

FUTURES **L I N G O**

BID

VS

ASK

WHAT ARE BID AND ASK IN FUTURES TRADING?

Bid

The highest price a buyer is willing to **buy** a futures contract.

Represents the **demand** side of the futures market.

Definition

Indication

Ask

The lowest price a seller is willing to **sell** a futures contract.

Represents the **supply** side of the futures market.

EXAMPLE

You are a trader and would like to trade the FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures (FKLI).

| | Bid | Ask |
|-------------------|----------|----------|
| 1st bid/ask price | @1,588.0 | @1,590.0 |
| 2nd bid/ask price | @1,587.5 | @1,590.5 |
| 3rd bid/ask price | @1,587.0 | @1,591.0 |

You think the price of the index will decrease and decide to **sell** FKLI. You can sell at the 1st bid price = **1,588.0**.

Conversely, you **buy** FKLI if you think the price of the index will increase. You can buy at the 1st ask price = **1,590.0**.

BID-ASK SPREAD

Definition

The difference between the bid price and ask price.

Indication

A narrow bid-ask spread indicates a high demand.

Example

Bid

@1,588

Ask

@1,590

In this example, the bid-ask spread is 2 points.

Source: CME Group, Investopedia