The all-in cost of one commodity trade

> **ALL-IN COST**
>
> Every cost of a specific trade, at its actual size, over its actual holding period, added up before entry: spread, commission or its spread-shaped equivalent, financing or roll, and a slippage estimate. The only cost figure that can be compared against a profit target, because it is the only one shaped like the trade.

This module priced six things separately. A trade pays them together, and the assembly is the lesson.

One position, itemised

Take the module's running example: a one-contract WTI CFD long, held a month. The spread cost $30 on the way in. Financing ran twenty nights at $8 - $160. The monthly roll took $600 at the worked curve. Total, before slippage: $790 a month, on a position whose owner would have told you the oil price was the only thing that mattered. Against an $80,000 notional that is roughly one per cent a month of standing cost - a hurdle the trade idea must clear before it earns its first honest dollar.

The shape of the bill depends on the trade

Scalps pay spread and slippage, almost nothing else. Their enemy is lesson 2.Month-long CFD holds pay financing and the roll. Their enemy is lessons 3 and 5, and the entry spread is a rounding error.Direct futures positions pay commission and the roll, run no nightly meter, and tie up margin that costs nothing but its idleness - lesson 4, kept clean.

The pre-trade habit

Before any commodity trade, write four numbers: spread at your size and hour; financing or roll for your holding period; the fee stack per round turn; and your measured slippage rate. Add them. If the sum is not small against the trade's target, the trade is not what it appeared - and no amount of being right about the commodity fixes a cost structure that was wrong for the idea. Module 4 takes this number and builds risk management on top of it.

Check your understanding

1. Why must costs be totalled per trade rather than compared per wrapper?

a. Wrappers change their pricing too often to compare

b. The bill's composition depends on the trade's size and holding period - the same wrapper is cheap for one trade and dear for another

c. Regulators require per-trade disclosure

Answer: b. A scalp and a month-long hold in the same account pay for different things. Only a cost shaped like the actual trade can be honestly set against the trade's target.

2. The worked position pays $790 a month while flat on price. What follows?

a. The position should be closed immediately

b. The idea must expect more than the standing cost per month before it earns anything - the hurdle comes first

c. The broker should be switched

Answer: b. Costs are the hurdle expectancy must clear, not an afterthought. A plan that never priced its own maintenance was a different, worse plan than its owner believed - pricing it first is the module's whole point.