

ReadySetCrypto Futures Masterclass



Module Eight: TDAmeritrade/CBOE Futures

Module Eight(a)

TD Ameritrade/CBOE Bitcoin Futures

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Trading Bitcoin CBOE Futures on TDAmeritrade

In this module I'm going to provide the "default" trading method of crypto futures, which are one of the first (and some would say worst) options for trading crypto futures.

And I will only focus on the CBOE variant of BTC futures, because the CME version of this contract is 5x larger and beyond the means for most retail traders. The CBOE variant is much closer in leverage and margin requirements to most of the other synthetic futures offerings.

In this "sub-module" I'm just going to give you the straight dope on this combination of contract and broker; it's not going to be about HOW to trade, but rather WHAT you can trade, and WHEN....and what this combination is best for.

The CBOE Bitcoin Futures Contract Details

If you'd like more detail on the exact specs of this contract, you can navigate to the site: <http://cfe.cboe.com/cfe-products/xbt-cboe-bitcoin-futures>

Here are some basics:

What is the Leverage per Contract?

The contract is priced against the US dollar, and moves in \$5 minimum "ticks." For example, you'll see the price move from 3800 to 3805 to 3810, etc. Each "tick" increments or decrements the value of the contract by \$5, depending on whether you are short or long the contract, and which way the price is going.

Where Can You Trade It?

Selected US equities/futures brokers, such as TDAmeritrade, Tradestation, Interactive Brokers, etc. It might not be available to trade in other countries. This is primarily for US-based brokers to offer as a product.



What Days/Hours does it Trade?

The following hours are in US Eastern Time:

Type of Trading Hours	Monday-Friday
Extended	5:00 p.m. (previous day) to 8:30 a.m.
Regular	8:30 a.m. to 3:15 p.m.
Extended	3:30 p.m. to 4:00 p.m.

Note that this contract does NOT trade over the weekend; trading starts again Sunday evening US ET.

Are There Any Biases to Short vs. Long?

No, these are perfectly linear short vs. long and there is not interest charge assigned.

What are the Margin Costs?

The CBOE margin is 44% of the settlement price, and TDA runs at 150% of that value. So if BTC is currently running at \$5000, then the CBOE margin is \$2200, and the TDA initial margin is \$3300. This is the required capital for you to have in your account just to open the position and take no “heat” on it. I would suggest that you have several TIMES that amount in your account just to trade one contract, and TDA will not let you open futures trading with it unless you have \$25k.

Check with your broker as overnight margin rates might be higher.

What Underlying Crypto Assets are Traded?

Just Bitcoin futures with this contract.

The TDAmeritrade Futures Interface

The TDAmeritrade interface has an “Active Trader” tab which creates a flexible grid, which normally is built to show a chart and a ladder interface, as in Figure 1 below.

Figure 1



The price of the chart/XBT is highly correlated to the Gemini brokerage spot price, so XBT does not trade at a premium nor discount to the spot price.

The ladder interface is great to trade futures from, however there are a couple of limitations to trading /XBT contracts on TDAmeritrade:

- You cannot use “Stop” orders on the interface.
- Because of this, you cannot employ “OCO” or “One Cancels Other” orders which is how “bracket” orders are built.

Something else that traders will notice is that because the price moves in \$5 “chunks,” the price on the chart is extraordinarily sluggish or non-responsive.

Traders would be better off to chart the Spot currency on TradingView and then enter orders off of this interface.

This would be a viable interface/contract from which to hedge larger spot positions, due to the low cost-to-carry of this contract. Mind the weekend risk.

Summary - TDAmeritrade and the CBOE Futures

This combination of contracts and broker might be one of the few “legal” methods for US customers to participate in crypto futures. With that said, this instrument will feel very “clunky” to trade if Bitcoin is not flying around with hundred-point days like it was in 2017. When the daily range is just 20-30 points, trading this contract will be nearly impossible as you lose too much edge with the poor granularity of the contract.

The \$5 minimum tick size was fine when BTC was trading >\$10,000 and reeling off 1000 point days. Since the latter half of 2018, volatility has become compressed and it will make this contract difficult to trade, which is a shame due to the nice ladder interface that it has.

Also keep in mind that due to the anchoring of the spot interface to Gemini, there are no “locals” providing liquidity. This is all organic liquidity, but the fact that they don’t allow stop orders references the fact that they might occasionally have liquidity holes thus trading should be confined to the more active times during the day.

