Market Talks
EDUCATION CENTER

COMMODITIES · BEGINNER · LESSON 15 OF 15

Getting Started

From reading about commodities to trading them carefully: which markets to start with, which instrument to use, how to size a position from your risk, which dates to mark each week, and the mistakes most beginners make

13 min read 8 quiz questions with answer key

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Getting Started

IN ONE SENTENCE

This last Beginner lesson turns the track into a practical starting plan. Begin with one or two deep, liquid markets such as gold or crude oil, and learn their main reports before trading anything more exotic. Choose an instrument that fits your account size, and remember that leverage works in both directions. Size every trade from the amount you are willing to lose, not from how much you hope to make. Know the weekly calendar of inventory, crop and positioning reports, write a simple trading plan, keep a journal and practise first. Finally, avoid the classic mistakes: too much leverage, holding futures into delivery, ignoring roll costs and trading big reports without a plan.

From learning to trading

Over fourteen lessons you have learned what commodities are, who trades them, how futures and CFDs work and how to read a contract. You have also studied the main markets one by one: oil, gas, gold, silver and the platinum metals, copper, grains and softs. And you have seen the forces they share: supply and demand, inventories, the dollar and interest rates.

Knowledge is the first step, not a licence to trade large positions. Commodities move fast, use leverage and react to news from around the world. The goal of this lesson is to help you take your first steps in a way that protects your account while you build experience.

A simple rule to begin with: **practise before you risk real money**. Most brokers offer demo accounts, and many futures platforms offer simulated trading. Use them to learn the mechanics, the trading hours and how your chosen market behaves around its main reports.

Start with one or two markets

It is tempting to watch everything. It is better to know one or two markets well. Good first choices are markets that are deep, trade almost around the clock and have clear, regular news:

- **Gold:** very liquid, driven by the dollar, interest rates, central banks and safe-haven demand (Lesson 9).

- **Crude oil (WTI or Brent):** very liquid, with a weekly inventory report and clear supply news from OPEC+ (Lesson 7).
- **Copper:** a good read on China and industry, though less liquid for small traders than gold or oil (Lesson 11).
- **Corn or soybeans:** clear seasonal patterns and the monthly WASDE report, but shorter trading hours (Lesson 12).

Markets such as natural gas, palladium, cocoa, coffee and orange juice can move several percent in a day and are often thin outside the main months. They are better left until you have experience.

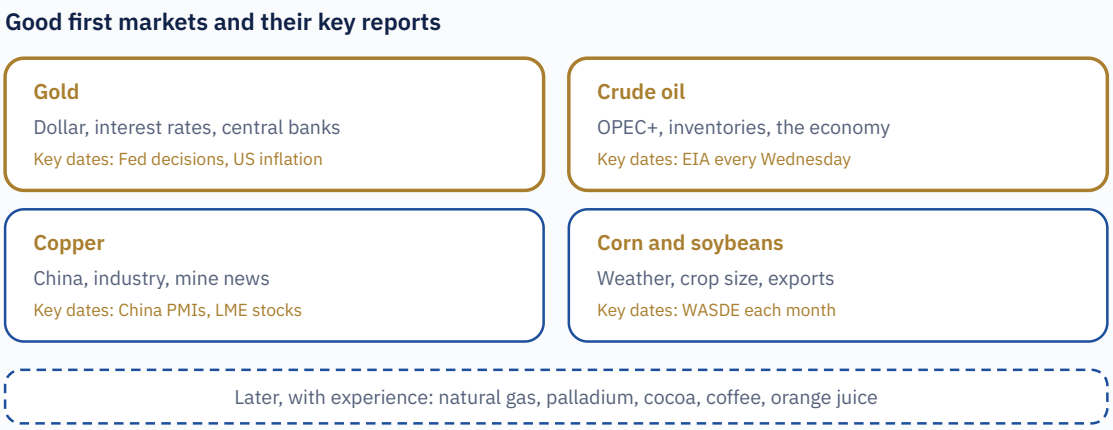


Figure 1. Deep, liquid markets with regular news are the easiest place to start.

