The spread, in ticks and in money

> **THE SPREAD COST, FUTURES EDITION**
>
> The bid-offer gap in ticks, times tick value, times contracts: paid across every round trip against the market's own book. Liquid contracts in their primary sessions quote one tick wide - the tightest markets on the platform - and everything away from that ideal has a schedule: hours, months and families all move the gap, on timetables module 2 already taught.

The market's own spread is the fairest on the platform - and still a cost, still scheduled, and still the day trader's biggest line. The arithmetic takes one lesson because module 2 did the hard part.

The costing

Spread in ticks, times tick value, times contracts - a two-tick round trip on a £10-per-point, one-point-tick contract is £20 per contract, computed in the time it took to read this sentence. The front months of the major financial families quote one tick wide through their primary sessions, which is as good as trading conditions get anywhere; the costing habit exists for everything that is not that ideal.

Where the gap widens, on schedule

By the clock: module 2's tides - overnight books quote wider and thinner, and the same contract charges different spreads by the hour, every day.By the month: away from the front, spreads widen down the board - the commodities by-month lesson, now general; back-month trades budget accordingly.By the family: the flagship contracts' one-tick ideal is not the norm - smaller families and micro variants quote wider relative to their tick, and the spec-plus-observation pass from module 2 prices each before trading.

The standing rule, and the fork ahead

Budget the spread at the hour, month and family actually traded - never at the flagship's primary-session ideal - and set it against the trade's target like every track before. The fork this module now takes: the spread and the stack price every entry and exit; what they cannot price is maintaining exposure across expiries - the roll, lesson 5 - and the machinery's demands on the account's cash, lessons 3 and 4. Futures' entry costs are the platform's fairest; its standing costs are where the reading matters.

Check your understanding

1. What is the full spread cost of three contracts crossing a two-tick market at £10 per point, one-point ticks?

a. £20

b. £60 - ticks times tick value times contracts: 2 x £10 x 3

c. £6

Answer: b. The three-factor costing, with module 2's conversion doing the work. Per contract £20; the position pays it three times.

2. Why does the one-tick spread of a flagship contract not settle the spread question?

a. One-tick markets are an illusion

b. It holds only for the front month, in the primary session, in the major families - the clock, the board and the family all widen it on schedule

c. Ticks vary daily

Answer: b. The ideal is real and narrow. Everything else - overnight hours, back months, smaller families - budgets its own wider figure, per module 2's timetables.