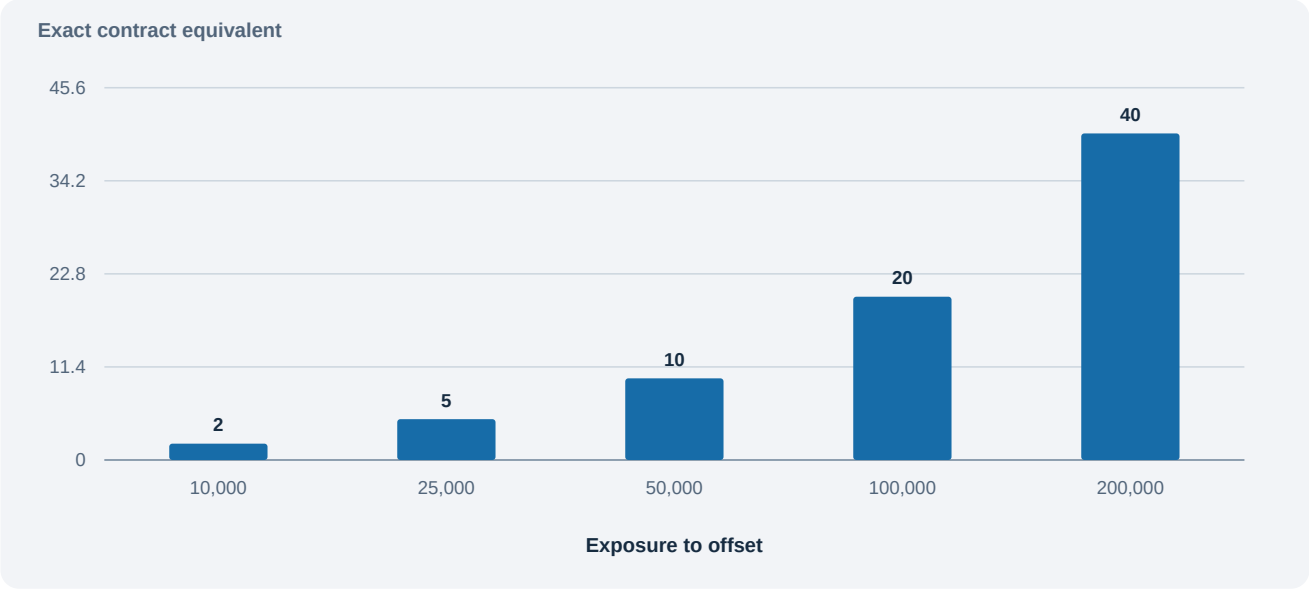
Simple futures hedge quantity

Derivatives mechanics | Original synthetic example | Edition 2026-11-26

A simple equal-exposure hedge divides the currency exposure to offset by the notional of one futures contract. Integer contracts introduce under-hedging or over-hedging.

FORMULA Contracts = exposure / contract notional

SCENARIO 01: One hedge contract notional 5000



WORKED EXAMPLE

Exposure 50,000 divided by 5000 equals 10 contracts before integer rounding and mismatch risk.

COMMON MISTAKE

Treating an equal-notional hedge as perfect ignores basis, timing and underlying mismatch.

BEFORE YOU USE THE CALCULATION

1. Match currency and exposure type.
2. Report the integer rounding residual.
3. Stress basis and correlation changes.

COMPARE TWO MORE INPUT SETS

Scenario 05: One hedge contract notional 15000. Exposure 50,000 divided by 15000 equals 3.33 contracts before integer rounding and mismatch risk.

Scenario 10: One hedge contract notional 27500. Exposure 50,000 divided by 27500 equals 1.82 contracts before integer rounding and mismatch risk.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.