Price Futures
Price Futures Contract
Call Options
Put Options
Forward Contract
Basis
Futures Price
Futures Contract
Price = Futures Price + Basis
Price \( = \) Futures Price \(+\) Basis

\(4.50\) \(=\) \(5.00\) \(+\) \(-0.50\)

Price \(\text{KC Contract} \text{Local Cash} - \text{KC contract}\)
Price = Futures Price + Basis

$4.60 = $5.10 - $0.50
Price = Futures Price + Basis

$4.60 = $5.00 + -$0.40
$4.50 = \text{Futures Price} + \text{Basis}

\text{Forward Contract} \quad $5.00 \quad -$0.50
$4.60 = \text{Futures Price} + \text{Basis}

\text{Forward Contract} \quad \$5.00 \quad -$0.40
$4.60 = \text{Futures Price} + \text{Basis}

- \text{Forward Contract} = \$5.10

- \$0.50
$4.50 = Futures Price + Basis

Forward Contract

Futures Contract

$5.00

-$0.50
$4.60 = \text{Futures Price} + \text{Basis}

\text{Forward Contract} \uparrow \text{Futures Contract}

\text{Futures Price} = \$5.10

\text{Basis} = -$0.50
$4.60 = Futures Price + Basis

Forward Contract

Futures Contract

$5.00

-$0.40
Expected Hedge:
April: Sold KC July @ $5.00
Expected Price w/ -$0.40 $4.60

June: BOT KC July @ $4.50
Cash Price: $4.50 - $0.40 = $4.10

Return from Hedge:
Sold KC July @ $5.00
BOT KC July @ $4.50
Net from futures $0.50

Net Price Received: $4.10 + $0.50 = $4.60
Price = Futures Price + Basis

Put Options

Forward Contract

Futures Contract

KC July
$5.00

Minimum Price
Put Strike Price: $5.00
Expected Basis: -$0.40
Premium: -$0.40
$4.20

Buy $5.00 @ $0.40
Put Options

Price

Price

= Futures

Price + Basis

Forward

Contract

Futures

Contract

KC July

$4.50

Sell $5.00 @ $0.50

Cash Price: $4.10

BOT: -0.40

Sold: 0.50

$4.20
$5.10 = Futures Price + Basis

Forward Contract

Futures Contract

KC July
$5.50

Cash Price: $5.10
BOT: -0.40
Sold: 0.00
$4.70

Price
$4.70

@ $0.00
Price $4.20 = Futures Price + Basis - $0.40

Forward Contract $4.60

Futures Contract $5.00

Buy $5.00 @ $0.40

Minimum Price $4.20

$4.60 - $0.40

Call Options
$4.60 = \text{Futures Price} + \text{Basis}

\text{FC Price: } $4.60
\text{BOT: } -0.40
\text{Sold: } 0.00
\text{Total: } $4.20

\text{KC July } $4.50
\text{Sell $5.00 @ $0.00}

\text{Call Options}
Call Options

Price = Futures Price + Basis

FC Price: $4.60
BOT: -0.40
Sold: 0.50
$4.70

Sell $5.00 @ $0.50

KC July
$5.50

Forward Contract

Futures Contract
Price = Futures Price + Basis

Forward Contract

Futures Contract

Put Options

Call Options