It does not take into consideration the delta between the several peaks which may happen in between the High and Low. The first formula determines what is the lowest amount between Open and both High and Low. The lowest value is kept only. The next formula adds the spread between High and Low. Then the third formula calculates the value from High or Low to Close. The choice between High or Low is of course based on the first factor. The accumulation of these 3 amounts determines the minimum number of Points reached each day per Contract, which values are multiplied by the Point value, and deducting the transactions fees in regards to the number of trades, 2, 4 or 6. The minimum amount an astute trader could have made is then listed daily, from which an average amount is deducted over several months.

- 6. The Behaviour of a Contract.** Some Contracts are trendy, others are swinging a lot daily (mostly the Currencies) though they may trend too. Traders have different feelings towards those behaviors which represent different levels of risks, require different sets of Stop Losses but also require watching every minute of the day.

The best situation would be a Contract which swings, say 10 times a day, from High to Low with a large spread of 40 to 50 points each time. This would of course provide more opportunities than a Contract trending 100 points in one move. Women tend to like Trendy guys rather than Swinging guys!!! But it hardly applies to the trading world, does it?

A Swinging Contract does not fit a trader who cannot watch the market movements daily. But a Trending Contract would fit that trader where he could set up his Bracket order at the start of the day and somehow limit his stress. That trader would have a better chance, even if limited, to get a decent profit at the end of the day or limit the losses to the pre-programmed Stop Losses set.

Some Contracts follow each other daily. The best examples might be EuroStoxx and Dax. Some traders would prefer EuroStoxx because it is less risky with the spread between High and Low being so much lower than Dax. EuroStoxx only carries Point of €10, while Dax carries Point of €25.

- 7. The Transaction Fees of a Contract.** Some European Contracts may cost more today due to the Euro currency being so high versus the US Dollar. We will consider this question irrelevant since the fees are dependent on the Broker/Clearing House rates. This factor would hardly affect the final decision of a trader due to the little differences between one Contract and the next.

## Conclusion:

What a surprising outcome this chart shows. And the winner is Dax 30, The German Index of the EUREX exchange. Not too surprising since Dax is the Contract offering the largest Return On Investment among all of our company's Automated Strategies. Unfortunately, its entry cost is the highest and many traders cannot afford it. But as good alternatives do consider the daily average ROI for Russell, S&P, FTSE, Nasdaq, Yen, CAC40, DJ Industrial and the Euro Currency. The winner with the highest number of Points is DJ Industrial, followed by Dax, FTSE and the 3 main currencies (Euro, Yen, and British Pound).

The winners with the highest volumes traded worldwide are EuroBund Germany (Eurex), Euro Currency (CME), S&P (CME) and Dax (Eurex).

Be aware, that the calculation used for the chart does not help those Contracts which swing a lot daily (like Russell, S&P and the Currencies). Traders who can monitor closely would select those in addition to Dax. If Dax is the best Contract for traders having no time to watch, Russell shall be the overall winner for Traders who can watch all market movements daily. Russell can be traded from 9:30pm Singapore time until 4am while Dax is from 3pm till 2am.

StrategyLand Research offers Automated Strategies running on the StrategyBot Trading software for, principally, Dax, Euro, S&P, Nasdaq. We do offer BotTrading strategies for more Contracts but time and resources are presently both limited to us. The use of our sophisticated Market Pane is allowing many of our Manual Traders to capitalize on Dax, the Currencies and many other Contracts available. StrategyBot supports the most widely used Contract worldwide (as listed above) to secure the highest potential profit to our users.

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