Reading a contract spec before trading it

> **CONTRACT SPECIFICATION**
>
> The exchange's published definition of one contract: the multiplier or unit count, the tick size and its value, the listed months, the settlement type, the last trading and delivery-notice dates, the trading hours and limits. Everything module 1 of every track told you to verify lives on one page per contract - and reading it before trading is this track's first and least negotiable habit.

The commodities track verified its contract units against the exchange's own pages and made a doctrine of it. Futures is the track where that doctrine becomes the daily method - because here, the spec is the instrument.

The lines that set your arithmetic

The multiplier or unit count: what one contract controls - the notional input, and the first number checked, because everything downstream is wrong if it is.Tick size and tick value: the price grid and its money step - contracts on the same underlying family can differ fourfold here, and 'a few ticks' is a budget line only after this row is read.Listed months and their codes: which promises exist, and the letter-code convention module 2 teaches the board in.Settlement type: cash or physical - which of lesson 1's families this promise belongs to, and therefore what its expiry can demand of you.The dates: last trading day, and for physical contracts the notice machinery - the commodities calendar's teeth, printed per contract.

Why the habit cannot be outsourced

Platforms display some of this; they also default, abbreviate and occasionally lag a spec change. The exchange's page is the primary source, it is free, and it is one page - the five-minute read that prevents the classic futures errors: sizing on the wrong multiplier, budgeting ticks at the wrong value, holding a physical contract into its notice period by surprise. Every one of those errors is a spec line unread, and every one is expensive out of proportion to the five minutes.

The specs discipline, generalised

The commodities doctrine - exchange-verified numbers, never memory - now covers an asset class where every underlying arrives pre-packaged in specs. The habit to install: a contract is not tradeable until its spec has been read this month - specs do change - and its multiplier, tick value, settlement family and dates are written where the plan can see them. Module 3 will price the costs off these numbers; module 4 will size off them; module 8 will roll off them. One page, upstream of everything.

Check your understanding

1. Why is the spec read 'upstream of everything' in futures?

a. Exchanges require confirmation of reading

b. Every later number - notional, tick budgets, expiry conduct, roll dates - is computed from spec lines; an unread spec makes all of them guesses

c. Specs contain trading advice

Answer: b. The spec is the instrument's definition. Sizing, costing and calendar discipline all consume its rows - which is why the five-minute read is the track's least negotiable habit.

2. Which spec line decides what an expiry can demand of you?

a. The tick size

b. The settlement type: cash contracts end in arithmetic, physical ones in delivery machinery with notice dates - different families, different obligations

c. The trading hours

Answer: b. Lesson 1's two families are a spec row. Reading it is how a trader knows whether the calendar's teeth are a cash difference or the commodities track's barrels.