Pick a way in that fits your account

Lesson 4 compared the ways to trade commodities. Here is how they fit a starting trader:

Instrument	Good for	Watch out for
CFDs	Small accounts; you can trade very small sizes	Leverage, overnight financing costs, and the broker as your counterparty
Micro futures	Exchange trading with smaller contracts, such as 10-ounce gold or 100-barrel crude	Expiry dates and rolling; still leveraged
Standard futures	Larger accounts and professionals	Large contract values; one tick can be worth $10 to $25 or more
ETFs and ETCs	Longer-term investing without leverage	Fees and roll costs in funds that hold futures

Regulators limit leverage for retail traders in many countries. In the European Union, for example, retail CFD leverage is capped at 20 to 1 for gold and 10 to 1 for other commodities. Lower leverage

is a protection, not an obstacle: it gives you room to be wrong and stay in the game.

Size every trade from your risk

The most important habit you can build is to decide **how much you are willing to lose** before you enter a trade. Many professionals risk between 0.5% and 2% of their account on a single trade.

The steps are always the same:

1. Choose your **risk per trade** as a percentage of your account.
2. Find your **stop-loss**: the price where your trade idea is clearly wrong.
3. Divide the money at risk by the distance to the stop. The result is your **position size**.

Notice what this means. The position size comes from the risk and the stop, not from a feeling about how big the move could be. A wider stop means a smaller position. If the smallest available position is still too big for your risk, the right answer is to skip the trade or use a smaller instrument.



Figure 2. Position size comes from the money you are willing to lose and the distance to your stop.

EXAMPLE: ALEX SIZES A GOLD TRADE

Alex has a $10,000 account and risks 1% per trade, so he can lose $100. He wants to buy gold, and his stop-loss is $20 below his entry. $100 divided by $20 per ounce gives a position of **5 ounces**.

With a CFD, Alex can trade exactly 5 ounces. A micro gold future is 10 ounces, so a $20 move would cost $200, twice his limit. For this trade, the micro future is too big for Alex's account. He either uses the CFD, finds a setup with a tighter stop, or waits.

Know the week

Commodity markets run on a calendar of reports. Knowing when they come out helps you avoid surprises and understand sudden moves. All times below are US Eastern time:

- **Monday:** USDA Crop Progress at 4:00 pm, during the US growing season (Lesson 12).
- **Tuesday:** the American Petroleum Institute's private oil inventory estimate, usually at 4:30 pm.
- **Wednesday:** the EIA Weekly Petroleum Status Report at 10:30 am, the main weekly oil inventory release.
- **Thursday:** the EIA natural gas storage report at 10:30 am, and USDA export sales at 8:30 am.
- **Friday:** the CFTC Commitments of Traders report at 3:30 pm, showing positions as of Tuesday.

Monthly and occasional events matter just as much: the USDA WASDE report around the 10th of each month, OPEC+ meetings, US inflation and jobs data, and Federal Reserve decisions at 2:00 pm on the last day of each meeting. Many traders reduce positions or step aside just before the biggest releases.

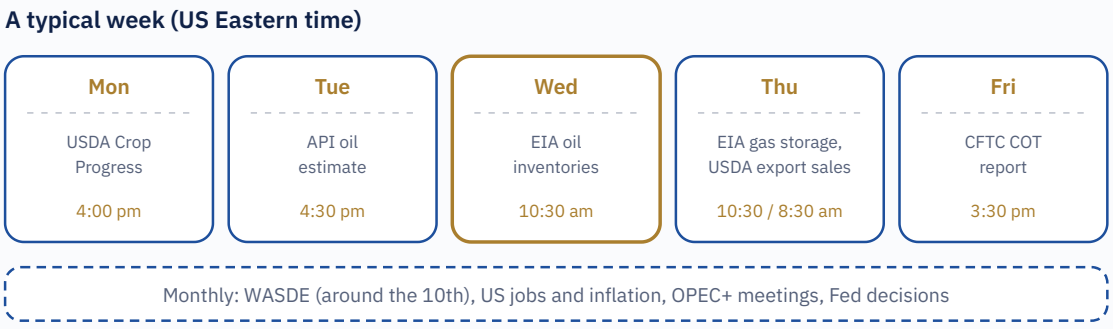


Figure 3. The weekly report calendar. Days run from left to right in every language.

