

Differences between Cash and Future Markets

Cash markets and futures markets operate differently, and understanding their key differences and advantages is crucial to making informed investment decisions.

Ms.D.Deepa,AP/MBA,SNS B-SPINE

Cash Markets vs. Futures Markets

1

Cash Markets

Cash markets involve immediate settlement and physical exchange of an asset, such as stocks or commodities.

2

Futures Markets

Futures markets allow investors to trade contracts for future delivery of an asset at a predetermined price and date.

Key Differences Between the Two

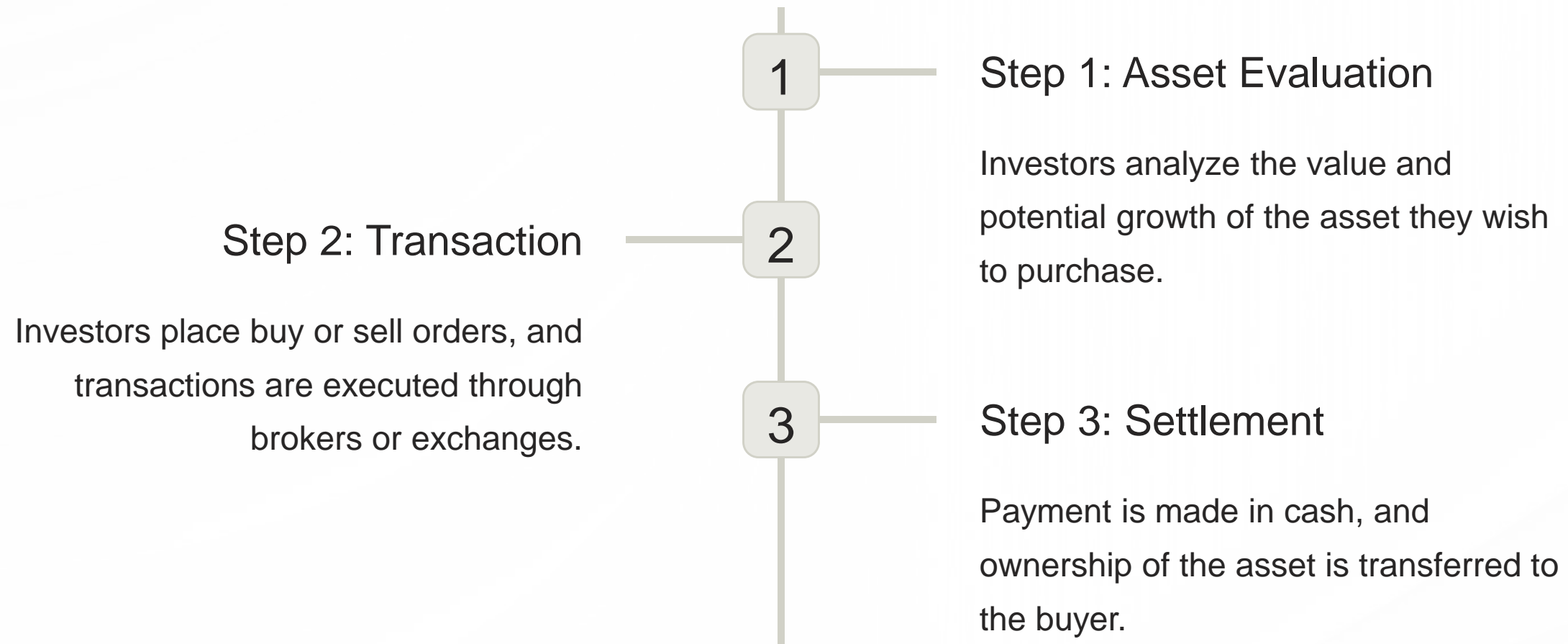
Cash Markets

- Immediate transaction settlement
- Physical exchange of assets
- Offers ownership of the asset

