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HL eFutures

FUTURES LINGO

ROLL OVER

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WHAT IS ROLL OVER IN FUTURES TRADING?

Definition

Closing a futures contract that is nearing its expiration date

and

simultaneously opening a same position with a later expiration date.

Purpose

Keep futures positions open beyond expiration date.

To continue hedging on your underlying portfolio.

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EXAMPLES

You hold a long position in the FTSE Bursa Malaysia KLCI Futures (FKLI) for January 2025 and want to roll over to the next month to maintain your market exposure.

Close an Existing Position

On the last trading day of January, you close your long position by **selling** the January FKLI contract.

Open a New Position

At the same time, you open a new long position by **buying** the February FKLI contract.

By rolling over, you maintain your hedged positions without affecting your portfolio.

Note: Alternatively, you can also roll over via spread trading.

POTENTIAL RISK

Liquidity

It is difficult to execute the roll over when there is insufficient liquidity in the futures contract.

Slippage

Slippage occurs when the price of the new contract differ from the expected price.

Source: CME Group, Investopedia