

Futures Trading With Amin.

Part 1:  Introduction to Futures Trading

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Feel free to explore my work and reach out via :

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For those intrested, you can checkout my Crypto Futures Trading Journey Repo where I document my lessons, strategies, and trade journal:

<https://github.com/alaminhydar/Futures-Trading-With-Amin>

Find More Lessons on my website:

<https://alaminhydar.github.io/pages/futures-trading.html>

What is Futures Trading?

➤ Simple Definition:

Futures trading is the act of buying or selling a contract that states you will buy or sell an asset at a specific future date. However, you can **profit or lose** based on the price changes **right now**.

Think of it like betting on the future price of something (e.g., Bitcoin, ETH, oil, or gold).

But unlike a regular bet, you can **enter and exit anytime**, and even profit if the market is going **down** .

Also Known As:

- Derivatives Trading
 - Perpetual Contracts (Perps), especially in crypto
 - Leverage Trading
 - Margin Trading
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Core Concept

You're not buying the actual asset.

You're trading a **contract** based on the **price of the asset**.

 You Buy a Contract on BTC's Price, Not the Coin Itself

 **First, What Does "Buying a Contract" Even Mean?**

Imagine this:

You go to a market and instead of buying a **physical bag of rice**, someone offers you a **paper agreement** that says:

"This paper will follow the price of rice.
If rice goes up, the value of this paper goes up too.
If rice goes down, the value goes down."

You never actually **own** the rice.

You're just **betting on the price** of the rice using that paper agreement.

📌 This is exactly how **futures contracts** work in crypto and other markets.

🧠 Now, Let's Apply It to BTC (Bitcoin)

When you **buy a Bitcoin futures contract**, you are **not buying Bitcoin itself**. Instead, you're buying a **contract** that increases or decreases in value based on **Bitcoin's price**.

You are only trading the **price movement** of Bitcoin.

❌ You Do NOT:

- Receive actual Bitcoin in your wallet
 - Own or store any real crypto
 - Need to deal with wallets, private keys, or cold storage
-

💡 Real-Life Analogy, Think of a Taxi App

You want to go from Point A to Point B.

You have two choices:

🚗 1. Buy a Car (Spot Trading)

You go to a dealership, pay full price, and now you **own** the car.

You can drive it, park it, keep it, or sell it later.




2. Use Uber (Futures Trading)

You don't own the car. You just **pay to use the ride**, for the **benefit of movement**.

In the same way, **futures trading** is like using Uber.
You're paying for the **movement of price**, not the asset itself.

Why People Trade This Way

People choose to trade contracts on BTC's price instead of owning BTC because:

-  **Faster Profits:** Small price moves can mean big gains (or losses)
 -  **Flexible Direction:** Profit whether the price goes **up** or **down**
 -  **No Ownership Hassles:** No need for wallets, storage, or transferring actual crypto
-

A Beginner Scenario

Let's say:

- BTC is at **\$30,000**
- You **buy a futures contract** because you believe it will go up
- You do **not** buy real BTC

If BTC rises to **\$35,000**:

- Your contract becomes more valuable
- You **close your position** and **profit from the \$5,000 move**

- ✓ You never owned BTC
 - ✓ You only traded its **price movement**
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Visual Comparison: Spot vs Futures

Feature	Spot Trading	Futures Trading
Do You Own BTC?	✓ Yes	✗ No
Profit if Price Goes Up	✓ Yes	✓ Yes
Profit if Price Goes Down	✗ No	✓ Yes (Shorting)
Leverage Available?	✗ No	✓ Yes
Need a Crypto Wallet?	✓ Yes	✗ No
Risk Level	Medium	High (especially with leverage)

When you trade BTC futures, you're not buying real Bitcoin. You're buying a **contract** that gains or loses value based on **where the BTC price goes**.

You're only interested in the **movement**, not the asset.

 **Think of it like Surfing** 

You don't own the ocean, you just ride the wave.