Write it down: your trading plan

A trading plan is a short written document that answers the same questions before every trade. Writing it down turns a hunch into a decision you can review later.

Your plan should cover: which **market** and **timeframe** you trade; your **reason** for the trade, using the supply, demand, stocks and dollar checklist from Lesson 14 and your technical setup; your **entry**; your **stop-loss**; your **position size**; and your **exit** or target. Add a check of the calendar for any report due while the trade is open.

After each trade, write a few lines in a **journal**: what you planned, what happened and what you would do differently. After 20 or 30 trades, the journal will show you your real strengths and weaknesses far better than memory can.



Figure 4. Six questions to answer before every trade.

Beginner mistakes to avoid

- **Too much leverage.** A 2% move against a position with 20 to 1 leverage wipes out 40% of the money behind it. Size from risk, not from available margin.
- **Holding futures into expiry by accident.** Know the last trading day and first notice day of your contract. In April 2020, traders who held May WTI too long saw the price fall below zero (Lesson 5).
- **Ignoring holding costs.** CFDs charge overnight financing, and funds that hold futures pay roll costs in contango. Long-term holding can cost more than you expect.
- **Trading big reports blindly.** Prices can jump in seconds after EIA, WASDE or Fed releases, and stops can be filled at worse prices than planned.
- **Chasing headlines.** By the time a story is on the front page, much of the move is often already in the price.
- **Trading too many markets.** Depth beats breadth. Learn one market's rhythm before adding another.

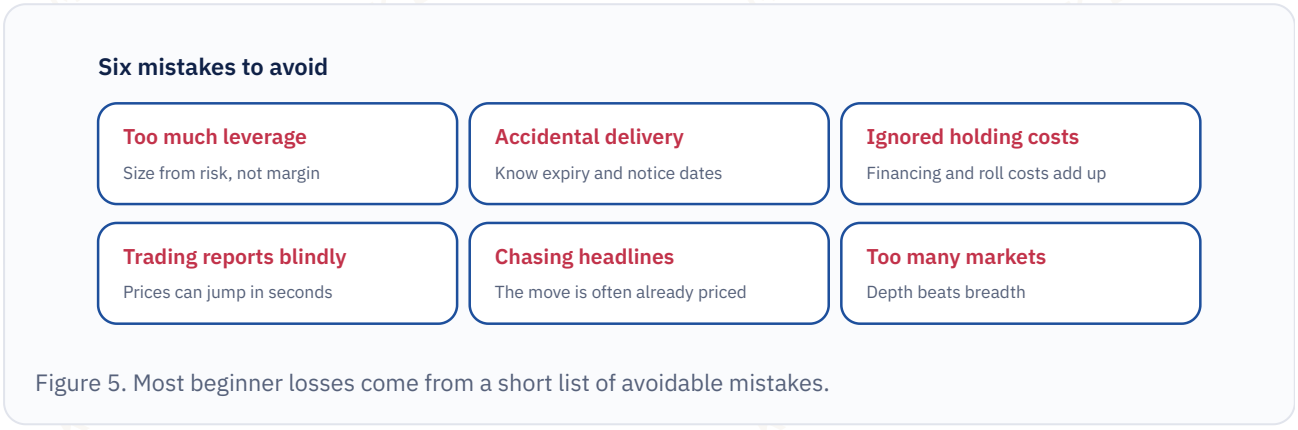


Figure 5. Most beginner losses come from a short list of avoidable mistakes.

What comes next

You have completed the Beginner level of the Commodities track. The **Intermediate** level builds directly on it. It covers contango and backwardation in detail, rollover and roll yield, seasonality, how to read the Commitments of Traders report, oil inventory reports and WASDE in depth, OPEC+, central banks and gold, commodities and inflation, key ratios, commodity currencies, and technical analysis on commodity charts.

Before moving on, revisit any lesson whose quiz felt difficult, pick your first market, and start watching it every day with the tools from this track. Understanding comes from watching a market react to real news, week after week.

