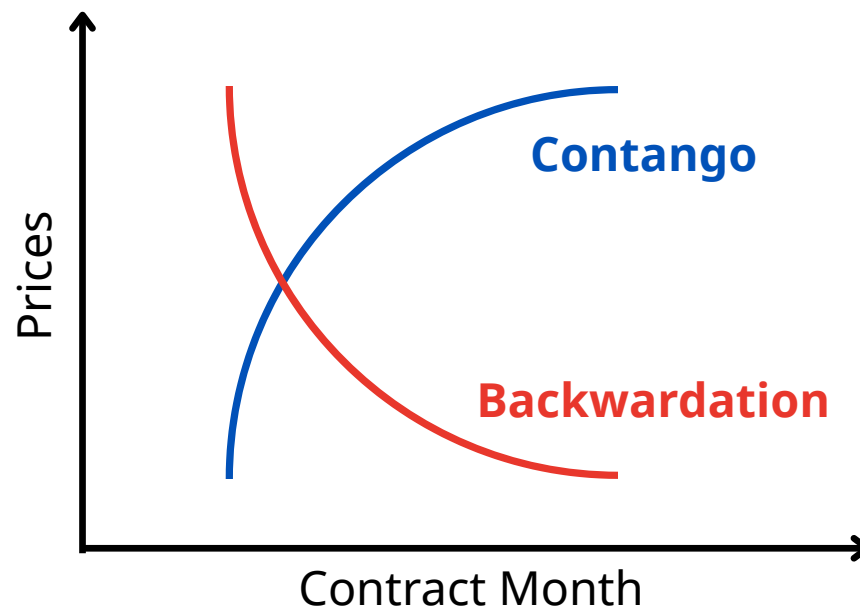


FUTURES LINGO



THE RELATIONSHIP BETWEEN SPOT PRICE AND FUTURES PRICE



CONTANGO	BACKWARDATION
The futures price of an asset is higher than its spot price (current market price).	The futures price of an asset is lower than its spot price (current market price).

DIFFERENCE BETWEEN SPOT PRICE AND FUTURES PRICE

	SPOT PRICE	FUTURES PRICE
Delivery	Immediate delivery	At a specified future date
Transaction Time	Price of immediate transaction	Predetermined price for future transaction
Timeframe	Reflect on the current market value	Reflect on futures expectations
Volatility	More volatile due to short-term supply and demand factors	More stable due to long-term expectations of supply and demand in the future

ILLUSTRATION THE DIFFERENCES

The spot price of **Crude Palm Oil** reflects the current market value of a ton of oil that can be delivered immediately. The futures price of crude palm oil, on the other hand, reflects the price of a ton of oil that will be delivered at a specified future date.

The differences between the spot price and the futures price of crude palm oil could be due to several uncertainties, such as:

	SPOT PRICE	FUTURES PRICE
Weather	Current weather impact on immediate yields	Risk assessment and effect of future weather patterns on upcoming supply months
Demand and Supply	Reacts immediately to current balance of supply and on-the-spot demand	Forecasted long-term changes in domestic inventory and external consumption trends
Seasonal Festivals	Short-term volatility due to pre-festival buying activity	Long-term demand shift impacting future inventory planning

HL Futures

Mezzanine Floor, Block B, Plaza Zurich,
No. 12, Jalan Gelenggang, Bukit Damansara,
50490 Kuala Lumpur



+603-2080 8678



helpdeskfutures@hlib.hongleong.com.my

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