Futures basis convention

Derivatives mechanics | Original synthetic example | Edition 2026-11-26

Basis compares the futures and cash prices under an explicitly chosen sign convention. Here it is futures minus spot; another text may use the reverse convention.

FORMULA Basis = futures price - spot price

SCENARIO 01: Spot 100; convention is futures minus spot



WORKED EXAMPLE

Futures 102 minus spot 100 is basis +2. A reverse convention would show -2.

COMMON MISTAKE

Comparing basis values from opposite sign conventions produces a false disagreement.

BEFORE YOU USE THE CALCULATION

1. State the sign convention.
2. Use matching timestamps.
3. Match the deliverable or underlying exposure.

COMPARE TWO MORE INPUT SETS

Scenario 05: Spot 140; convention is futures minus spot. Futures 142 minus spot 140 is basis +2. A reverse convention would show -2.

Scenario 10: Spot 190; convention is futures minus spot. Futures 192 minus spot 190 is basis +2. A reverse convention would show -2.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.