A clear introduction to automated futures trading.

Learn what investing, trading, futures contracts, leverage, automation, drawdown, and backtesting mean before you evaluate any trading system. This page is designed to answer the basics without asking you to buy or book anything.

Start with the foundations ↓

Save the system brief

Estimated reading time: 12 minutes · Read at your own pace

What you will understand

6 MODULES

06	**What to verify** Evidence, custody, fees, fit, and limitations

FORMAT **Plain language**	AUDIENCE **Beginner-friendly**
PURPOSE **Informed decisions**	SALES PITCH **None required**

MODULE 01 / FOUNDATIONS

Investing and trading are not the same activity.

The words are often used interchangeably, but the time horizon, purpose, decision process, and risk can be very different.

INVESTING

Owning assets for longer-term goals

Investing generally means putting money into assets such as stocks or bonds with the expectation of earning a return over time. Long-term investors often think in years or decades and may use diversification to spread risk.

Typical question: “How can this support a future financial goal?”

TRADING

Taking positions around price movement

Trading usually involves entering and exiting positions over shorter periods. Results depend on market movement, execution, costs, and the discipline of the process being used.

Typical question: “Under what conditions do I enter, exit, or stay out?”

FUTURES

Standardized exchange-traded contracts

A futures contract is an agreement tied to an underlying market. It is traded on an exchange, cleared centrally, and requires margin rather than payment of the contract’s full notional value.

Typical question: “How much exposure does this contract create?”

> **Important distinction:** a short-term automated futures strategy is not a substitute for an emergency fund, diversified long-term investing, or personal financial planning.

MODULE 02 / FUTURES MECHANICS

Margin creates efficiency, and amplifies risk.

Futures traders post margin as a performance bond. Because margin can be a fraction of the contract’s total exposure, relatively small market moves can create meaningful gains or losses.

01

Contract

The exchange defines the underlying market, contract size, expiration, and tick value.

02

Margin

The broker requires funds to open and maintain the position. Margin is not the same as buying the asset outright.

03

Leverage

The position can control exposure larger than the cash posted. This magnifies favorable and unfavorable moves.

04

Mark-to-market

Account equity changes as open positions gain or lose value, and margin requirements must remain satisfied.

SIMPLE EXAMPLE

Exposure is not the same as cash deposited.

If a contract moves against the position, the loss is based on the contract’s price movement and tick value, not merely on the amount of margin originally posted. This is why position size and loss limits matter before entry.

MODULE 03 / AUTOMATION

Automation repeats rules. It does not predict the future.

A trading system can monitor conditions and execute a predefined process consistently. It cannot know every future market event or guarantee that the rules will remain profitable.

What automation can do

Monitor programmed conditions	**Yes**

Apply position-sizing rules	**Yes**
Place and manage eligible orders	**Yes**
Record activity consistently	**Yes**
Reduce emotional improvisation	**Potentially**

What automation cannot do

Guarantee income	**No**
Predict sudden market changes	**No**
Eliminate drawdowns	**No**
Prevent every execution problem	**No**
Replace human oversight	**No**

`01 / OBSERVE`

Monitor

Market data is checked for the strategy's programmed conditions.

`02 / FILTER`

Confirm

The system rejects activity when the complete setup is not present.

`03 / SIZE`

Define risk

Position size and protective levels are determined before entry.

`04 / EXECUTE`

Route order

An eligible order is sent through the supported broker connection.

05 / REVIEW

Record

The position is managed and the outcome becomes part of the evidence set.

05 / REVIEW

MODULE 04 / RISK

Risk management defines what the system is allowed to do.

A strategy’s entry signal is only one part of the process. Position size, protective exits, concurrent exposure, session boundaries, and a manual pause determine how much damage a losing period can create.

01

Position size

How many contracts can be used for a given account and risk limit?

BEFORE ENTRY

02

Protective exit

At what point is the original trade thesis considered invalid?

DEFINED

03

Exposure limit

How much total risk may be open at the same time?

CAPPED

04

Session boundary

When should new entries stop after a difficult period?

GUARDED

05

Human override

Who can pause the system when technology or objectives change?

USER CONTROLLED

MODULE 05 / READING PERFORMANCE

A report is useful only when you understand its limits.

Return never stands alone. Evaluate the period, starting capital, sample size, losing trades, drawdown, assumptions, and whether the results are live or hypothetical.

NET RETURN

What changed relative to starting capital?

Return provides scale, but not the path, risk, or repeatability of that result.

