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## What are Bitcoin Futures? Guide for Beginners

Original:

<https://www.btcc.com/en-US/academy/crypto-basics/what-is-bitcoin-futures-guide-for-beginners>

For many years, [Bitcoin](#) trading has been the main solution for those who want to make profits without traditional rules. It is steadily subverting the traditional way of making money. However, what is Bitcoin futures? To understand what this means, let's explore its investment field with a fine tooth comb.

### What is Futures

Futures is a standard contract between two parties, which purchases or sells specific assets at a specific time on a predetermined date in the future. Usually, futures contracts are traded on futures exchanges.

Futures agreements include the quality, quantity and price of underlying assets. There are many reasons for signing futures contracts. First, because it is a transaction agreed to be conducted at a specific price at a specific time in the future, the buyer of the underlying asset is protected from the price changes of the asset in the market. This may bring profits and sometimes losses to the contract holder because there is a commitment to buy or sell at a specified price.

Most contracts in the financial sector give the contract holder the "right" to do something. However, futures contracts introduce a different concept, providing contract holders (both parties) with "rights" and "obligations" to fulfill the details of futures contracts. Usually, some futures contracts require physical delivery of the assets involved, while others are in cash. But how does it work?



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## How do Futures Contracts Work

Futures contracts involve both parties, namely the buyer and the seller; It allows them to lock in costs and trade before the assets are harvested.

Some assets, such as commodities, are used as futures contracts on futures exchanges. For better understanding, suppose a farmer wants to sell a lot of corn in the next harvest season. Although corn has not yet been produced, farmers want to ensure that they pay an appropriate price for corn in the future. Then, a buyer is looking for the next crop of corn, and he is willing to pay the current market price or similar price for it. In this case, the seller and the buyer can sign a futures contract at a specific price. This will protect sellers and buyers from price fluctuations.

Futures contracts usually have two main traders, usually called hedgers and speculators. Hedgers are interested in underlying assets. They try to offset the risk of price changes, while speculators have no practical use for assets linked to futures contracts. Instead, these people speculate, buy futures, and then sell them to interested people to make a profit.

In futures contracts, you can enter a long or short position. Long refers to a party's commitment to buy assets on a specific date and time, while short refers to a party's intention to sell assets on a specific date and price.

## What is Bitcoin Futures

According to the trading concept of conventional assets such as commodities and stocks, you can also trade Bitcoin futures. Simply put, Bitcoin futures involve both parties and a contract to buy or sell Bitcoin at a specific future price and date. At the end of 2017, CME Group launched Bitcoin futures contract. Contracts traded on Globex electronic trading platform are settled in cash. Bitcoin futures are based on CME CF Bitcoin reference exchange rate.

Trading Bitcoin futures does not involve actual Bitcoin. Futures are not settled in Bitcoin. Like other futures contracts, you predict the price of Bitcoin rather than buying or selling the relevant cryptocurrency assets themselves. However, if you expect Bitcoin prices to rise, you can take long positions; Or if you hold Bitcoin, take short positions to reduce the risk of possible loss.

It must be known that the price of Bitcoin futures contract is roughly proportional to the price of Bitcoin. Therefore, Bitcoin futures trading is an alternative to spot trading, which involves the actual purchase or sale of relevant cryptocurrencies.

Spot trading only provides you with basic trading instructions, such as buy low and sell high, and you often make a profit during market pumping. On the other hand, Bitcoin futures trading offers many benefits, including trading and leverage during bull and bear markets.



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## How Does Bitcoin Futures Work

The working principle of Bitcoin futures is the same as that of typical futures contracts. In addition, there are centralized exchanges like binance that allow large-scale risk-taking.

In order to better understand this, suppose we buy Bitcoin with a futures contract of \$40.000, which will be settled in two months.

Our futures contract obliges us to buy \$40.000 Bitcoin within two months. If the price was \$50.000, we would make a profit of \$10.000 per share. However, if it has dropped to \$30.000 by then, we still have to buy it at \$40.000, and in fact we have lost \$10.000 per position.

If we believe the price will fall, we can sell it under the same conditions with a futures contract of \$40.000. This means that if Bitcoin falls to \$30.000 on the maturity date, we can still sell it for

\$40.000 and make a profit of \$10.000. Vice versa: Bitcoin should be higher than \$40.000 on its maturity date.

In order to accept this obligation, we take out some money, which is called “deposit”. Margin is the minimum collateral you must have in your account to execute transactions. The more money you invest, the higher the margin the exchange needs to complete the transaction.

Generally, the margin is between 5% and 15% of the value of relevant assets, so we take 5% as an example. We pay \$1000 x 40 000 dollars to buy a futures contract. The value of these positions will be \$40 million, but we only took out 5% of the contract.

## **Are Bitcoin Futures a Good Investment?**

Speculating on Bitcoin futures has both advantages and disadvantages, just like the cryptocurrency market overall. Investors can benefit from futures contracts because of the opportunities they present for leverage, diversification, and risk management through hedging.

However, investors should be aware that leverage can work both for them and against them, and that futures trading losses can quickly accumulate.

In addition, if Bitcoin futures traders fail to meet their account margin requirements, they may be compelled to liquidate their positions at the worst possible time. Profits from trading Bitcoin futures might be negatively impacted by exchange costs.

Bitcoin futures, according to Cullen Cioffi Capital Management CEO Ryan Cullen, might be an effective instrument for cryptocurrency investors. Traders must be aware of and able to control any potential dangers, though.

“Since Bitcoin is highly volatile, and futures allow you to take on a greater position, you may take advantage of short-term fluctuations inside the market,” he explains.

Investors should be aware, he says, that the Bitcoin futures market is extremely risky. With futures, “you can wind up with an excessive position that ends up being worth very little or nothing” because of the high degree of leverage that can be used.



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## Where to Trade BTC Futures

To trade BTC futures, you can choose BTCC crypto exchange. [BTCC](#) was founded in June 2011 with the goal of making crypto trading reliable and accessible to everyone.

We specialize in crypto futures contract trading, offering perpetual futures contracts. The maximum leverage offered by BTCC for daily futures contracts is 150x. The vast variety of futures offered by BTCC accommodates the trading habits and objectives of both novice and seasoned traders. We offer the USDT-margined futures and Coin-margined futures. Users can trade futures using USDT or cryptos like BTC, ETH, and XRP. And Large orders of up to 300 BTC can be executed at the top price levels.

Here are the main advantages of using the BTCC crypto exchange to trade Bitcoin futures:

- Largest variety of futures: Daily, Weekly, Quarterly and Perpetual futures
- Flexible leverage from 10x to 150x
- Lowest trading fees 0.03%
- Industry-leading market liquidity
- Plenty of campaigns to win exciting rewards

## BTCC FAQs

### 1. Is BTCC safe?

Since its inception in 2011, BTCC has made it a priority to create a secure space for all of its visitors. Measures consist of things like a robust verification process, two-factor authentication, etc. It is considered one of the most secure markets to buy and sell cryptocurrencies and other digital assets.

## **2.Is it possible for me to invest in BTCC?**

Users are encouraged to check if the exchange delivers to their area. Investors in BTCC must be able to deal in US dollars.

## **3.Can I Trade BTCC in the U.S?**

Yes, US-based investors can begin trading on BTCC and access the thriving crypto asset secondary market to buy, sell, and trade cryptocurrencies.

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