SWAPS & ROLL OVER

Swaps

There is a correction on open positions called swap points on the end of every business day at 00:00 for all Forex and some other instruments. Each country's best interest rate varies, which causes differences on interest rates between two currencies. Depending on the size of the position and the instrument the account uses will be adjusted to reflect the value of the swap points.

Example:

Australian dollar rate: 2.25 % American dollar rate: 0.25 % Best interest difference: 2 % Markup Broker: 7.2 %

Long position
– (100 000 × (0,25 – 2.25 + 7.2) / 100) / 365 = -14.25 AUD = -12.06 USD/lot

Short position
– (100 000 × (2.25 – 0.25 + 7.2) / 100) / 365 = -25.21 AUD = -21.33 USD/lot

Roll Over

This is a mechanism that regulates the price of the instrument on a pre-specified value. This happens when the underlying futures contract expiries and is replaced by a new tradable contract with longer expiration.

During the rollover the old contract is being replaced by the new contract with a new price. It looks like the price jumped from the old price level to a new level. This causes either a positive or a negative change in the value of the position and thus, this needs to be adjusted either as a positive or negative swap or by directly debiting and crediting the account. Clients with limit and stop orders close to current price are kindly requested to adjust their position to changes in base value. Otherwise stop and limit orders will be executed according to standard procedure. Please note that a stop out could occur when there is a rollover. As some instruments offered are based on futures contracts and do not have a specific maturity, they have to be periodically rolled over. The advantage of this operation is that the client can keep open positions for much longer than the life of the underlying contract. A rollover allows the client to keep a position on given instrument open when switching to the next contract.

Please be aware of time and date when rollovers happen, you can find it on our page: https://ozios.com/trading/trading-conditions/

Basic rule

New price < Old price = Credit for Long positions / Debit for Short positions
This situation is called Contango. Contango refers to the situation where the Future price of

commodity is higher than the current spot price. A contango market simply means that the futures contracts are trading at a premium to the spot price.

New price > Old price = Debit for Long positions / Credit for Short positions
This situation is called Backwardation. It refers to the market situation where the Future prices are lower than the current spot prices for a particular commodity. In this case futures prices are below the expected future spot price.

Example:

For 100 barrels of WTI Crude oil represented by 1 standard lot, the futures price changed of +132 pips (1.32 USD) from bid/ask price 34.93/35.01 USD/barrel to the new price 36.25/36.33 USD/barrel.

Let`s assume that the client had open 3 lots:

Long position:
(34.93-36.25) * 3 * 100 = -396 USD

(If the account is in other currency, the final adjustment will be converted into that particular currency with the current rate)

Short position:
(36.33-35.01) * 3 * 100 = 396 USD
(if the account is in other currency, the final adjustment will be converted into that particular currency with the current rate)

Expiration
By definition, futures contracts are expiring agreements for the underlying physical commodities on the exchange. It means that the current contract will be closed with the current profit or loss. There is no way to reopen the contract ever again. Few days before the expiration a new contract with longer expiration is already available for trading.

The expiration happens mostly on the agricultural commodities, like coffee, cocoa, cotton, wheat and sugar, bonds futures and dollar index. Futures contracts are typically divided into several (usually four or more) contracts throughout the year.

Please be aware of time and date when expirations happen, you can find it on our page: https://ozios.com/trading/trading-conditions/