

What one futures contract controls

FUTURES NOTIONAL

Multiplier times price: what one contract controls, in money - the platform's oldest arithmetic, applied to instruments where the multiplier is institutional by design. A £10-per-point contract at 8,000 is an £80,000 position per contract; a 20-point wobble is £200; and the margin that opened it was a twentieth of the exposure or less. Futures make the notional check mandatory by making its neglect expensive fastest.

Every track has priced what a position controls. Futures is where the arithmetic meets institutional scale - and where the spec sheet makes it a two-line calculation with no excuses.

The two lines

Multiplier times price is the notional: £10 per point times 8,000 points is £80,000 of index exposure per contract, and a 20-point adverse move on that one contract is £200 - work the example in your own currency's terms. Multiplier times contracts is the per-point move: the number every stop, every daily-settlement estimate and every module 4 size runs on. Both lines come straight off lesson 4's spec, and both are computed before entry, every time - four tracks of the habit, now with the largest numbers it has ever produced.

Why the scale is the lesson

Contracts are sized for institutions: one contract of a major index future controls more than many retail accounts hold - the minimum position is large, and module 4's chunkiness problem starts here. Leverage is structural: margin at a twentieth of notional is not an offer, it is the design - the commodities leverage lesson without the optional clause equities added. The daily mark prices it nightly: lesson 5's variation flow runs on this notional - a 1% adverse day on £160,000 of exposure is real cash leaving tonight, and knowing that number before holding is the discipline.

Micro contracts, and the honest note

Exchanges list smaller variants of the flagship contracts - fractional multipliers, retail-scaled - and they change the granularity, not the arithmetic: the same two lines, smaller inputs. The honest note is the platform's standing one: the notional is the exposure whatever the margin says, the spec is where the inputs live, and an account that cannot state its per-point number and tonight's plausible variation flow is holding a position it has not yet priced.

Worked example - figures in USD

Two domestic index futures at \$50 per point, with the index near 4,000. Illustrative contract; no conversion.

1. The spec says \$50 per point. At a level of 4,000, one contract is \$200,000 of exposure - and two are \$400,000.
2. A full 1.0-point move is \$100 to this position: the multiplier times the contracts, wearing money.
3. The margin posted is a small fraction of \$400,000; the exposure is all of it - the platform's oldest arithmetic, now read straight off a spec sheet.

Check your understanding

1. A £10-per-point contract trades at 8,000. What do two contracts control, and what is a point worth?

- a. £16,000, and £10 a point
- b. £160,000, and £20 a point - multiplier times price, and multiplier times contracts
- c. £80,000, and £10 a point

Answer: b. The two lines: $10 \times 8,000 \times 2$ of notional, 10×2 per point. Both off the spec, both before entry - the platform's oldest arithmetic at institutional scale.

2. What do micro contracts change?

- a. The pricing relationship to the underlying
- b. The granularity only: smaller multipliers, same two-line arithmetic - the notional discipline is unchanged
- c. The settlement mechanics

Answer: b. Fractional multipliers scale the inputs, not the method. The exposure is still multiplier times price, and it is still computed before entry.