# Futures Trading With Amin.

## Part 1: 📈 Introduction to Futures Trading

**Amin Hydar Ali**

# Table of Contents


🧠 What is Futures Trading?....4
➤ Simple Definition:....4
🔁 Also Known As:....4
🧠 Core Concept....5
📦 You Buy a Contract on BTC's Price, Not the Coin Itself....5
🔍 First, What Does "Buying a Contract" Even Mean?....5
🧠 Now, Let's Apply It to BTC (Bitcoin)....5
❌ You Do NOT:....5
💡 Real-Life Analogy, Think of a Taxi App....5
🚗 1. Buy a Car (Spot Trading)....6
📱 2. Use Uber (Futures Trading)....6
💸 Why People Trade This Way....6
🎯 A Beginner Scenario....6
📊 Visual Comparison: Spot vs Futures....6
🎯 Think of it like Surfing 🌊....7
💡 Another Real-World Example (Easy to Visualize)....7
🚜 Farmer and Bread Company – Wheat Futures....7
Scenarios:....7
💻 Crypto Example, BTC Futures....8
If BTC goes to $35,000:....8
📌 Why Is It Called a Derivative?....8
🧪 What Are Perpetual Contracts (Perps)?....8
In Traditional Futures:....8
In Crypto (Perpetuals):....8
🎯 Example:....8
⚙️ Important Terms You MUST Understand....9
1. Long vs Short....9
2. Leverage....9
🧠 Example:....9
3. Margin....9
4. Liquidation....9
5. Funding Rate....10
💰 Why People Trade Futures....10
🔥 But Here's the Brutal Truth:....10
📚 Fundamental Principles to Master....10

## Alamin Hydar Aliyu

Software Engineer (Full-Stack, Django & React) exploring AI & Machine Learning, Blockchain, and Quantitative Finance. Enthusiast of defense and security systems with a focus on understanding complex intelligence networks.

Feel free to explore my work and reach out via :
*https://alaminhydar.github.io/*

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*

# 🧠 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**

---

### 🧠 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**

---

## 📊 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**

---

## 🔥 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** |

---