Slippage: settlement, reports and thin months

> **SLIPPAGE**
>
> The gap between the price an order intended and the price it received. It is not a fee anyone charges - it is the market's depth failing to hold still while the order lands - and in commodities its worst occurrences keep a published schedule.

Spread, financing and roll are prices you can look up. Slippage is the cost that depends on when and how you ask - and commodities, more than any market you have met so far, tell you in advance when asking will be expensive.

The scheduled bad moments

Report seconds. Module 2 showed depth being withdrawn before EIA and WASDE releases. A market order in that window crosses a hollowed-out book, and the fill reads like a different market because it briefly is one.The settlement window. Deep, but violently busy: fine for size, hostile to precision, as the day's benchmark gets fought over.Thin months and thin hours. A stop in a back month, or triggered at 3am, executes against whoever happens to be there - which module 2's volume-by-hour chart showed is close to nobody.

Stops convert thinness into cost

A resting stop becomes a market order at the worst available moment - that is what triggering means. The gap-risk arithmetic you met in FX applies with commodity volatility behind it: the stop's price is a request, and the book decides what honouring it costs. Slippage budgets belong in the plan for any position held through a report or across thin sessions, at double whatever a calm-hours estimate suggests.

What you can actually do

Slippage cannot be negotiated, but it can be scheduled around: enter and exit in the liquid hours, stand flat through releases the plan has no view on, and prefer the front month's depth unless the trade specifically needs another. Measure your own fills against intended prices for a month - the average is your personal slippage rate, and it belongs in the next lesson's assembly alongside every published cost.

Check your understanding

1. Why is slippage worse in the seconds around an inventory release?

a. Exchanges widen minimum ticks during releases
b. Market makers have withdrawn depth, so orders cross a nearly empty book
c. Order routing slows down under load

Answer: b. The depth is pulled deliberately ahead of the coin toss. An order in that window pays whatever the hollow book demands - and the window's timing is published weeks ahead.

2. What does a stop order become when triggered?

a. A limit order at the stop price
b. A market order, filled at whatever the book offers at that moment
c. A guaranteed exit at the stop price

Answer: b. The stop price is the trigger, not the promise. In a thin book the fill can land well beyond it - which is why stop placement and session choice are cost decisions, not just risk ones.