

Tick sizes and values, contract by contract

TICK VALUE

The money one minimum price increment moves one contract: tick size times multiplier, read off the spec. Across contract families the same-looking quote step can differ tenfold in money, and 'a few ticks' is meaningless until converted - the commodities tick lesson, now the standing habit for an asset class where every instrument arrives with its own grid.

The commodities track catalogued its ticks and found three products sharing a \$10 step. The futures board multiplies the exercise across every family - and makes tick fluency the difference between reading prices and reading money.

The conversion, always

Tick value is spec arithmetic: tick size times multiplier. A contract quoted to the quarter-point with a large multiplier can step more money per tick than another family's full point; micro variants divide the multiplier and the tick value with it. The reading rule: every contract on the watchlist has its tick value written down - a 3-tick stop on 3 contracts of a £10-per-point, 1-point-tick contract is £90, computed before entry, and the same habit prices spreads, slippage budgets and daily ranges in seconds.

What the grid does to reading

The book is quantised: prices exist only on the grid, so depth stacks at discrete rungs - a coarse-tick contract shows fat queues at few prices, a fine-tick one thin queues at many; the same 'support' looks structurally different across grids. Ranges read in ticks first: a day's range in ticks, times tick value, is the day in money - the module 4 sizing input, and the honest way to compare volatility across families. Spreads quote in ticks: one tick wide is the floor for liquid contracts - and a two-tick market in one family can cost more money than a five-tick market in another; module 3 does the arithmetic.

The habit, installed once

Before following any new contract: spec read, tick value computed, day's typical range converted to money per contract. Three lines, five minutes, and every number the platform's later modules need - sizes, stops, budgets - inherits them. Futures reward the prepared reader with total explicitness; the preparation is exactly this small, and skipping it is how 'a few ticks' becomes a surprise denominated in someone's rent.

Check your understanding

1. Why can 'a two-tick spread' be cheaper in one contract than a five-tick spread in another?

- a. Exchanges subsidise some spreads
- b. Tick value differs by family: tick size times multiplier converts ticks to money, and the conversion can differ tenfold
- c. Wider spreads fill faster

Answer: b. Ticks are grid steps, not money. The spec's two numbers convert them - and every cost, range and stop reads honestly only after conversion.

2. What does a coarse tick grid do to the visible book?

- a. It hides depth
- b. It stacks depth at few, fat rungs: the same liquidity looks structurally different across grids, and 'levels' partly reflect the quantisation
- c. It widens spreads in money terms always

Answer: b. Prices exist only on the grid. Queue shapes, level appearance and book reading all inherit the tick size - one more spec row doing quiet structural work.