Micro contracts, and the price of granularity

> **THE MICRO TRADE-OFF**
>
> Smaller multipliers buy granularity - sizing precision, gentler variation flows, module 4's chunkiness relieved - and pay for it in relative cost: the flat stack weighs up to ten times heavier per unit of notional when the contract is a tenth the size but the round turn is not. Micros are the right tool for exactly the accounts they were built for, priced so that knowing the ratio is the whole decision.

Exchanges scaled their flagships down for retail, and the scaling is honest: same book logic, same specs discipline, a tenth the multiplier. The trade-off is one ratio, and this lesson computes it.

What granularity buys

Sizing that fits the arithmetic: module 4's whole-contract problem shrinks by the scaling factor - risk budgets that bought zero full-size contracts buy several micros, and the sizing machinery works as designed.Variation flows the account can absorb: a tenth the per-point value is a tenth the nightly demand - lesson 4's budget, scaled to retail cash.Honest apprenticeship: the same market, the same machinery, at stakes that let process fail cheaply - the learning case, stated without romance.

What it costs

The stack does not scale with the multiplier: micro round turns run at a substantial fraction of the full-size contract's, so the cost per unit of notional can be up to 10 times the flagship's - the flat-cost regressivity lesson, now as a designed product feature. Spreads add a second ratio: micro books quote wider relative to tick more often, per module 2's family calibration. The honest computation per family: micro round turn plus typical spread cost, divided by micro notional, against the same ratio for the full-size - two lines, and the granularity's price is a number.

The decision, sized honestly

The ratio decides by account size: where full-size contracts fit the risk budget, they are strictly cheaper per unit of exposure; where they do not fit - module 4's arithmetic says so, not preference - the micro's surcharge is the price of sizing correctly, and paying it beats mis-sizing by a wide margin. The wrong outcomes are the two extremes: large accounts paying the micro surcharge from habit, and small accounts forcing full-size contracts to dodge it - the second being module 4's chunkiness problem wearing a cost rationalisation. Granularity is a product; buy it when the sizing arithmetic says so, and not from either kind of pride.

Check your understanding

1. Why can a micro contract cost up to ten times the flagship per unit of notional?

a. Micro spreads are ten times wider

b. The flat stack barely scales: a tenth the notional paying a similar round turn multiplies the relative weight - flat-cost regressivity as a product feature

c. Exchanges surcharge micro clearing

Answer: b. Commissions and fees are per contract, not per pound of exposure. The scaling that shrinks the multiplier does not shrink the stack - the ratio is the product's price tag.

2. When is paying the micro surcharge correct?

a. Whenever costs should be minimised

b. When module 4's arithmetic says full-size contracts do not fit the risk budget: the surcharge is the price of sizing correctly, and it beats mis-sizing

c. For all accounts under a threshold

Answer: b. The sizing machinery decides, not preference. Forcing full-size to dodge the surcharge is the chunkiness error wearing a cost rationalisation - the dearer mistake by far.