Futures · Managing futures risk · lesson 1 · 6 min read

Risk per trade, when leverage is the structure

> **STRUCTURAL LEVERAGE**
>
> Futures leverage is not chosen - it is the instrument: margin at a fraction of notional is the design, and there is no unlevered variant of the contract. The risk budget's job is therefore inverted from equities: not resisting the temptation to add leverage, but sizing so that the leverage the structure imposes never exceeds what the budget meant.

The equity track's risk module opened on an asset with no teeth; this one opens on the opposite animal - an instrument that is all teeth, by design - and the same budget discipline governs both, which is rather the point of the platform.

What 'structural' changes

There is no unlevered futures position: the contract controls its notional at margin's fraction - the commodities track's arithmetic, with the optional clause deleted. Wanting less leverage means holding more cash against the same contract, which is exactly what sizing does.The budget does the governing: risk per trade in money, divided by the stop's per-contract cost, floors to a contract count - and the count, times notional, sets effective leverage as a consequence. Sized honestly, a futures account can run leverage below an unlevered equity account's - the structure supplies the capacity, the budget declines it.The machinery enforces nightly: the daily mark means oversizing is discovered in cash, tonight - the equity track's slow drift into oversized positions is structurally impossible; the failure mode here is fast, which module 8 of this track's lessons will price.

The budget, fifth telling, one inversion

Fixed fraction, in money, before the chart - unchanged. What inverts is the enemy: equities fought the hold that nothing interrupted; futures fight the size the structure makes available. The tell is the account that sizes from margin - 'I can afford four contracts' - which is the structure speaking, not the budget: margin capacity is what the clearing house will tolerate, and the budget is what the plan will. The gap between those two numbers is most of futures risk management, and every lesson in this module works on it.

The module ahead

Sizing under a chunky increment, the stop on a grid, headroom as a formal metric, the overnight and event decisions on a daily-settled book, the board's correlations, and the forced ladder at the end of the machinery - then the plan. The equity plan replaced missing teeth; this plan does the opposite job: it stands between the trader and teeth that never stop being sharp.

Check your understanding

1. How does the risk budget's job invert between equities and futures?

a. It shrinks with the leverage available

b. Equities' budget fought the hold nothing interrupted; futures' budget declines size the structure offers - margin capacity is the clearing house's tolerance, not the plan's

c. It doubles for leveraged instruments

Answer: b. Same budget, opposite enemy. 'I can afford four contracts' is the structure speaking; the plan's number is smaller, and the gap between them is the module.

2. Why is the equity-style slow drift into oversize structurally impossible in futures?

a. Brokers prevent it

b. The daily mark discovers oversizing in cash, tonight: variation flows price the position's true scale nightly, so the failure mode is fast, not gradual

c. Position limits cap all accounts

Answer: b. Daily settlement is the honesty machine: an oversized book cannot hide in unrealised losses. The risk changes shape - from drift to velocity - and the module prices the new shape.