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Crypto Futures Trading: How Do I Start Trading Cryptocurrency Futures?

There are many ways to get exposure to cryptocurrencies, but crypto futures trading is one of the most popular and convenient methods. Here are all you need to understand the intricacies of cryptocurrency futures trading better. It's a bit long. Let's start it.

What is Crypto Futures Trading?

Future trading refers to a method of speculating on the price of assets, including cryptocurrencies, without actually owning them. Like commodity or stock futures, cryptocurrency futures enable traders to bet on a digital currency's future price. Among other things, futures trading can provide better opportunities compared to spot trading or options trading. Needless to say, [Bitcoin futures trading](#) is currently the most popular type of crypto futures contracts.



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How Does Cryptocurrency Futures Trading Work?

Futures traders usually just speculate on how the price of a crypto asset is likely to perform in the future. Their conclusion may be based on fundamental analysis using some metrics or technical analysis, upon which they base their prediction that the asset will perform in a certain way on a

particular day.

For example, a trader may open a futures short position on a contract to sell Bitcoin at a particular price on 13 December 2022. Someone who intends to take the trade will open a long position on the contract.

Assuming the agreed-upon price is \$30,000 per bitcoin, and the current price is \$23,000, the seller will be selling at a profit if the price of bitcoin stays under \$30,000 while the buyer will be losing.

On the other hand, if the price reaches \$45,000 on 13 December, they will be at a loss and the buyer in a profit. Futures contracts can only be canceled before the agreed date by entering the opposite trade to the one you initially opened. The contract must be fulfilled once the agreed day is reached.

To increase their potential gains, futures traders sometimes borrow funds from the exchanges they trade to increase the size of their trades. This is called leverage, and it is in multiples of the original trade size, i.e., for a trade X, the leverage can be 10X, 20X, 50X, 100X or even 150X like BTCC platform, depending on the exchange.

It should be noted that borrowing to increase the size of a trade can backfire if the trade does not favor you. You will be liquidated, and your funds will be gone for good, so it is quite a risky venture.

What is a Futures Contract?

Futures contracts are part of a large category of trading instruments known as derivatives, including— Contracts for Difference (CFDs), Options, and Swaps.

Initially, futures contracts made sense for many commodities, including foods, oil, and metals. However, they soon went beyond their practical reasons to conquer all financial markets, including cryptocurrencies. Today, most commodity price quotes you see on financial portals involve futures, usually with a monthly expiry date.

In a nutshell, a futures contract is an agreement between two parties to either buy or sell an asset, such as digital currency, on a predetermined date, at a predetermined price. The contract tracks an underlying asset, be it a commodity, stock, or cryptocurrency. It is basically a form of bet on the future price movement.

For example, if you think that Bitcoin (BTC) will increase in price by the end of the month, you would be interested in opening a long position on the cryptocurrency by buying a Bitcoin futures contract with a monthly expiry date. Otherwise, if you believe Bitcoin's price will go bullish, you would go long. At the contract's expiry date, the two parties involved in the trade settle, and the contract closes.

While a crypto futures contract's condition is to have an expiry date, there is a subcategory of futures called crypto perpetual futures. What separates a crypto perpetual contract from the rest is it does not have any expiration. They behave exactly the same as traditional futures but without any expiry and settlement.

The price of a crypto perpetual contract monitors the cryptocurrency spot price and trades very close to it. The primary mechanism making perpetual contracts possible is the funding rate, in which long and shorts make regular payments to each other depending on the market situation.



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Types of Cryptocurrency Futures Contract

There are several types of future contract that crypto traders can choose from. It's worth mentioning that most futures trading platforms do not provide all of the listed types, so make sure to select the suitable futures exchange.

Standard Futures Contract

Regular crypto futures have all the aspects of a standard futures contract from traditional markets, including expiry and settlement. Chicago-based CME Group and CBOE were the first futures trading exchanges to launch Bitcoin futures contracts back in December 2017. In fact, this was one of many reasons that boosted the BTC price to a record high at the time, until BTC price reached broke its all-time-high of \$20,000 in 2020.

Today, CME provides several Bitcoin futures with different expiry dates, as seen in its Bitcoin

Futures Calendar. All contracts are settled in U.S. dollars at the expiry. Elsewhere, CBOE decided to abandon its Bitcoin futures contracts, but it would definitely bring them back soon as the interest in crypto is surging.

