

Orders: How to Place a Trade

Market Order

'Market Orders' are the most common order placed in commodities trading. A market order can be used to place a buy or sell order. A market order is used to enter a new position or to exit an existing position. A market order instructs a broker to *execute a trade order* at the best market price currently available. A market order is used when you want to get the order executed immediately at the current 'market price'. At any given time, the price of a commodity has a 'bid' and an 'ask' price with the asking price just a bit higher than the bid price. This is where the floor brokers make their money--they profit from the amount between the 'bid' & 'ask' price of a position. A market order to sell will give you the bid price. A market order to buy will charge you the asking price.

Market Order on Open (MOO)

'Market on Open' orders are executed during the opening moments of trading and must be filled within the opening trading price range.

Market Order on Close (MOC)

A 'Market on Close' order is executed during the final closing moments of trading. MOC orders must be filled within the price trading range within 2 minute of the close of the given market.

Limit Order

A 'Limit Order' is the second most common type of order. A limit order is an order to buy a specified quantity of futures contracts or options at or below your specified price. A limit order is also used to sell your order at or above your specified price. Your desired price is termed, the limit price. This ensures that a person will never pay more for the position than the price that is stated in his limit order. Limit orders to buy are placed below the current market price. Limit orders to sell are placed above the current market price. If the market price touches your limit order, even several times, but does not pass through your limit order, you may be filled but you are not guaranteed a fill. You are guaranteed a fill only if the market price passes through your limit order. Whether or not you are filled on multiple positions at that limit price would depend upon sufficient volume and your orders priority in that given market. Of course, your limit orders may not be filled if they are asking too much.

Fill or Kill Order (FOK)

'Fill or Kill' orders are limit orders sent to the trading floor and are to be executed and filled immediately or canceled. A fill or kill order instructs the broker to buy or sell at your specified limit price and to immediately cancel the order if it is "unable" to be filled.

Good 'Till Canceled (GTC)

'Good Till Canceled Orders', a.k.a 'Open Orders', are always considered active orders until filled, canceled, or replaced by another type of order. When placing an order with your broker, it is assumed a *day order* and will expire at the close of the markets on the trading day it was placed. If you want to have an order working longer than one day, you must enter the order as a GTC order.

Stop Order

A 'Stop Order' is an order to buy or sell a futures contract if the specified price (the stop price) is reached or passed through. A stop order then becomes a 'market order' only when the specified price level is reached. In the event your stop order is hit, you may or may not be filled at your stop price because when triggered, the stop order turns into a market order and fill prices may vary depending upon liquidity. Once the stop order is hit, the order becomes a market order and will be filled at the best possible price.

Stop orders are used for three purposes; to minimize a loss on a long or short position, to protect a profit on a long or short position and to enter into a new long or short position. A stop order can also be referred to as a stop-loss order when used to protect a position from a contrary move in the market.

Examples- a *Buy Stop Order* is placed above the current market price and is filled only when the market trades at or is bid at or above the stop price.

A *Sell Stop Order* is placed below the current market price and is filled only when the market trades at or is offered at or below the stop price.

Stop Limit Order

A 'Stop Limit Order' lists two prices (a stop with a stop-limit) in an attempt to gain more control over the price at which your stop is filled. The first part of the order is written like the above stop order. The second part of the order specifies a limit price. This indicates that once your stop is triggered, you do not wish to be filled beyond the limit price. Stop limit orders should usually not be used when trying to exit a position. This order becomes a market order only when the specified price level is reached. A *buy stop* is placed above the market and a *sell stop* is placed below the market.

Spread Order

A 'Spread Order' is where the trader is holding a combination of options or futures positions or both. Your basic futures spread position strategy involves two positions, one long and one short as in a futures spread-See Futures Spreading 101. The positions that make up a spread are referred to as 'legs'. Spreads are usually initiated to limit risk or to reduce entry price or both. With a spread position, the objective is to profit from a favorable change in the difference between the two prices of the 'legs'. With options spreads, your price, whether buying or selling, will be determined by the sum or 'net' of your combined debit and credit positions.

Market If Touched (MIT)

An 'MIT' order is primarily used to enter into a position. MIT orders to buy are placed below the market and MIT orders to sell are placed above the market. An MIT order will only be filled if the specified price is touched. When the specified price is touched, the MIT order becomes a market order. The order is then carried out at the first available price after the specified price has been reached, which is not always equal to the specified price. Therefore, your fill price may be at, below or above your price specified in your MIT order.

The difference between an MIT and a 'Limit Order' is that when the market touches your MIT order, your MIT order turns into a market order and you may be filled at, above or below your MIT price. With a limit order, you will ONLY get a fill at your price or better. With the limit order, the market must pass through your limit price to be filled.

Straight Cancel

As the name implies, a 'Straight Cancel' order cancels a previously placed or working order. A straight cancel order tells the broker to void a buy or sell order immediately. If the market was trading close to where your order was working, you may want to get a 'confirm out' from the trading floor that was working your order to insure that your order was not filled just before you placed your straight cancel order.

Cancel/Replace or Cancel/Replace to the Market

With the exception of Market Orders, all other orders can be canceled and replaced with a different order. In other words, you can change the quantity and price of your working order unless you were already filled prior to your attempt to cancel replace.

Order Cancels Other (OCO)

In order to determine the direction of a volatile market, a trader can simultaneously initiate a sell order below where the market is trading and a buy order above where the market is trading. In the event the market breaks one way or the other, the trader will be filled on one order while the other order is automatically cancelled. Let's say the market breaks out to the upside and the buy order is filled, this will automatically cancel the sell order. Not all exchanges take this type of order. When one order is executed, the other will automatically be canceled, (OCO).

Market Not Held Order

The Market Not Held order gives the floor trader the ability to delay the order execution (at his discretion) to try to get a better price. Because of the discretion given to the floor trader, the quality of the filled order will depend on the floor trader's ability to select the right time to execute the trade. The Market Not Held Order comes with the understanding that the floor trader will use its best efforts to execute the order per the investors instructions and that the floor broker will not be held liable for any lost profits, trading losses, or damages resulting from

the manner in which the order was filled. You are giving the broker time discretion or flexibility in getting your order filled.

DRT or Discretion

The investor may give the floor trader a certain amount of leeway while working an order. As an example, let's say that your Corn Option has a bid/ask price of 40Cents by 42 Cents. You would like to get 45 Cents but at this moment the market will only give you 40 Cents (the bid price). You can tell your floor trader to work 45 Cents for a fill for today but if the market won't give that to you can allow your broker to get as much as he can within the amount of discretion you give him. If you place your order to sell your Corn options for 45 Cents with 7 Cents DRT, your floor broker try to get more than the current market. In essence, you are risking 2 Cents to try to get 5 cents or more. This eliminates the need for your order to be cancel/replaced lower until a fill is finally achieved. You are giving your broker a pre-arranged monetary amount to work with in getting your order filled.

Disclaimer: There is risk in all commodity trading. Past performance does not guarantee future results. This data is believed to be reliable; however, this data has not been independently verified. Such data cannot be guaranteed as to its reliability, accuracy, or completeness. The data provided can be subject to change anytime without notice. Ventura Futures will not be held liable for misinformation. Always refer to the appropriate exchanges to verify data. Not all exchanges take all types of orders stated.