Seasonality in liquidity, and the settlement window

> **LIQUIDITY SEASONALITY**
>
> The predictable schedule of when a commodity market is thick and when it is thin - across the day, the week and the year. Price seasonality is contested territory; liquidity seasonality is close to mechanical, and it decides what your orders cost at any given moment.

Whether prices follow the calendar is arguable. Whether liquidity does is not. The people who make these markets keep schedules, and their schedules are your trading conditions.

Across the day

Module 1 gave you the shape: near-continuous electronic hours, with depth concentrated in the US session and thickest around the settlement window, where the day's official number is decided. Grains compress this further - their liquid hours are a short daytime session, and their overnight book is a corridor of ghosts. The practical rule is unchanged from the other tracks but sharper here: the market being open and the market being present are different facts.

Across the week and year

Liquidity drains around the report fixtures - the minutes before an EIA Wednesday are thin on purpose, as makers step back from the coin toss - then floods on the release. It thins into contract expiry as the front month empties, lesson 5's migration. And it observes holidays: US harvest and Thanksgiving weeks in the grains, the northern summer in metals, year-end everywhere. A position carried into a holiday-thinned commodity book is a position whose exit price has quietly widened.

Reading it

Volume by hour, for your product, over a few weeks: the daily tide chart, and it barely changes.Open interest by month: where the market actually lives right now, versus the month your chart happens to show.The economic and exchange calendars together: reports, expiries and holidays are all published long in advance. Thin books are scheduled events.

None of this tells you where price goes. It tells you what moving your money will cost, and when the answer is 'more than usual' - which, position-sized honestly, is worth more than most forecasts.

Check your understanding

1. Why are the minutes before a scheduled inventory report often the thinnest of the day?

a. Exchanges restrict trading before releases
b. Market makers withdraw depth rather than quote through a known coin toss
c. Most traders are reading the consensus forecasts

Answer: b. Nobody wants to be the standing bid when the number lands. Depth is pulled deliberately, so the thinness is as scheduled as the report itself.

2. What is the difference between a market being open and being present?

a. Open means orders are accepted; present means the exchange servers are online
b. Electronic hours run nearly continuously, but real depth keeps a much shorter schedule - and outside it, orders move the price more
c. There is no difference in electronic markets

Answer: b. A grain book at 3am accepts your order and fills it badly. The hours when size can trade near the quoted price are the market's true opening times, and volume-by-hour shows them plainly.