

## Commodities Future Trading Commission treatment of hedging at:

<http://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/index.htm#T>

### Hedge Fund

A private investment fund or pool that trades and invests in various assets such as **securities, commodities**, currency, and **derivatives** on behalf of its clients, typically wealthy individuals. Some **commodity pool operators** operate hedge funds.

### Hedge Ratio

Ratio of the value of **futures contracts** purchased or sold to the value of the cash commodity being **hedged**, a computation necessary to minimize **basis risk**.

### Hedger

A market participant who enters into positions in a **futures** or other **derivatives** market opposite to positions held in the **cash market** to minimize the risk of financial loss from an adverse price change; or who purchases or sells futures as a temporary substitute for a cash transaction that will occur later. One can hedge either a long cash market position (e.g., one owns the cash commodity) or a short cash market position (e.g., one plans on buying the cash commodity in the future).