Reading a commodity quote: units, ticks and conventions

> **TICK**
>
> The smallest price increment a contract is allowed to move, set by the exchange. Tick size times units per contract gives the tick value - the smallest amount one contract's value can change - and it differs by product, because both the tick and the unit count do.

Module 1 warned you that commodity conventions lie in wait. This is the catalogue.

Every product has its own dialect

Crude quotes in dollars and cents per barrel. Gold and silver in dollars and cents per troy ounce - a troy ounce, 31.1 grams, not the kitchen one. Natural gas in dollars and cents per MMBtu, a unit of heat rather than of stuff. And the grains quote in cents per bushel, the trap from module 1: wheat at 550 is $5.50, never $550.

None of this is guessable, and none of it is optional. The units are the first line of every exchange contract specification, and reading that page before trading a new product is the habit that separates preparation from guessing.

The tick, and what it is worth

Prices do not move continuously. Each contract has a minimum increment - its tick - and the exchange chose it deliberately. WTI moves in cents: one tick across 1,000 barrels is $10.00 per contract. Gold moves in ten-cent steps: across 100 troy ounces, also $10.00. Gas moves in tenths of a cent: across 10,000 MMBtu, again $10.00. Three different products, three different tick sizes, one deliberately identical tick value.

The grains break the pattern: a quarter-cent tick across 5,000 bushels is $12.50. Silver's half-cent across 5,000 troy ounces is $25.00 - the largest tick value on this page, on one of the more volatile products, which is worth sitting with for a moment.

Why ticks matter before strategy does

The tick value is the exchange rate between chart movement and money. A stop 'a few ticks away' is a precise amount, and you should know it before entry.Spreads quote in ticks. A two-tick spread on silver costs five times a two-tick spread on gold, whatever the charts look like.A market's noise floor is measured in ticks. What counts as a meaningful move on gas is invisible on gold's scale.

Work the converter below against the products you follow. The aim is not memorisation - it is that a quote stops being a bare number and starts arriving with its units, its month and its money value attached.

Try it yourself with the contract-notional calculator: https://ticksprout.com/tools/contract-notional

Check your understanding

1. Wheat moves from 550 to 552. What happened in money, per 5,000-bushel contract?

a. $2 per contract - the quote moved two dollars
b. $100 per contract - two cents across 5,000 bushels
c. $1,000 per contract - the quote is in dollars per bushel

Answer: b. Grain quotes are cents per bushel. Two cents times 5,000 bushels is $100. Reading the quote in dollars inflates everything a hundredfold - the trap module 1 flagged, now with the arithmetic.

2. Why is the exchange's contract specification page worth reading before trading a new product?

a. It lists the trading strategies that work for that product
b. It defines the units, tick size and contract size that every money calculation depends on
c. It is legally required reading

Answer: b. Units and ticks are not guessable and differ per product. Everything downstream - position size, spread cost, stop distance - is wrong if the convention underneath it is.