On the contrary, some crypto exchanges do provide standard futures contracts. Like Binance, and Bybit, most of them offer quarterly Bitcoin futures and the contracts commonly dealt with in U.S. dollars. They are often settled every three months and are ideal for swing trading.

Futures Contract with Physical Delivery

Another kind of cryptocurrency futures that also have expiry dates are futures with physical delivery. They were first introduced by Bakkt, an entity backed by Intercontinental Exchange (ICE), the parent New York Stock Exchange (NYSE). The only difference from the regular futures described above is that cryptocurrency is actually delivered during the settlement process.

Bakkt now offers only Bitcoin futures with physical delivery, meaning that it transfers Bitcoin at the expiration date to those who bought futures on the cryptocurrency. As a cash-settled futures contract, this approach aims to contribute to the Bitcoin circulation.

Crypto Perpetual Contract

Perpetual contracts represent another popular kind of cryptocurrency futures. Since it does not rely on the expiration date, perpetual contracts quickly took off on BitMEX, but soon being adopted by major crypto exchanges, including [BTCC](#), Binance, and Bybit.

The primary mechanism that helps perpetual contracts keep as close to the spot price as possible is funding. Traders are paying each other based on their open positions at certain hours. The difference between the perpetual contract price and the spot price decides who pays and who gets paid. Thus, when the funding rate is positive, traders who have long positions pay shorts, and when the funding rate is negative, shorts pay longs.

The crypto perpetual futures market has grown rapidly, but there is still room for improvement in the trading volume compared with conventional futures exchanges.

Despite the large drop in crypto prices in 2022, trading volume for perpetual futures has slumped but they have not been affected as much. According to coinglass data, average futures volume still range around \$50b - \$200b.

Cryptocurrency futures will continue to be an area with huge potential and will be hugely contested amongst the top exchanges as well as decentralized exchanges.

What is the Difference Between Futures and Options?

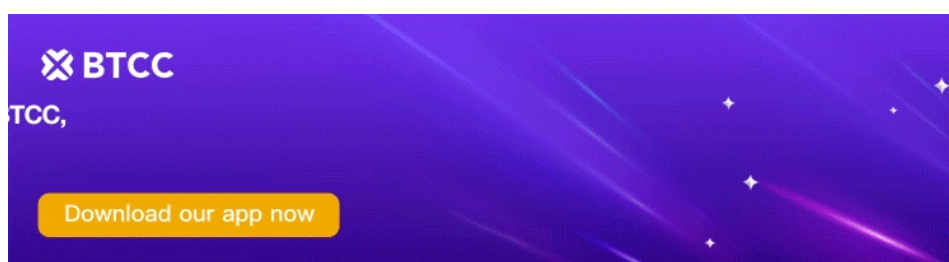
Futures contracts can be useful for speculative traders but have a real utility for individuals and organizations that deal with the actual underlying assets, allowing them to hedge operational and business risks from unforeseen market movements and volatility.

The most common example is that of Bitcoin miners. They generate revenue from the Bitcoin they mine and sell, however the value of Bitcoin can fluctuate widely even though their costs are relatively fixed and often paid in fiat.

If Bitcoin's price declines significantly in the future, the miners' ability to meet their fixed costs is adversely affected, potentially jeopardizing their operations.

In order to manage this risk, miners can turn to the futures market and find future buyers for their Bitcoin at prices that will allow them to continue operating profitably. Options contracts, on the other hand, are more suitable for speculation traders as it comes with limited downside risks.

Both Bitcoin futures trading and Bitcoin options are available to be traded on BTCC as well.



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Crypto Futures Trading vs. Commodity Futures Trading

Bitcoin futures share many similarities with futures contracts from traditional financial markets. In fact, Bitcoin is considered a commodity by the U.S. Commodity Futures Trading Commission (CFTC), so this shouldn't surprise you.

Similarities

Futures on both cryptocurrencies and commodities do not involve the underlying assets, but the price of those assets. Most of the time the derivatives and the underlying asset prices are almost the same price. There are futures from both markets that share similar components, including the expiry date and settlement.

Differences

Some cryptocurrency futures, such as perpetual contracts, are different from commodity futures because they don't have any expiry time and settlement. Plus, crypto futures are generally more volatile than commodity futures, given that digital assets are way more volatile.

Another key difference is that many commodity futures are traded for practical reasons rather than for speculation. For example, factories and transport services would be interested in buying oil at current prices, but they would purchase oil futures with future delivery.

