ICE Education

Introduction to Commodity Derivatives

Course overview

Gain a clear and practical introduction to commodity derivatives, including futures and options, in this interactive course led by an experienced trader. Learn how derivative markets work, explore real-world examples from soft and energy commodities and develop the confidence to apply these concepts in trading and risk management. Ample time is provided for questions and discussion. This course is aimed at delegates with little or no existing knowledge of commodity derivatives. We draw on markets representative for all delegates to ensure relevance to every situation.

Learning outcomes

- A solid understanding of derivative contract definitions and characteristics
- Insight into the role of futures exchanges and clearing systems
- Knowledge of long and short futures positions and margin requirements
- Clarity on how options differ from futures
- A practical trading decision tree for informed strategies

Key features

- Covers both futures and options in one comprehensive program
- Live market prices from ICE Connect enhance learning
- Expert-led instruction from experienced traders
- Combines theory and practical application for real-world relevance
- Focused on market structures and trading strategies

Delivery format & duration

- 1 day classroom course
- 2 half day virtual

Dates & location

September 4, 2026 – virtual

November 6, 2026 – virtual

Trainer

Simon Hart

Introduction to Commodity Derivatives

Course agenda
Morning session

Topic	Detailed description
Futures Contracts: Fixing a Price for Forward Delivery	Explanation of how futures allow buyers and sellers to lock in a price today for delivery at a future date, helping manage price uncertainty and stabilise procurement/sales planning.
Live Futures Markets on ICE Connect	First look at real-time market screens: bid/ask prices, order flow, volume, open interest and how futures markets behave intraday.
Key Terminology: Expiration, Lots, Depth of Market	Understanding contract expiry, standard trading quantities ("lots") and how depth-of-market reflects market liquidity and order book structure.
Contract Specifications & Standardisation	How exchanges define product specs (quality, quantity, delivery terms), ensuring uniformity, reliability and smooth trading; the role of liquidity in efficient price discovery.
Minimum Price Movements & P&L Calculations	Explanation of "tick size," how price increments work (e.g., $0.01/tick) and how traders calculate profit and loss on futures positions using real examples.
Understanding Long and Short Positions	The economic meaning of being long vs short; how each position benefits from rising or falling markets; implications for hedgers vs speculators.
Daily Settlements & Marking-to-Market	How futures positions are revalued daily based on settlement prices; how gains and losses flow to margin accounts each day.
Initial Margin & Variation Margin	Why margin exists, how clearing houses manage credit risk, how margin calls work and why futures don't require upfront full notional value.
Trade Lifecycle Example	Step-by-step walkthrough: placing an order, execution, clearing, daily settlement, margin changes and final close-out or expiry.
Using Futures to Hedge Price Exposure	Practical example showing how a producer, consumer, or trader can neutralise risk by taking an opposite futures position; discussion of basis risk.
Using Futures for Speculation (Leverage/Gearing)	How futures allow amplified exposure with small margin; risks and rewards of leveraged speculative strategies.
Understanding the Futures Curve (Carry & Backwardation)	Explanation of contango vs backwardation, cost of carry model, storage/financing effects and what the curve structure indicates about market expectations.
Introduction to Futures Spreads	Understanding calendar spreads, inter commodity spreads and why traders use spreads to express market views or reduce outright price risk.

Afternoon session

Topic	Detailed description
Option Contracts: Adding Choice & Flexibility	Explanation of how options provide rights (not obligations) to buy/sell at a predetermined price, giving more flexible risk management tools than futures.
Everyday Examples of Optionality	Relatable scenarios (e.g. insurance) that help illustrate how optionality works in daily life.
Definitions: Calls, Puts & Key Option Terms	Clear definitions of call/put options, strike price, premium, intrinsic and time value; explanation of common terminology used in commodity options markets.

Afternoon session (cont.)

Topic	Detailed description
Reading an Options Matrix on ICE Connect	How to interpret option price grids, strikes and expiries using matrices to compare choices.
Exercising a Long Option Position	What happens when an option holder chooses to exercise; delivery vs. cash settlement; impact on the underlying futures position
Assignment of a Short Option Position	How and when short option writers may be assigned; understanding obligations, margin implications and risks of selling options.
Understanding Options Risk (Multi Dimensional Exposure)	How and why option premiums behave differently from futures prices.
Using Options to Hedge Price Exposure	Practical worked example showing when options may be preferable to futures – especially for protecting downside risk while retaining upside.
Using Options for Speculation (Leverage & Non Linear Payoffs)	Explanation of directional strategies and how option buyers use leverage with defined risk.
Inputs to an Options Pricing Model	Introduction to key variables such as volatility, interest rates, time to expiry and underlying price; foundations of models like Black Scholes.