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FAB (Five Against Bond) Spread: A futures spread trade involving the buying (selling) of a five-year Treasury note futures contract and the selling (buying) of a long-term (15-30 year) Treasury bond futures contract.

Fannie Mae: A corporation (government-sponsored enterprise) created by Congress to support the secondary mortgage market (formerly the Federal National Mortgage Association). It purchases and sells residential mortgages insured by the Federal Housing Administration (FHA) or guaranteed by the Veteran's Administration (VA). See Freddie Mac.

FAN (Five Against Note) Spread: A futures spread trade involving the buying (selling) of a five-year Treasury note futures contract and the selling (buying) of a ten-year Treasury note futures contract.

Fast Market: An open outcry market situation in which transactions in the pit or ring take place in such volume and with such rapidity that price reporters fall behind with price quotations, label each quote "FAST" and show a range of prices. Also called a fast tape.

Federal Energy Regulatory Commission: (FERC): An independent agency of the U.S. Government that regulates the interstate transmission of natural gas, oil, and electricity. FERC also regulates natural gas and hydropower projects.

Federal Limit: A speculative position limit that is established and administered by the CFTC rather than an exchange.

Feed Ratio: The relationship of the cost of feed, expressed as a ratio to the sale price of animals, such as the corn-hog ratio. These serve as indicators of the profit margin or lack of profit in feeding animals to market weight.


FIA: See Futures Industry Association.

Fibonacci Numbers: A number sequence discovered by a thirteenth century Italian mathematician Leonardo Fibonacci (circa 1170-1250), who introduced Arabic numbers to Europe, in which the sum of any two consecutive numbers equals the next highest number—i.e., following this sequence: 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, and so on. The ratio of any number to its next highest number approaches 0.618 after the first four numbers. These numbers are used by technical analysts to determine price objectives from percentage retracements.

Fictitious Trading: Wash trading, bucketing, cross trading, or other schemes which give the appearance of trading but actually no bona fide, competitive trade has occurred.

Fill: The execution of an order.

Fill or Kill Order (FOK): An order that demands immediate execution or cancellation. Typically involving a designation, added to an order, instructing the broker to offer or bid (as the case may be) one time only; if the order is not filled immediately, it is then automatically cancelled.
**Final Settlement Price:** The price at which a *[cash-settled]* futures contract is settled at maturity, pursuant to a procedure specified by the exchange.

**Financial:** Can be used to refer to a derivative that is financially settled or cash settled. See **Physical**.

**Financial Commodity:** Any futures or option contract that is not based on an agricultural commodity, a natural resource such as energy or metals, or other physical or tangible commodity. It includes currencies, equity securities, fixed income securities, and indexes of various kinds.

**Financial Future:** A futures contract on a financial commodity.

**Financial Settlement:** See **Cash settlement**.

**First Notice Day:** The first day on which *[notices of intent to deliver]* actual commodities against futures market positions can be received. First notice day may vary with each commodity and exchange.

**Fix, Fixing:** See **Gold Fixing**.

**Fixed Income Security:** A security whose nominal (or current dollar) yield is fixed or determined with certainty at the time of purchase, typically a debt security.

**Floor Broker:** A person with exchange trading privileges who, in any pit, ring, post, or other place provided by an exchange for the meeting of persons similarly engaged, executes for another person any orders for the purchase or sale of any commodity for future delivery.

**Floor Trader:** A person with exchange trading privileges who executes his own trades by being personally present in the pit or ring for futures trading. See **Local**.

**F.O.B. (Free On Board):** Indicates that all delivery, inspection and elevation, or loading costs involved in putting commodities on board a carrier have been paid.

**Forced Liquidation:** The situation in which a customer's account is liquidated (open positions are offset) by the brokerage firm holding the account, usually after notification that the account is under-margin due to adverse price movements and failure to meet margin calls.

**Force Majeure:** A clause in a supply contract that permits either party not to fulfill the contractual commitments due to events beyond their control. These events may range from strikes to export delays in producing countries.

**Foreign Exchange:** Trading in foreign currency.

**Forex:** Refers to the *[over-the-counter]* market for foreign exchange transactions. Also called the *[foreign exchange market]*.

**Forwardation:** See **Contango**.

**Forward Contract:** A cash transaction common in many industries, including commodity merchandising, in which a commercial buyer and seller agree upon delivery of a specified quality and quantity of goods at a specified future date. Terms may be more "personalized" than is the case with standardized futures contracts (i.e., delivery time and amount are as determined between seller and buyer). A price may be agreed upon in advance, or there may be agreement that the price will be determined at the time of delivery.

**Forward Market:** The *[over-the-counter]* market for *[forward contracts]*.

**Forward Months:** Futures contracts, currently trading, calling for later or distant delivery. See **Deferred Futures, Back Months**.

**Forward Rate Agreement (FRA):** An OTC forward contract on a short-term interest rate. The buyer of a FRA is a notional borrower, i.e., the buyer commits to pay a fixed rate of interest on some notional amount that is never actually exchanged. The seller of a FRA agrees notionally to lend a sum of money to a borrower. FRAs can be used either to hedge interest rate risk or to speculate on future changes in interest rates.
Freddie Mac: A corporation (government-sponsored enterprise) created by Congress to support the secondary mortgage market (formerly the Federal Home Loan Mortgage Corporation). It purchases and sells residential mortgages insured by the Federal Home Administration (FHA) or guaranteed by the Veterans Administration (VA). See Fannie Mae.

Front Month: The spot or nearby delivery month, the nearest traded contract month. See Back Month.

Front Running: With respect to commodity futures and options, taking a futures or option position based upon non-public information regarding an impending transaction by another person in the same or related future or option. Also known as trading ahead.

Front Spread: A delta-neutral ratio spread in which more options are sold than bought. Also called ratio vertical spread. A front spread will increase in value if volatility decreases.

Full Carrying Charge, Full Carry: See Carrying Charges.

Fund of Funds: A commodity pool that invests in other commodity pools rather than directly in futures and options contracts.

Fundamental Analysis: Study of basic, underlying factors that will affect the supply and demand of the commodity being traded in futures contracts. See Technical Analysis.

Fungibility: The characteristic of interchangeability. Futures contracts for the same commodity and delivery month traded on the same exchange are fungible due to their standardized specifications for quality, quantity, delivery date, and delivery locations.

Futures: See Futures Contract.

Futures Commission Merchant (FCM): Individuals, associations, partnerships, corporations, and trusts that solicit or accept orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any exchange and that accept payment from or extend credit to those whose orders are accepted.

Futures Contract: An agreement to purchase or sell a commodity for delivery in the future: (1) at a price that is determined at initiation of the contract; (2) that obligates each party to the contract to fulfill the contract at the specified price; (3) that is used to assume or shift price risk; and (4) that may be satisfied by delivery or offset.

Futures-equivalent: A term frequently used with reference to speculative position limits for options on futures contracts. The futures-equivalent of an option position is the number of options multiplied by the previous day's risk factor or delta for the option series. For example, ten deep out-of-money options with a delta of 0.20 would be considered two futures-equivalent contracts. The delta or risk factor used for this purpose is the same as that used in delta-based margining and risk analysis systems.

Futures Industry Association (FIA): A membership organization for futures commission merchants (FCMs) which, among other activities, offers education courses on the futures markets, disburses information, and lobbies on behalf of its members.

Futures Option: An option on a futures contract.

Futures Price: (1) Commonly held to mean the price of a commodity for future delivery that is traded on a futures exchange; (2) the price of any futures contract.