

## Futures Market and Derivatives

**Yusuf Demir**

Cumhuriyet University

Turkey

ydemirce@yahoo.com

**Merve Öz**

Selçuk University

Turkey

merveoz589@gmail.com

**Abstract:** *The derivatives markets provide an opportunity to investors, farmers, industrialists and other interested groups in their trade transactions to evaluate the formation of prices on future by considering not just past prices but also future prices by eliminating price uncertainty. Derivatives traded in these markets mainly fulfills the transfer function of economic risks and also with these considered derivatives, it is possible to use future instruments, to increase profit while realizing investment, to optimize the structure of portfolio, reaching stabilization for some derivatives markets' participants' financial situation, to soften large and reverse fluctuations and to determine the next development trend of spot markets.*

*In today's international financial system in which financial markets are getting integrated day by day and there are extreme and unpredictable fluctuations in exchange rates and interest rates, the most important element in terms of capital suppliers is achieving the most suitable investment environment to get highest profit with minimum risk. The main aim of international and institutional investors in terms of their portfolios is getting the highest return within the shortest time. And when we define this investment environment as securities market we face two main subsets: Spot or cash markets in which securities are traded directly and derivatives markets in which futures issued over securities or commodities are traded. With Hull's own words, we are on the stage for anyone interested in finance to understand how constantly growing derivative instruments works, how they are used and are priced.*

*In this paper it is aimed to evaluate the importance of derivative markets, its historical development and functioning principles of derivative markets within the framework of risk management. And also informing individuals, institutions and enterprises interested in instruments traded in derivative markets about the reason why these instruments are the subject of these transactions and quantification of these instruments and establishing the required dynamics in the need of derivatives and derivative markets in order to estimate easily exchange rates, interest rates and commodity prices which can be reveal in the future while these considered interested groups are making investment decision.*

**Keywords:** *futures market, derivatives, financial instruments.*