Advantages of Trading Crypto Futures

Cryptocurrency futures have become very popular and for excellent reasons. Here are some advantages of crypto futures that you should consider:

- **Trading futures is easy even for beginners** than trading actual cryptocurrencies, which requires you to access a liquid market and have a secure digital wallet. In fact, this is why the trading volume in crypto futures is two to three times larger than spot trading volumes.
- **Higher potential profits.** When trading crypto futures with leverage, the gains are typically more substantial. On BTCC, you can set the leverage up to 150x, meaning that you can enter a position worth \$1,500 with only \$10 as capital. However, you should know that the risks of loss are also higher when using leverage.
- **Flexible futures trading strategies.** The implementation of trading strategies works much better with crypto futures than trading actual cryptocurrencies, especially when it comes to intra-day trading. Also, crypto futures allow you to go short without any blockers. Hence, there are more rooms for you to deploy different futures trading strategies to maximize profits.
- **No funding rate:** One important difference between futures compared to perpetual futures is that futures do not have a funding rate, and prices are often in contango, meaning future

prices are higher than the current spot prices. This creates an opportunity known as cash and carry arbitrage, which is a market-neutral strategy that combines a long position in the spot market and a short position in futures. On the day of the settlement the futures price converges with the spot market price, generating relatively riskless returns regardless of the market condition or volatility.

Crypto futures trading can be very profitable if proper risk management is implemented. For regular traders, this activity can be more profitable than Bitcoin mining, given that the latter requires expensive equipment. However, this is the best-case scenario. As with any form of trading, there are considerable risks that should not be ignored.



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Potential Risks of Crypto Futures Trading

Despite the many benefits of crypto futures trading, there are also a number of serious risks associated with it that new investors need to be mindful of. There is an old adage that goes for margin trading - your wins are certainly amplified but so are your losses.

Futures trading is quite risky because it requires you to take a margin. And if you use margin, then you can potentially make much higher returns off of your initial capital. And you can lose the same huge amount of capital as well. That is why it is often recommended that futures should only be traded by those who have a much-informed understanding of the market that they are trading in.

Five Things You Must Understand Before Trading Crypto Futures

Futures trading is not entirely the same as regular trading, despite the similarities. Here are several key aspects you should take into account:

Leverage Trading

[Leverage](#) is the crucial feature of margin trading, which is offered by most futures trading platforms today. By using leverage, traders can boost potential profits, but the risks are parallel to the leverage it involves. Though typically crypto exchanges offer up to 50x leverage, BTCC offers up to [100x leverage](#) for their perpetual contracts, and Binance offers up to 125x leverage. Trading with high leverage may be potential gains for advanced traders, but it is still risky for the position to be liquidated.

When trading crypto futures, beginners should avoid betting on high leverage, but a minimal leverage level may do the trick. The selected leverage decides the margin required for trading. For example, if a trader opts for 10x leverage, the position will have 10% of his funds, and the rest is borrowed. It's either from the exchange itself or from traders who are lending upon interest.

Liquidity Assessment

Traders and investors look closely into a new asset's liquidity to determine market integrity, transaction speed, market fluidity, and generally, to assess an asset's stability— all in which to allow traders to exchange their asset for cash quickly without too much price slippage.

When trading futures, there are three main metrics to determine liquidity. It includes asset, exchange, and market liquidity. A trader should always consider if there are enough buyers, sellers, makers and takers, and the overall state of an asset and market.

Generally, most futures crypto markets' liquidity is higher than on spot exchanges, as most futures contracts are in cash settlement. Thus, there is no need for Bitcoin at all, except in Bitcoin futures with physical delivery. Thanks to sufficient liquidity, the risk of price slippage is much lower. But the fundamentals should always be carried out to mitigate risks.

Hedging & Diversification

Trading crypto futures is an excellent method to hedge against traditional assets or against the possibility of a sharp decline in the cryptocurrency itself. Institutional investors would prefer Bitcoin futures as a hedging tool. Trading Bitcoin futures don't expose you to the extreme BTC price losses in the spot market, given that the futures contract has a predetermined price for the expiry date.

Besides hedging, crypto futures allow you to diversify your capital. It is no secret that diversification is one of the best money management techniques available to traders and investors. You can open multiple positions in Bitcoin([BTC](#)), Ethereum([ETH](#)), Cardano ([ADA](#)), and many other tokens to create a well-diversified portfolio made up of futures contracts. In this way, you can mitigate the risk of being exposed to a single asset that can unexpectedly decline in price.

