Basic Order Guide

Custom Brokerage & Services
a division of Man Financial, Inc
440 S. LaSalle St.
20th Floor
Chicago, IL 60605
(800) 321-5810 :: (312) 261-7380
fax: (312) 902-6191
cbands@cbandsbrokerage.com
www.cbandsbrokerage.com

- ## *The Market Order*

The market order is the most frequently used order. It is a very 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. In most instances, the market must trade BETTER than the limit price for the customer to get a fill.)

- ## *Or Better*

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."

- ## *Market if Touched (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.

- ### *Stop Order*

Stop orders can be used for three purposes:

a. to minimize a loss on a long or short position,
b. to protect a profit on an existing long or short position, or
c. 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.

PLEASE NOTE: WHILE STOPS AND M.I.T.'S ARE NORMALLY ELECTED ONLY WHEN THE SPECIFIC PRICE IS TOUCHED, THEY CAN BE ELECTED WHEN THE OPENING OF A MARKET IS SUCH THAT THE PRICE IS THROUGH THE STOP OR MIT LIMIT. IN THIS CASE, THE CUSTOMER CAN ROUTINELY EXPECT THE FILL TO BE MUCH WORSE THAN THE ORIGINAL STOP OR BETTER ON THE MIT. THIS APPLIES TO STOP ORDERS AND MIT ORDERS PLACED BEFORE THE OPENING OF TRADING.

- ### *Stop Limit Orders*

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 Only*

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 on Open*

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.

- *Market on Close (MOC)*

This is an order that will be filled during the final seconds of trading at whatever price is available. PLEASE NOTE: A FLOOR BROKER RESERVES THE RIGHT TO REFUSE AN MOC ORDER UP TO FIFTEEN MINUTES BEFORE THE CLOSE DEPENDING UPON MARKET CONDITIONS.

- *Fill or Kill*

The fill or kill order is used by customers wishing an immediate fill, but at a specified price. Our floor broker will bid or offer the order three times and immediately return either a fill or an unable.

- *One Cancels the Other (OCO)*

This is a combination of two orders written on one order ticket. This instructs our floor personnel that once one side of the order is filled, the remaining side of the order should be cancelled. By placing both instructions on one order, rather than two separate tickets, the customer eliminates the possibility of a double fill. (This order is not acceptable on all exchanges.)

PLEASE NOTE: SOME FIRMS WILL NOT ROUTINELY ACCEPT CANCEL/REPLACE OF AN OCO ORDER WITHIN TO FIFTEEN MINUTES OF THE CLOSE OF TRADING.

- *Spread*

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). For example: BUY 1 JUNE LIVE CATTLE, 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.

At this time, most exchanges do not report spread transactions on their quotation feeds. A spread broker has great leeway to ensure he can obtain prices required by limits. He cannot be held to any price differentials which seem to appear on quotation equipment!

- ## *Other*

As futures and options trading becomes more and more sophisticated, new strategies and techniques may arise. Certain option orders called "spreads" may not look much like traditional spreads. There may be two buys and no sells, the quantity may be a ratio, it may include futures and options on the same order, and many more. If you have any questions about this type of order, please let your manager know that you may need help and he or she will be happy to assist you or to find someone who can.

- ## *Month Symbols*

January	F	July	N
February	G	August	Q
March	H	September	U
April	J	October	V
May	K	November	X
June	M	December	Z

- ## *TIPS*

Always listen carefully to the broker taking your order when he repeats it back to you to make sure he has understood it correctly.

Not all types of orders listed above are accepted at all exchanges - consult your broker for details.

All orders are usually considered "day orders", orders that will work only during the current trading session, unles otherwise specified - consult your broker.

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