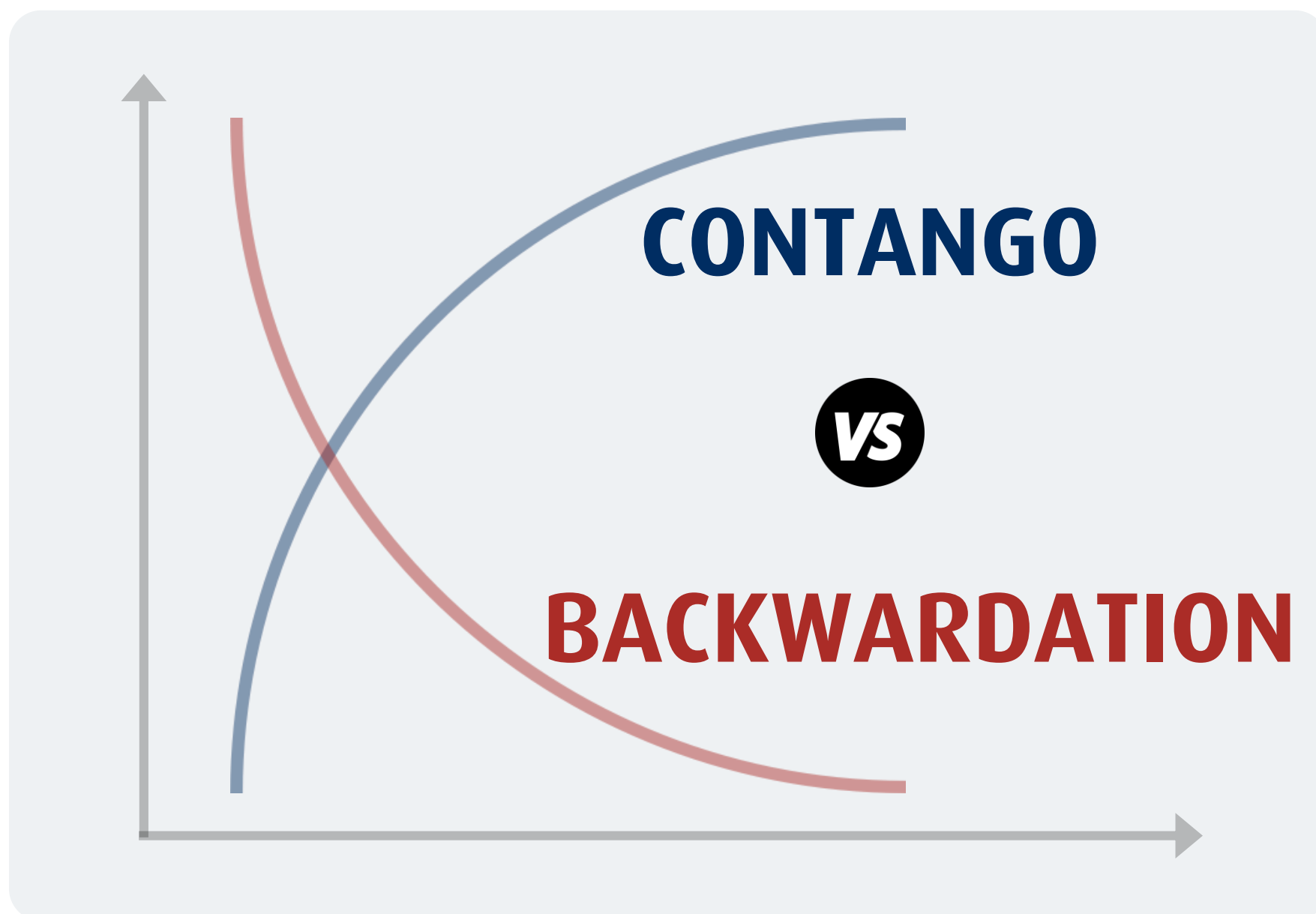
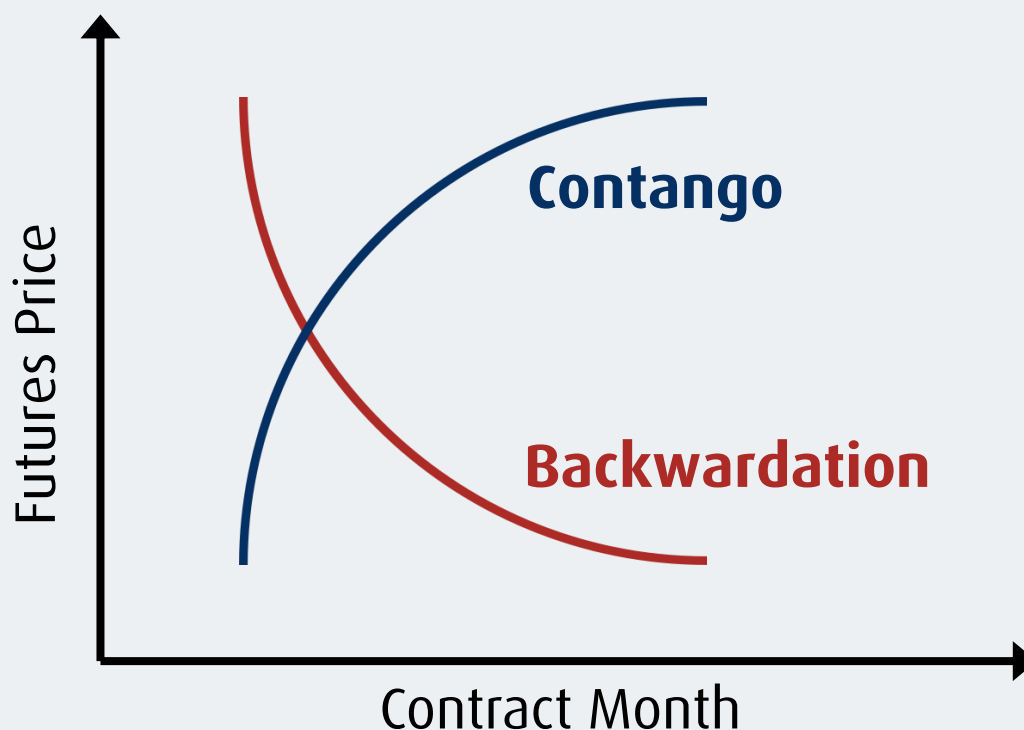


FUTURES **L I N G O**



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DEFINITION



Contango

A market state where the futures price of a commodity is **higher** than its current market price (spot price).

Backwardation

A market state where the futures price of a commodity is **lower** than its current market price (spot price).

CHARACTERISTICS

Contango

Buy now and sell later

Prices are expected to increase over time

Futures prices fall towards the spot price over time

Higher

Commodity in high supply but low current demand

Strategies

Market Expectation

Convergence

Storage Costs

Example Scenario

Backwardation

Sell now and buy later

Prices are expected to decrease over time

Futures prices rise towards the spot price over time

Lower

Commodity in low supply but high current demand