Your first-week checklist

- **Pick one market,** for example gold or WTI crude, and follow it every day.
- **Open a demo account** and practise entries, stops and position sizing.
- **Put the weekly reports in your calendar,** in your own time zone.
- **Write a one-page trading plan** and a risk limit per trade.
- **Start a journal** from your very first demo trade.

Key terms

Demo account	A practice account with virtual money that lets you trade real prices without risk.
Risk per trade	The maximum amount, often a percentage of the account, you accept to lose on one trade.
Stop-loss	A planned exit price where the trade idea is wrong and the position is closed to limit the loss.
Position size	How many ounces, barrels, contracts or units you trade, calculated from your risk and your stop distance.
Micro futures	Smaller versions of standard futures contracts, such as 10-ounce gold or 100-barrel crude oil.
Overnight financing	The daily cost or credit applied by a CFD broker to positions held past the end of the trading day.

First notice day	The first day on which holders of a futures contract may be told to take delivery; most traders close or roll before it.
Trading journal	A written record of each trade, the plan behind it, the result and the lessons learned.

Key takeaways

1. Practise first with a demo account, and start with one or two deep markets such as gold or crude oil.
2. Choose an instrument that fits your account. CFDs and micro futures allow small sizes; leverage still cuts both ways.
3. Size every trade from your risk: money at risk divided by stop distance equals position size. If the smallest size is too big, skip the trade.
4. Know the weekly calendar: Crop Progress on Monday, API on Tuesday, EIA oil on Wednesday, EIA gas on Thursday, COT on Friday, plus WASDE, OPEC+ and the Fed.
5. Write a trading plan, keep a journal, and avoid the classic mistakes: too much leverage, accidental delivery, ignored holding costs and trading big reports blindly.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. Which is the best first step for a new commodity trader?

- A Trade every commodity at once
- B Practise on a demo account and follow one or two liquid markets
- C Start with orange juice futures
- D Use the highest leverage available

2. Which market is generally a better first choice for a beginner?

A Gold
B Orange juice
C Palladium
D Robusta coffee

3. An account has $10,000 and the trader risks 1% per trade. The stop is $20 away on gold. What is the position size?

A 1 ounce
B 5 ounces
C 20 ounces
D 100 ounces

4. In the same example, why is one micro gold future (10 ounces) too big?

A Because it trades only on Mondays
B Because a $20 move would cost $200, twice the $100 risk limit
C Because micro futures have no leverage
D Because gold cannot be traded with futures

5. On which day is the EIA Weekly Petroleum Status Report usually released?

A Monday
B Wednesday
C Friday
D Sunday

6. What does the CFTC Commitments of Traders report show?

A Crop condition ratings
B Positions held by different groups of traders, as of Tuesday
C Oil inventories
D Central bank gold purchases

7. A position uses 20 to 1 leverage. The price moves 2% against it. About how much of the money behind the position is lost?

A 2%
B 10%
C 20%
D 40%

8. Why should a trader know the first notice day of a futures contract?

A Because trading is free that day
B Because holding past it can lead to delivery obligations, so most traders close or roll before it
C Because prices are fixed that day
D Because it is when WASDE is released

Answer key

1 B

Practise on a demo account and follow one or two liquid markets

Practising first and focusing on deep, liquid markets lets you learn without risking much.

2 A

Gold

Gold is very liquid and trades almost around the clock. The others are smaller and can swing wildly.

3 B

5 ounces

1% of $10,000 is $100. $100 divided by $20 per ounce gives 5 ounces.

4 B

Because a $20 move would cost $200, twice the $100 risk limit

10 ounces × $20 = $200, which breaks the 1% rule. The trader should use a smaller instrument, a tighter stop, or skip the trade.

5 B

Wednesday

The EIA's main weekly oil inventory report comes out on Wednesday at 10:30 am US Eastern time.

6 B

Positions held by different groups of traders, as of Tuesday

The COT report is published on Friday and shows positions by trader group as of the previous Tuesday.

7 D

40%

With 20 to 1 leverage, a 2% price move becomes about a 40% change in the margin behind the position.

8 B

Because holding past it can lead to delivery obligations, so most traders close or roll before it

Lesson 5 showed what can go wrong when positions are held too close to expiry, as in April 2020.

SOURCES

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