

Futures & Options Order Types



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| index

The same order may have different meanings depending on whether the order is to be executed in pit trading or through an electronic exchange. If you are not sure how to enter an order, ask your broker! Not all exchanges accept all types of orders.

Market	3
Limit	3
Stop	3
Stop Limit	4
Stop Close	4
Market If Touched	4
Good until Canceled	4
One Cancels the Other	5
Market on Close	5
Market on Open	5
Enter and Cancel	5
Spread	6
Or Better	6
Fill or Kill	6

| market order

The market order is the most frequently used order. It is a good order to use once you have made a decision about opening or closing a position. It can keep the customer from having to chase a market trying to get in or out of a position. The market order is executed at the best possible price obtainable at the time the order reaches the trading pit.

| limit order

The limit order is an order to buy or sell at a designated price. Limit orders to buy are placed below the market while limit orders to sell are placed above the market. Since the market may never get high enough or low enough to trigger a limit order, a customer may miss the market if he uses a limit order. (Even though you may see the market touch a limit price several times, this does not guarantee or earn the customer a fill at that price.)

- When buying, if the order price is lower than (below) the current market price, it is a Buy Limit.
 - Example: With the market trading at 7800, Buy 1 Dec DJIA 7700 on a Limit (or better fill at 7700 or lower). Order can only be filled at the stated price (7700) or lower (better).
- When selling, if the order price is higher than (above) the current market price, it is a Sell Limit.
 - Example: With the market trading at 7800, Sell 1 Dec DJIA 7900 on a Limit (or better fill at 7900 or higher). Can only be filled at the stated price (7900) or higher (better).

| stop order

Stop orders can be used for three purposes:

1. to minimize a loss on a long or short position
2. to protect a profit on an existing long or short position
3. to initiate a new long or short position

A buy stop order is placed above the market and a sell stop order is placed below the market. Once the stop price is touched, the order is treated like a market order and will be filled at the best possible price.

- When buying, if the order price is higher than (above) the current market price, it is a Buy Stop.
 - Example: With the market trading at 7800, Buy 1 Dec DJIA 7900 Stop. Can only be filled at the Market, after the Market trades (or is "offered") at 7900 or higher.
- When selling, if the order price is lower than (below) the current market price, it is a Sell Stop.
 - Example: With the market trading at 7800, Sell 1 Dec DJIA 7700 Stop. Can only be filled at the Market, after the Market trades (or is "bid") at 7700 or lower.

| stop limit order

A stop limit order lists two prices and is an attempt to gain more control over the price at which your stop is filled. The first part of the order is written like the above stop order. The second part of the order specifies a limit price. This indicates that once your stop is triggered, you do not wish to be filled beyond the limit price. Stop limit orders should usually not be used when trying to exit a position. If a customer does not give a limit price, then the stop price and the limit price are meant to be identical.

| stop close order (SCO)

The stop price on a stop close only will only be triggered if the market touches the stop during the close of trading. The disadvantage of this order is a fast market in the last few minutes of trading may cause the order to be filled at an undesirable price. It can, however, protect the customer from getting filled during adverse price fluctuations during the course of the day.

| market if touched order (MIT)

MITs are the opposite of stop orders. Buy MITs are placed below the market and Sell MITs are placed above the market. An MIT order is usually used to enter the market or initiate a trade. An MIT order is similar to a limit order in that a specific price is placed on the order. However, an MIT order becomes a market order once the limit price is touched or passed through. An execution may be at, above, or below the originally specified price. An MIT order will not be executed if the market fails to touch the MIT specified price.

| good until canceled order (GTC)

Good Till Canceled (or Open Order). Used in conjunction with a Limit or Stop order. Order will remain valid and worked until client cancels order, or it is filled, or contract expires.

A GTC Order Does Not Cancel Automatically!

If an order is not designated Good Till Canceled, it is a Day Order and will expire at the end of the current trading session unless filled or canceled prior to the close.

- Example: You are long 1 Dec DJIA and have a GTC order to sell 1 Dec DJIA @ 7700 Stop. You decide to sell your 1 long Dec DJIA on a Market order. Your GTC order must be canceled or you will sell (short) 1 Dec DJIA if the market trades (or is "bid") at 7700 or lower.

| one cancels the other (oco)

One (order) Cancels (the) Other (order).

When one order is executed, the other is automatically canceled.

- Example: With the market trading at 7800 you want to buy at 7600 Limit (lower), or on an upside breakout at 7900 Stop (higher), Buy 1 Dec DJIA 7600 on a Limit, OCO Buy 1 Dec DJIA 7900 Stop.

| market on close (MOC)

This is an order that will be filled during the final seconds of trading at whatever price is available.

A floor broker reserves the right to refuse an MOC order up to fifteen minutes before the close, depending upon market conditions.

| market on open (MOO)

This is an order that the customer wishes to be executed during the opening range of trading at the best possible price obtainable within the opening range.

Not all exchanges recognize this type of order. One such exchange is the Chicago Board of Trade.

| enter and cancel order

All orders, except Market Orders, can be canceled and replaced with a different order unless filled prior to cancellation.

- Example: You are long 1 Dec DJIA and have a GTC order to sell 1 Dec DJIA @ 7700 Stop. With the market trading at 7800, you decide to sell your 1 long Dec DJIA on a Market order, Sell 1 Dec DJIA @ Market, Cancel selling 1 Dec DJIA 7700 Stop on GTC order No. 12345.

| spread order

The customer wishes to take a simultaneous long and short position in an attempt to profit via the price differential or "spread" between two prices. A spread can be established between different months of the same commodity, between related commodities or between the same or related commodities traded on two different exchanges.

A spread order can be entered at the market or you can designate that you wish to be filled when the price difference between the commodities reaches a certain point (or premium).

- Example: You buy 1 June live cattle and sell 1 August live cattle plus 100 to the August sell side. This means that the customer wants to initiate or liquidate the spread when August Cattle is 100 points higher than June cattle.

| or better order (OB)

The pit broker is obligated to get the best possible price for the customer. Putting an OB on an order does not cause him to work harder. If the price is NOT OB, the broker is irritated because he is paying special attention to a ticket that does not deserve it.

Think of OB as MARKET with a LIMIT. If the price does not have an OB next to it, and the market is considerably better, the pit broker may question the runner to see if the order should have been a stop. They will return the order for clarification which could delay the filling of the order and possibly change the results of the fill.

Only use "or better" if the market is "or better."

| fill or kill order (FOK)

The fill or kill order is used by customers wishing an immediate fill, but at a specified price.

The floor broker will bid or offer the order three times and immediately return either a fill or an unable.



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