MAY 2011

Trading Mini Gold and Mini Silver Futures

Mini-sized futures contracts aren't new. In fact they date back to the 1880's when the Open Board of Trade (later re-named the MidAmerica Commodity Exchange) offered 1,000 bushel grain futures against the Chicago Board of Trade's 5,000 bushel contracts. Today, mini-sized contracts are available on a variety of well-known futures contracts, including Silver and Gold. And while the COMEX may be the dominant metals exchange in the United States, the volume leader for mini-precious metals futures is the NYSE Liffe U.S. (http://www.nyse.com).; whose contracts trade electronically on the LIFFE CONNECT ® platform.
[note: both COMEX and the NYSE Liffe U.S. offer full-sized and mini-sized gold and silver futures contracts. A Fact Sheet is on page 3]

Mini Gold and Silver Trading Benefits for Traders

One of the attractions of futures trading is the high leverage. But leverage is a double-edged sword which creates risk commensurate to the reward. The reality of leverage sometimes prevents traders with limited risk capital (or a personally risk-adverse trading profile) from building and holding long-term positions. Mini contracts can help such traders build and hold positions; and with significantly lower margin requirements than their full size counterparts (however the degree of leverage is identical).
The National Futures Association defines Leverage as: "The ability to control large dollar amounts of a commodity with a comparatively small amount of capital."

NOTE: Trading mini-contracts is still speculative in nature and carries the same substantial risk of loss that comes from trading regular-sized contracts. Mini-contracts have the same leverage as full size contracts. A high degree of leverage may lead to substantial losses of client funds.

	Full sized Silver Futures	**Mini NYSE Liffe Silver**
Contract size	5,000 ounces	1,000 ounces
Initial Margin Requirement (as of 5/10/1011)	$21,600	$4,320
Profit/Loss Dollar value of a 1 cent change in the price of Silver futures	+/- $50.00 per contract	+/- $10 per contract
Profit/Loss Dollar value of a $1.00 change in the price of Silver futures	+/- $5,000	+/- $1,000

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A trader forecasting a $10.00 per ounce change in the price of silver (up or down) might decide that the position requires risking $3.00 per ounce. As the table (on page 1) illustrates, this particular risk/reward strategy equates to $15,000 risk/$50,000 profit objective with a full-sized silver contract and requires that the trader maintain $18,900 in a brokerage account to meet the Initial Margin requirement. This trader could still implement an identical strategy based on the same forecasted $10.00 per ounce price movement with a $3.00 per ounce protective stop order but instead place the trade in the mini-silver contract. The 3/1 risk/reward ratio can be maintained but now the trader needs $3,780 of Initial Margin Requirement (or one-fifth the amount of a full-sized contract) to establish and hold the position. The 3/1 risk/reward now equates to $3,000 risk/$10,000 profit objective. **[Note: There is no guarantee that any trading strategy or use of stop-loss orders can limit the actual loss to any specific dollar amount.]**

The point being made is that the mini-silver allows the trader to trade for the same **dollar-per-ounce price movement**. The trader gives up a greater contract value profit opportunity in return for a lower contract value risk of loss.

Furthermore the mini-sized trader can build a position with one to five contracts ultimately using the same Initial Margin Requirement it would take to hold (long or short) just one full-sized contract. Of course the absolute dollar risk of the total, position will increase as the number of contracts held long or short, increases.

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Trading futures and options is speculative in nature and involves substantial risk of loss and is not suitable for all investors. You should carefully consider whether trading is suitable for you in light of your circumstances, knowledge and financial resources.

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FACT SHEET

NYSE Liffe U.S. Mini Gold and Mini Silver Futures Contracts

	Mini Gold	Mini Silver
Contract Size	33.2 fine troy ounces	1,000 troy ounces
Relation of contract size to standard sized COMEX contract	1/3rd	1/5th
Price Quote	Dollars and cents per ounce	Dollar and cents per ounce
Tick Size	\$0.10 per ounce; \$3.32 per contract	1/10th of one cent (\$0.001); \$1 per contract
Contract Months	The current month, for delivery purposes, plus the next eleven calendar months	The current month, for delivery purposes, plus the next eleven calendar months
Delivery	Physical	Physical
Last trading session without delivery risk	Long positions must be offset prior to the close of the trading session ending on the second business day prior to the first business day of the contract month.	Long positions must be offset prior to the close of the trading session ending on the second business day prior to the first business day of the contract month.
Initial Margin Requirement (as of 5/10/2011)	\$2,250	\$4,320
Trading Hours	7:16 pm to 5:00 pm the following day; Sunday through Friday, U.S. EDT	7:16 pm to 5:00 pm the following day; Sunday through Friday, U.S. EDT
Method of Trading	Electronic (LIFFE CONNECT)	Electronic (LIFFE CONNECT)
Quote Symbols	Most order-entry platforms: YG	Most order-entry platforms: YI

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