Margin, marked to market daily

> **DAILY SETTLEMENT**
>
> The clearing house marking every position to the settlement price every day and moving the difference in cash: losses debited tonight, gains credited tonight - variation margin, on top of the initial margin's performance bond. A futures position's P&L is not a number on a screen; it is money that already moved. No other instrument on this platform settles its truth daily.

The commodities track established that margin is not a cost. Futures keep that lesson and add the machinery no wrapper showed you: the daily mark, which makes futures P&L real money every single night.

The two margins

Initial margin: the performance bond - posted to open, returned at close, sized by the clearing house to plausible daily moves. Still not a cost; still not the risk.Variation margin: the daily settlement flow - each day's loss leaves the account in cash tonight, each gain arrives the same way. Not a call to top up a buffer: an actual transfer, both directions, every day.

What daily settlement changes

Everything about how losses feel and function. A CFD's open loss is a screen number until closed; a futures loss is cash gone tonight - the same economic exposure, made liquid daily. Consequences: an account must hold cash headroom beyond initial margin, because ordinary adverse days drain real money before any 'call' arrives; a losing position cannot be quietly nursed, because it invoices nightly - the equity track's forever-hold is structurally impossible here; and the margin call, when it comes, is simply the machinery noticing the headroom is gone - lesson 2's strict guarantee, collecting.

The honest reframing

Daily settlement is the platform's most misunderstood feature and its most honest one. It converts drawdown from a feeling into a cash flow, forces the position's truth onto the account every night, and makes futures the one instrument whose losses cannot be deferred by not looking. Module 4 builds the headroom arithmetic; module 7 journals margin usage as its own line. The day-one version: a futures account's free cash is a risk number, it moves every night the market does, and knowing tonight's likely variation flow before holding through it is this asset class's version of checking the calendar.

Check your understanding

1. How does a futures loss differ from a CFD's open loss of the same size?

a. It is smaller after fees

b. It is cash that already left tonight via variation margin - settled truth, not a screen number awaiting a close

c. It is tax-deferred

Answer: b. Daily settlement moves the difference in money, both directions, every day. The exposure is identical; the honesty schedule is not - futures invoice nightly.

2. Why must a futures account hold cash beyond initial margin?

a. Exchanges charge storage on margin

b. Ordinary adverse days drain real variation cash before any call: headroom is what absorbs the nightly flow, and free cash is a risk number

c. Brokers require it for commissions

Answer: b. Initial margin opens the position; variation margin runs it. The gap between account cash and initial margin is the buffer the daily mark actually spends.