

**FUTURES** **L** **I** **N** **G** **O**

**LONG  
LIQUIDATION**

**SHORT  
COVERING**

# DEFINITION

## LONG LIQUIDATION

**SELL** futures contracts to close a long position.

## SHORT COVERING

**BUY** futures contracts to close a short position.

# COMPARISON

## **Long** Liquidation

Initially bought contracts expecting prices to rise.

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Sell the same futures contract that you bought initially.

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To secure profits if the market rises or cut loss when the market goes against your position.

Trader's Position

Action Taken

Reason

## **Short** Covering

Initially sold contracts expecting prices to fall.

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Buy the same futures contract that you sold initially.

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To secure profits if the market drops or cut loss when the market goes against your position.

# EXAMPLE

## [Long Liquidation]

10 Oct 2024

**Buy**

**@4,967**

You think the price of crude palm oil will increase and decide to **buy** 1 lot of Crude Palm Oil futures contract (FCPO).

24 Oct 2024

**Sell**

**@5,167**

Two weeks later, the FCPO's price increases 200 points and you take profit by **selling** 1 lot of FCPO contract.



# EXAMPLE

## [Short Covering]

10 Oct 2024

**Sell**

**@4,967**

You think the price of crude palm oil will drop and decide to **sell** 1 lot of Crude Palm Oil futures contract (FCPO).

24 Oct 2024

**Buy**

**@4,767**

Two weeks later, the FCPO's price decreases 200 points and you take profit by **buying** 1 lot of FCPO contract.