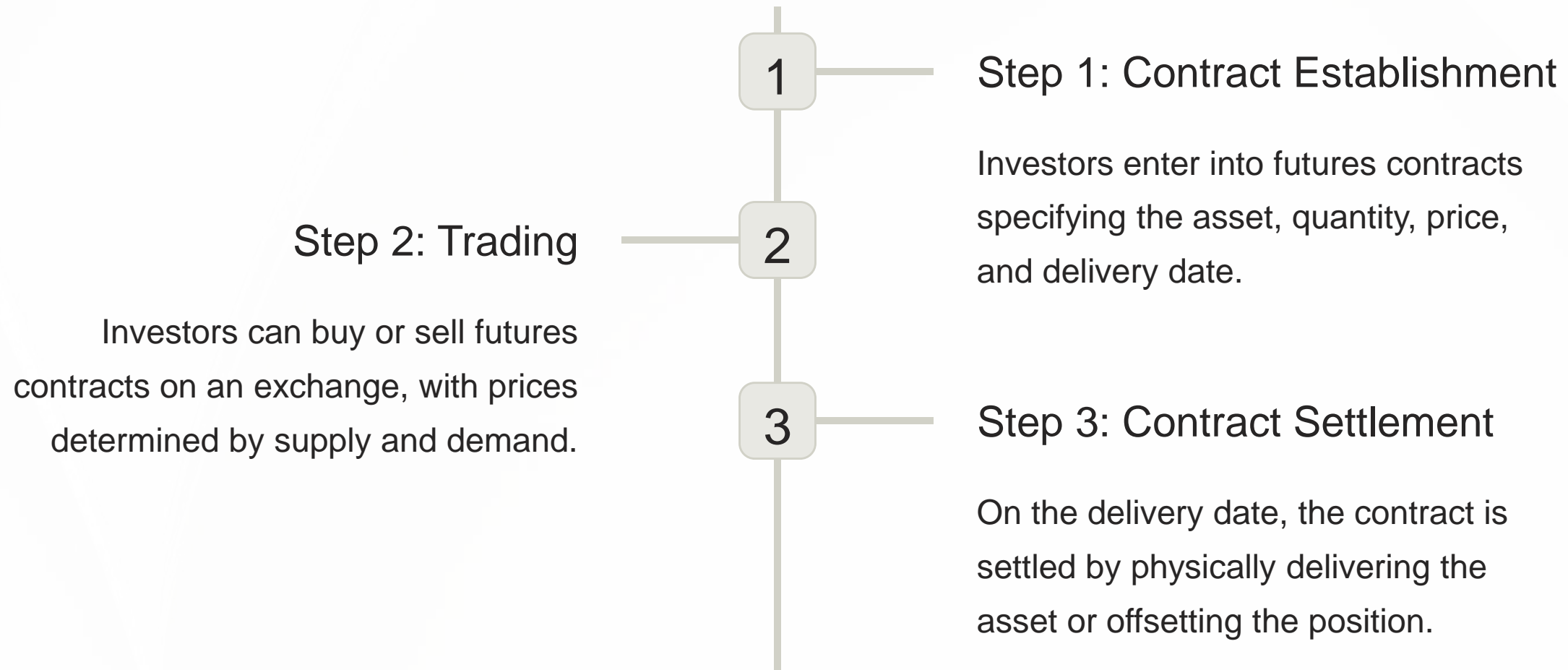
Futures Markets

- Contract-based trading
- Future delivery of assets
- No physical exchange of assets

How Cash Markets Work



How Futures Markets Work



Advantages of Cash Markets

Ownership

Cash markets provide direct ownership of assets, giving investors control over physical assets.

Liquidity

Cash markets are generally more liquid, allowing for easier buying and selling of assets.

Flexibility

Investors have the freedom to hold assets as long as desired and make decisions based on individual needs.

Advantages of Futures Markets



Hedging

Futures markets provide a means to hedge against potential price fluctuations, reducing risk for investors.



Leverage

Futures markets allow investors to trade larger positions than their initial investment, amplifying potential returns.



Global Exposure

Futures markets offer exposure to a wide range of assets from various geographic locations.

Conclusion: Which is Better for You?

Cash Markets

Cash markets are suitable for investors seeking physical ownership of assets and greater flexibility in decision-making.

Futures Markets

Futures markets are advantageous for investors looking to hedge against price fluctuations and leverage their positions.