Expiration Date

Suppose you trade regular cryptocurrency futures settled in cash. In that case, you should pay attention to the expiration date because this is when you will receive your cash or stablecoin funds upon settlement of the contract. Nevertheless, you can sell your open futures contract at any point before the expiration date. And thus, record profit or loss depending on the change in the spot price.

Market Volatility

One of the most important things to know about trading cryptocurrencies and their respective futures is the high volatility. While this is mostly presented as a risk, it also comes with more opportunities. That is especially for short-term traders who prefer to speculate on the quick price movements. Cryptocurrencies still represent a small market compared to forex or stocks. So, digital assets are prone to wild fluctuations influenced by whales or various events affecting the industry.



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How to Start Crypto Futures Trading?

Trading crypto futures is no different from other trading forms, and the difficulty level depends on the leverage you pick. You should follow most of the valid rules when trading the spot markets or other derivatives, be it CFDs or options. Most of the rules have to do with risk management and finding the best entry and exit points.

Here are the main steps to successfully start your crypto futures trading journey:

- **Set aside some funds**– one of the most critical risk management recommendations is you should never invest more than you are ready to lose. And never borrow to trade unless we're speaking about the technical borrowing used in margin trading.
- **Dedicate time** – you shouldn't treat your crypto futures trading as a hobby if you plan to turn it into a lucrative activity. Make sure to dedicate time to learn futures trading, find the right

entry points, and monitor your open positions.

- **Trade on a demo account** - you can start trading with virtual funds on a demo account. It usually mimics the spot price of Bitcoin or any other cryptocurrency before going to futures.
- **Choose a futures trading platform**- reputation is a key when selecting a crypto exchange. So, if you are a beginner, start trading on a [reputable exchange](#), and you should always start small.

Trading crypto perpetual futures will require you to automatically pay a rate or get paid. But, depending on whether the contract's price is higher or lower than the spot price. Also, if you use leverage, you should check the position margin, which is fluctuating with the price. If it drops below a certain threshold, your position will be liquidated, and you will incur a loss.

Check the detailed guides below to start trading crypto futures on BTCC:

- [Ether Futures Guide: Trade ETH Perpetual Futures on BTCC](#)
- [Cardano Futures Guide: Trade ADA Perpetual Futures on BTCC](#)
- [Ripple Futures Guide: Trade XRP Perpetual Futures on BTCC](#)
- [Litecoin Futures Guide: Trade LTC Perpetual Futures on BTCC](#)

BTCC - One of the Best Crypto Futures Exchanges

Everyone interested in cryptocurrency trading might start by trading futures that allow investors to get exposure to cryptocurrency without actually holding it in digital wallets and bothering about its security.

Also, crypto futures enable different strategies and operations that cannot be implemented in spot markets with the same success, such as short-selling and scalping.

As one of the best crypto futures trading platforms, BTCC offers up to 150x leverage for Daily Futures contracts and 100x for Perpetual Futures contracts. Users can trade futures using US dollars, USDT or other cryptos like BTC, ETH, and XRP. With support for 18 major cryptocurrencies, the platform's huge varieties of futures suit the trading habits and goals of both beginners and experienced traders. **Below summarize the key reasons why you should trade at BTCC:**

- **Safe & Secure**

With over 11 years of stable and secure operating history, BTCC places strong emphasis on security, offering multiple measures to safeguard users from adverse market risks.

- **High Liquidity & Volume**

One of the largest crypto futures exchange by [volume and open interest](#), dominating the derivatives sector with huge market share.

- **High Leverage for Crypto Futures Trading**

BTCC offers a wide range of popular trading pairs such as [BTC/USDT](#), [ETH/USDT](#), [ADA/USDT](#) with high leverage up to 100x.

- **User-Friendly**

Simple user-friendly interface and intuitive trading platform, ideal for both beginners and advanced users. It also offers a range of educational resources and market updates to help users expand their understanding of the crypto and trade more easily.

- **One-Stop Trading Platform**

BTCC also supports tokenized futures, allowing users to trade stocks and commodities futures with USDT. With the integration of spot and futures markets, BTCC offers a complete ecosystem to fully utilize crypto assets and manage portfolio risks.

Check our full [BTCC Review 2023](#).

The process of trading crypto futures with BTCC begins with [registration](#) and log in, which only takes 30 seconds. New customers can now sign up [here](#) to get a welcome bonus of 10USDT, and complete the KYC verification process to access all BTCC's features and [BTCC discount](#). Once verified, you can start your [cryptocurrency futures trading](#) now.

[Sign up for BTCC now and claim special deposit bonus!](#)

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