In futures, you don't own the asset, you just ride the **price movement**.

Another Real-World Example (Easy to Visualize)

Farmer and Bread Company – Wheat Futures

A farmer grows wheat .

He's afraid the price might drop before harvest.

A bread company fears the price might go up.

They make a **deal today**:

"In 6 months, I (the farmer) will sell you (the bread company) wheat at **\$100 per ton**."

 That's a **futures contract**, a locked price deal.

Scenarios:

- If the price becomes **\$90** → Farmer wins.
- If the price becomes **\$110** → Bread company wins.

Both parties **hedged their risk** using a contract.

Crypto Example, BTC Futures

BTC is currently at **\$30,000**.

You believe the price will rise.

You **open a long** (buy) futures contract.

If BTC goes to \$35,000:

You profit from the **\$5,000** price movement without owning BTC!

You can also **short** (sell) if you believe price will **go down**.


Why Is It Called a *Derivative*?

Because it is **derived** from another asset's price.

You're not trading the asset (e.g., BTC) directly.

You're trading something that **gets its value from BTC's price** same applies to oil, gold, stocks, etc.

What Are Perpetual Contracts (Perps)?

Perpetual contracts are **futures contracts with no expiry date** .

In Traditional Futures:

Contracts expire **monthly** or **quarterly**.

In Crypto (Perpetuals):

The contract **never expires**

You can hold your position **as long as** you have margin (money) to keep it open.

Example:

You're long on ETH at **\$2,000**.

You can stay in that position **forever**, until you:

- Close it yourself, or
 - Get liquidated
-

Important Terms You **MUST** Understand

1. Long vs Short

- **Long** = You expect price to **go up** 

- **Short** = You expect price to **go down** 

✓ You can make money **both ways** in futures.

2. Leverage


Borrowing money to **increase** your position size.

 **Example:**

You have **\$100**.

With **10x leverage**, you trade **\$1,000** worth of BTC.

- BTC moves **+1%** → you gain **10%** → \$10 profit
- BTC moves **-1%** → you lose **10%** → \$10 loss

 Leverage **amplifies** both profits and losses. Be careful.

3. Margin

The money you **put up** to open a trade like a **deposit**.

Example:

With **10x leverage** and a **\$1,000** position, you only need **\$100 margin**.

4. Liquidation

If the market moves too much **against** you, and you lack enough margin, your position is **force-closed** and you lose your margin.

Example:

You long BTC at **\$30,000** with 10x leverage.

If BTC drops to **\$27,500**, you might get **liquidated**.

You lose your **\$100 margin**.

5. Funding Rate

Used to keep **perpetual contracts** in line with the real market price.

- If you're **long**, you might **pay** shorts.
- If you're **short**, you might **receive** funding.



Occurs every **8 hours** on platforms like **Binance** or **Bybit**.



Why People Trade Futures

- To profit in **bull & bear** markets
 - To **leverage** small capital into big gains
 - To **hedge** a portfolio (like the bread company)
 - To study **price action** and **risk management**
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But Here's the Brutal Truth:

Most beginners **lose money** because they:

- Use **too much leverage**
- Don't set **stop-losses**
- Trade based on **emotions**
- Don't understand **risk** or **psychology**



Journaling every trade and learning from mistakes will **set you apart**.



Fundamental Principles to Master

Principle	Description	Example
Risk Management	Never risk more than 1–2% of capital per trade	With \$1000 capital, risk max \$20 per trade
Stop-Loss	A price where your trade closes to limit losses	If BTC = \$30k, stop-loss might be \$29.5k
Take-Profit	A level to lock in profits automatically	Long BTC at \$30k, take profit at \$33k
Trading Plan	Rules for entry, exit, and risk	"Only trade breakouts after retests with 2:1 R/R"
Discipline	Following your strategy no matter what	No revenge trades , no FOMO entries
Psychology	Managing emotions like fear , greed , and regret	Walk away after a loss instead of chasing it
