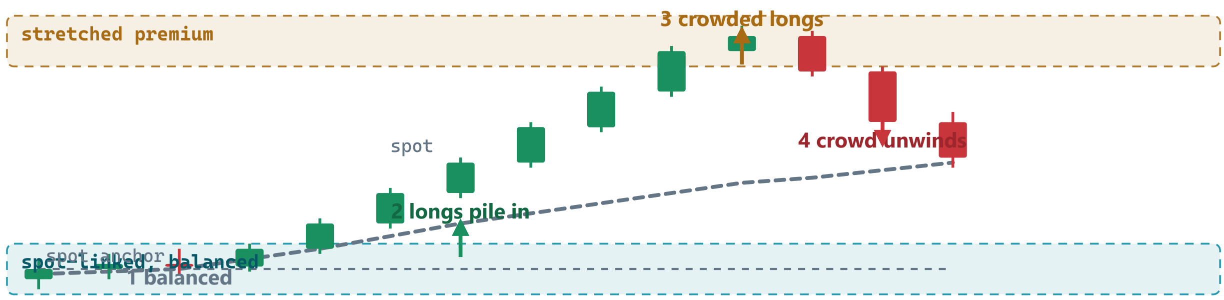
FIELD GUIDE · CRYPTO & DERIVATIVES

Funding rates

A perpetual contract has no expiry, so a small recurring payment between longs and shorts keeps its price tethered to spot. The size and sign of that payment quietly describe how the crowd is leaning.

QUANTREEF
market microstructure



PHASE 1 · BALANCED

Perp tracks spot

Perp price and spot sit close together. Funding stays near neutral, so neither longs nor shorts pay much. This is the calm, tethered baseline the mechanism is built to maintain.

`funding ≈ 0`

PHASE 2 · DEMAND BUILDS

Longs pile in

Price rallies and more traders open leveraged longs. Perp starts trading above spot, so funding turns positive: longs begin paying shorts each period to hold the perp closer to spot.

`funding > 0`

PHASE 3 · VERY POSITIVE

Crowded, over-leaned

Funding runs strongly positive and the perp premium stretches. This describes a market leaning heavily one way. Educationally, one-sided crowding is a caution flag, not a call about what happens next.

`funding ≫ 0`

PHASE 4 · NORMALIZATION

The crowd unwinds

As leveraged longs close or get squeezed, the premium compresses and funding drifts back toward neutral. Price and funding re-tether to spot, completing the cycle the payment is designed to enforce.

`funding → 0`

Key terms

Perpetual (perp) — A futures-style contract with no expiry date, kept near spot by funding.

Funding rate — The small periodic payment exchanged between long and short holders.

Premium — The gap between the perp price and the underlying spot price.

Crowded positioning — When most open interest leans one way, shown by strongly one-sided funding.

How to read & use it

Read the sign

Positive funding means longs pay shorts (perp above spot); negative means shorts pay longs. The sign tells you which side is currently leaning harder.

Watch the magnitude

Near-zero funding is a balanced, tethered market. Very large readings describe crowded, over-leaned positioning that has historically been less stable.

Treat extremes as context

A stretched funding reading is a descriptive caution about crowding, not a prediction. It is one piece of context among many, never a standalone reason to act.

HOW QUANTREEF USES THIS

Anything Quantreef shows about funding is descriptive context and education about how the crowd is leaning. It is not a signal, recommendation, or prediction, and nothing here is trading or investment advice.