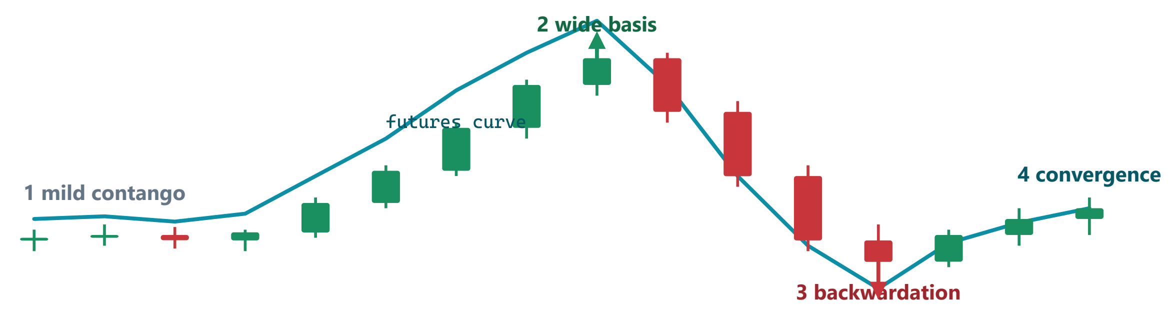
FIELD GUIDE · CRYPTO & DERIVATIVES

Basis and term structure

Futures and spot rarely print the exact same price. That small gap is the basis, and the way it shifts across time can hint at how the crowd is feeling.

QUANTREEF
market microstructure



PHASE 1 · THE NORMAL GAP

Mild contango

In a calm market the futures price usually sits a little above spot. Traders will pay a small premium for exposure later, so the basis is positive but narrow. This is the everyday resting state.

PHASE 2 · OPTIMISM WIDENS IT

Wide positive basis

As price rallies and enthusiasm builds, futures can trade well above spot. The gap stretches wider, which is steeper contango. A widening basis often reflects a crowd eager to pay up for future upside.

PHASE 3 · STRESS FLIPS IT

Backwardation

When price drops sharply, futures can fall below spot. The basis turns negative, called backwardation. It can reflect demand to hold the asset right now, or unwinding of leverage, rather than comfort with the future.

PHASE 4 · THEY MEET AT EXPIRY

Convergence

A futures contract settles on a set date. As that date nears, its price drifts toward spot and the basis narrows toward zero. By expiry the two prices meet, no matter how wide the gap was before.

Key terms

Spot price — the price to buy or sell an asset for delivery right now.

Futures price — an agreed price for the same asset, settled on a set future date.

Basis — the futures price minus the spot price; it can be positive, negative, or near zero.

Contango vs backwardation — contango is futures above spot; backwardation is futures below spot.

How to read & use it

Read the sign

A positive basis (contango) often reflects a calm or upbeat market willing to pay a premium for later exposure. A negative basis (backwardation) can show stronger demand to hold the asset right now.

Watch the width

A widening gap can reflect building optimism, while a shrinking or flipping gap can reflect cooling or stress. Think of it as a mood reading, not a countdown to any particular move.

Expect convergence

Because a futures contract settles on a fixed date, its price is pulled toward spot as that date approaches. Near expiry the basis naturally narrows toward zero, so a wide gap alone is not a lasting condition.

HOW QUANTREEF USES THIS

Anything Quantreef shows about basis or term structure is descriptive context meant to help you understand market conditions. It is educational information, not a signal, recommendation, or prediction about where prices will go.