Commodity Trader interview questions

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What to expect

Commodity trading interviews are less about rehearsing a single answer and more about showing how you think when a market moves. Expect a mix of process questions, market views, risk scenarios and behavioural prompts, often with a live exercise or a trade idea you have to defend.

- **Process:** Questions about how you take a trade from signal to approval, execution and reconciliation.
- **Market and technical:** Your view on a commodity, how you read supply and demand, and how you use Bloomberg, Reuters or trading platforms.
- **Scenario and risk:** A weather event, shipping disruption or limit breach, and what you would do in the moment.
- **Behavioural:** Past examples of managing losses, deadlines, pressure and stakeholder communication.
- **Compliance and controls:** How you work with internal limits, ASIC rules and the Australian financial services licensing framework.

A typical process starts with a recruiter screen, then a technical or market discussion with a senior trader or desk head. That is followed by a scenario or live pricing exercise, sometimes with risk and compliance representatives in the room. Final rounds often involve a panel and a trade idea you present and defend. Some firms ask for a short modelling test in Excel or Python.

1. Walk me through how you take a trade from idea to close, from the first signal through to reconciliation.

Why they ask

This shows whether you understand the full trade lifecycle and where risk controls sit.

How to structure your answer

Use a chronological walk-through: signal, analysis, check against limits, execution, monitoring, reconciliation.

Example answer

"I start by watching Bloomberg Terminal and Reuters Eikon for price moves and news in the commodities I cover. If I see a signal, say a dry spell forecast in a key growing region, I check weather models and shipping data to see whether the market has already priced it in. I then run the trade against our internal limits, including position size and VaR, and speak to the desk head if it is near a threshold. Once approved, I place the order across spot or futures on CME, ICE or ASX 24, depending on liquidity. I monitor the position through the session, adjusting stops or rolling contracts as needed. At close, I reconcile the day's trades and compare performance against the benchmark, then write a short note for the morning meeting."

2. Tell me about a time you had to cut a loss or close a position when the market moved against you.

Why they ask

They want to see discipline, not just conviction.

How to structure your answer

Use STAR: situation, task, action, result. Keep the focus on the decision and what you learned.

Example answer

"At my last desk I was long a grain contract ahead of a harvest report. The report came in better than expected and the curve moved against me quickly. My task was to decide whether to hold and hope for a retracement or cut the position within my risk limit. I checked the order book, saw liquidity thinning, and cut half the position immediately. I then set a hard stop on the rest and informed the desk head. The remaining position stopped out later that morning. The result was a contained loss rather than a limit breach, and I now build a pre-mortem into every seasonal trade so I know my exit before I enter."

3. A forecast cyclone is expected to hit a key export port in two days. What do you do with your position?

Why they ask

This tests judgement under time pressure and how you handle uncertain information.

How to structure your answer

Assess the facts, consider scenarios, act within limits, communicate, then review.

Example answer

"First I confirm the forecast source and the port's role in the supply chain. If the port handles a large share of exports for the commodity I trade, I model two or three scenarios: a direct hit, a near miss, and a delayed impact. I check my current position and how much exposure I have to that route. If I am long and the market has not priced the risk, I may reduce or hedge with a futures or options position. I would not take a large directional bet on a weather model alone. I inform the desk head and risk team, document the decision, and set alerts for updates. After the event I review whether the trade and the process held up."

4. How do you check a proposed trade against internal limits and risk controls before it is approved?

Why they ask

Compliance and risk are central to trading, and they want to know you do not treat limits as optional.

How to structure your answer

Walk through the checks in order, from pre-trade analysis to approval and documentation.

Example answer

"I start with the trade idea and the proposed size. I check it against our position limits, value at risk, stop-loss levels and any product-specific restrictions. I look at correlation with existing positions so I am not doubling up on the same risk. If the trade is within limits, I prepare a short summary with the rationale, entry, target and stop, and send it to the desk head for approval. If it is near or over a limit, I escalate before doing anything else. Once approved, I record the trade in the system and make sure the risk team can see it. After execution I reconcile it against the confirmation."

5. Which markets or commodities do you follow most closely, and what is your view on the current supply and demand balance?

Why they ask

They want to hear a coherent market view, not a data dump, and see how you form a thesis.

How to structure your answer

State your thesis, give the evidence, name the risks, and explain how you would position.

Example answer

"I follow Australian agricultural exports and energy markets most closely, particularly wheat and LNG. My view is that supply is responsive to weather and shipping routes, while demand is steadier but sensitive to industrial activity in Asia. I would look at planting intentions, soil moisture, port congestion and the futures curve shape before taking a view. The main risk to my thesis is a sudden change in trade policy or a weather event that the market has already priced. If I saw a disconnect between the

physical market and the futures curve, I would look for a relative value trade rather than a outright directional bet."

6. Describe a time you had to explain a complex trade or risk position to someone outside the trading desk.

Why they ask

Traders deal with risk, operations, clients and senior managers, so clear communication matters.

How to structure your answer

Use a context, action, result structure, and focus on how you tailored the explanation.

Example answer

"I once had to explain to an operations team why a futures position needed a margin call funded at short notice. The trade involved a calendar spread and the margin calculation was not obvious. I broke it down into the two legs, showed the exchange requirement and the timing, and gave them a one-page summary with the key numbers. The result was that the funding was approved without a delay, and the operations team asked me to run a short session for new starters on margin mechanics. I now keep a plain English summary ready for any complex position I hold."