

Topics Covered

Formulas and Definitions

Constructing Futures Basis Term Structure

Curve Roll Down

Curve Directional Trades

Formulas and Definitions

Basis = Future - Spot

t = Days to Expiry / 365 or Actual / 365

% Basis Per Annum = (Future / Spot - 1) / t

r = Annualised Interest Rate

Simple Interest = (1 + r * t)

Formulas and Definitions

Delta = XBT Value of Portfolio Using Spot Prices

Delta is your Bitcoin price exposure

Theta = Basis / Days to Expiry

Positive Carry is when Theta > 0

Negative Carry is when Theta < 0

Constructing Basis Term Structure

Compare futures based on their % Basis PA rather than price

Compute the % Basis PA

Graph the % Basis PA

Then make trading decisions

Refer to Basis Term Structure tab

Curve Roll Down

Sell the expensive future, buy the cheap future based on % Basis PA

When the near leg expires, buy back the far leg

Compute the breakeven close out price based on the carry earned

Determine if it is a good bet

Curve Directional Trades

Construct a delta neutral portfolio

Curve steepener is when the % Basis PA differential widens

Curve flattener is when the % Basis PA differential narrows