DRAWDOWN

How far did equity fall from a prior peak?

Drawdown helps show the difficult part of the experience, not only the ending value.

WIN RATE

What percentage of trades were profitable?

A high win rate can still lose money if losses are much larger than gains.

PROFIT FACTOR

How did gross gains compare with gross losses?

It summarizes payoff balance but does not describe sequence or future stability.

SAMPLE SIZE

How much evidence is included?

A short period or small trade count may not include enough market conditions.

EVIDENCE TYPE

Is it live, simulated, or backtested?

Historical tests have inherent limitations and must not be presented as actual trading.

Worked example / CodeToCashAI Futures Model 01

Equity Drawdown Trades Method

Starting-capital reference: $25,000
43 closed trades · Apr 10–Jul 9, 2026

Historical backtest / hypothetical. The example produced +$30,733 net P&L, a 67.4% win rate, 3.15 profit factor, and -$2,000 maximum drawdown under the modeled assumptions. It is not a live brokerage statement or a prediction.

HISTORICAL SCENARIO LAB

Put the reported percentages into dollar context.

This calculator applies the same historical percentage change to a reference amount. It is an educational illustration, not a forecast, quote, or statement of what a real account would have earned.

ILLUSTRATIVE STARTING REFERENCE

$ 25000

HISTORICAL CHANGE

+122.9%

Based on the supplied 90-day backtest result.

HYPOTHETICAL NET CHANGE

+$30,733

If the same percentage were applied to the selected reference.

HYPOTHETICAL ENDING VALUE

$55,733

Reference amount plus the illustrated net change.

HISTORICAL MAX DRAWDOWN

−$2,000 / −8.0%

Scaled only to contextualize the reported drawdown percentage.

Why this is not an earnings promise:

Futures contracts are discrete and do not scale continuously with account size. Actual outcomes can differ because of contract selection, margin requirements, fees, slippage, liquidity, latency, data quality, execution, and changing market conditions. The underlying evidence is historical and hypothetical, not a live brokerage statement.

MODULE 06 / ACCOUNT STRUCTURE

Know where your money, software, and control reside.

Brokerage custody, software permissions, data feeds, and the ability to disconnect should be understood before any automated system is activated.

01 / BROKER

Holds the account

The broker maintains the trading account, margin, balances, and order records.

02 / CONNECTION

Routes eligible instructions

The supported technology connection allows the system to send defined orders.

03 / ACCOUNT OWNER

Retains oversight

The account owner monitors activity and can pause or remove the connection.

BEFORE USING ANY SYSTEM

Ask these eight questions.

1. What exactly is being traded?
2. Who holds the trading capital?
3. What permissions does the software receive?
4. What is the maximum planned position size?
5. What historical and live evidence exists?
6. What fees, data, platform, and broker costs apply?
7. How can the system be paused or disconnected?

8. What loss could I realistically sustain?

REFERENCE / GLOSSARY

The language, without the jargon.

Use these definitions when reviewing a strategy, brokerage statement, or conversation about automated execution.

Backtest	Applying strategy rules to historical data to model how they would have behaved.
Broker	The regulated firm that carries the account and routes or clears orders.
Drawdown	The decline from a prior equity peak to a later low point.
Futures contract	A standardized exchange-traded agreement tied to an underlying market.
Leverage	Controlling exposure larger than the cash committed, amplifying gains and losses.
Margin	Funds required as a performance bond to open and maintain a futures position.
Profit factor	Gross profits divided by gross losses over the measured sample.

Slippage	The difference between an expected price and the price actually received.
Stop	An instruction intended to exit when price reaches a defined level; fills can vary.
Win rate	The percentage of closed trades that were profitable in the measured sample.

INDEPENDENT LEARNING

Continue with primary sources.

Do not rely on a vendor's website alone. These independent educational resources explain investing, futures mechanics, risk, and automated-trading red flags.

INVESTOR.GOV	**Introduction to investing, goals, time horizon, and diversification**	↗
CFTC	**How futures contracts, clearing, and margin work**	↗
CFTC	**Checklist before trading futures or options**	↗
CFTC	**Why automated systems cannot guarantee returns**	↗
FINRA	**Risks and warning signs involving auto-trading services**	↗

KEEP THIS RESOURCE

Understanding the mechanism is more important than memorizing a performance number.

Save the System Brief, write down what remains unclear, and use the checklist whenever you evaluate an automated trading system.

Download the system brief ↓

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