

**FUTURES LINGO**

# VOLATILITY

# WHAT IS VOLATILITY IN FUTURES TRADING?

## Definition

The degree of variation in the price of a futures contract over time.



## Importance

Measures how much and how quickly the price of the futures contract fluctuates.



## Evaluation

A key factor in assessing the risk and potential reward in futures trading.



# HIGH VS LOW VOLATILITY

## High Volatility

Large and fast price movements

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More significant trading opportunities

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Mostly driven by political events, economic news and changes in market sentiment

Price Change

Trading Opportunity

Market Sentiment

## Low Volatility

Small and slow price movements

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Less significant trading opportunities

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Associated with periods of economic stability and predictability

# KEY FUNCTIONS OF VOLATILITY

## Trading Strategies

Traders use volatility to develop and adjust trading strategies. E.g., traders might use trading strategies like straddles or strangles during periods of high volatility.



## Technical Analysis



Many technical indicators like Bollinger Bands and Average True Range use volatility to provide insights into potential price movements and market trends.