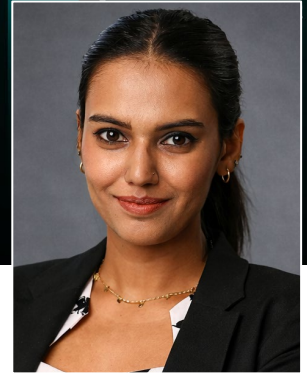


Perpetual Futures:

Rethinking How Futures Markets Work

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Futures contracts have been an important part of financial market for decades.

Futures contracts have been an important part of financial markets for decades. Investors use them to hedge portfolios, gain market exposure, manage risk, and express investment views across equities, commodities, currencies, interest rates, and digital assets.

Traditional futures have one defining feature: **they expire**. Investors who want to maintain exposure beyond expiration generally need to close the existing contract and move into a later-dated one—a process known as **rolling**. While routine, rolling can introduce transaction costs, liquidity considerations, and exposure to changes in the futures curve.

Perpetual futures take a different approach. Often called “**perps**,” **perpetual futures provide futures-like exposure without a traditional expiration date**. A position can remain open as long as the investor continues meeting margin requirements.

Originally popularized in cryptocurrency markets, perps have grown into a major segment of digital-asset trading. More recently, the structure has begun expanding into traditional financial markets as well.

The Role of the Funding Rate

Expiration helps traditional futures prices converge toward the spot price of the underlying asset. Without expiration, perpetual futures need another mechanism to keep the two aligned. That mechanism is the **funding rate**.

Funding involves periodic payments between long and short positions. Imagine Bitcoin trades at **\$100,000** in the spot market while strong demand pushes its perpetual future above that level.

When the perpetual trades above spot, funding will generally be positive, meaning longs pay shorts. This makes leveraged long exposure more expensive and the short side more attractive, encouraging the prices to move closer together.

The opposite generally occurs when the perpetual trades below spot: funding becomes negative and shorts pay longs.

Perpetual above spot → Longs generally pay shorts
Perpetual below spot → Shorts generally pay longs

Funding is therefore not simply another trading fee. It is an economic mechanism designed to help keep the perpetual contract anchored to its underlying market.



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Perpetual Futures vs. Traditional Futures

Feature	Traditional Futures	Perpetual Futures
Expiration	Fixed expiration date	No traditional expiration
Maintaining exposure	Position generally must be rolled	Position can remain open while margin requirements are met
Price convergence	Converges toward spot near expiration	Funding helps maintain alignment with spot
Ongoing cost	Futures basis and rolling costs	Funding payments
Liquidity	Distributed across contract maturities	Can concentrate in one perpetual contract
Leverage	Available through margin	Available through margin
Key additional risk	Roll and basis risk	Funding-rate and liquidation risk

Neither structure is inherently better. Traditional futures remain highly efficient, particularly when investors need exposure to a specific time horizon. Perpetual futures offer an alternative for maintaining continuous exposure without recurring contract rolls.

Why Perpetual Futures Became So Popular

Perpetual futures found a natural home in cryptocurrency markets because crypto trades continuously—through nights, weekends, and holidays. Perps provide straightforward long and short exposure, leverage through margin, and no recurring need to roll contracts.

Their adoption has made perpetual futures an increasingly important part of digital-asset market structure.

What Funding Rates Can Tell Investors

Funding rates can also provide information about **market positioning and leverage**.

Strongly positive funding can indicate crowded bullish positioning as investors pay increasingly high rates to maintain leveraged longs. Deeply negative funding can signal aggressive short positioning.

Investors can examine funding alongside open interest, volatility, futures basis, and options positioning to better understand market conditions. Funding is not necessarily a market-timing signal, however.

Funding may therefore tell investors more about **how the market is positioned** than where prices will move next.

A New Version of the Basis Trade

Funding also creates opportunities for relative-value strategies.

Consider an investor who buys Bitcoin in the spot market while simultaneously shorting an equivalent amount of Bitcoin perpetual futures. The two positions largely offset each other's directional exposure. When funding is positive, the short perpetual position receives payments from longs, potentially generating funding income with relatively little directional exposure.

This resembles a traditional **cash-and-carry or futures basis trade**. The key difference is that a traditional futures basis eventually converges at expiration. A perpetual contract has no endpoint; funding instead provides the ongoing economic link between futures and spot.

The strategy is not risk-free. Funding can change or become negative, and investors remain exposed to basis, liquidity, margin, counterparty, and operational risks.

Perpetual Futures Expand Beyond Crypto

One of the most interesting developments is that perpetual futures are beginning to move beyond cryptocurrency. In September 2026, **Polymarket launched perpetual futures tied to WTI crude oil¹**, providing continuous exposure to oil prices without requiring traders to move from one dated futures contract to another. The development is notable because crude oil is one of the world's largest and most established traditional futures markets.

Polymarket has also expanded perpetual trading into **gold and silver, as well as stocks and equity indexes**. These products provide an early example of a structure popularized in crypto being applied to established asset classes. Commodities make this transition particularly interesting because traditional futures curves incorporate factors such as storage costs, financing, inventories, and expectations for future supply and demand. A perpetual structure has to reflect those economics without relying on a series of dated contracts.

Traditional futures are unlikely to disappear. Instead, perpetual and traditional futures could increasingly coexist, serving different investment needs.

Convenience Does Not Eliminate Risk

Removing expiration simplifies one aspect of futures trading, but it does not eliminate risk.

Leverage can amplify relatively small market movements and potentially trigger liquidation. **Funding risk** is also important because the cost of maintaining a position is uncertain and can change significantly over time.

Funding also does not guarantee perfect alignment between perpetual and spot prices. Investors remain exposed to basis and reference-price risk, while liquidity, collateral practices, counterparty protections, and regulatory oversight can vary depending on where a contract trades.

A Market Innovation Worth Watching

Perpetual futures represent an interesting example of financial innovation moving from crypto into traditional markets. Crypto markets popularized a derivative without conventional expiration, supported instead by a dynamic funding mechanism. Now the same ideas—continuous exposure, concentrated liquidity, and reduced dependence on contract rolls—are beginning to appear in markets such as oil and gold.

Perpetual futures are unlikely to replace traditional futures. But their expansion demonstrates how quickly market structure can evolve when technology, investor demand, and financial engineering come together. The next important innovation in traditional financial markets may not necessarily originate on Wall Street.

It may already be trading somewhere else.

¹ **Source:** Mia Gindis, "Polymarket Launches Perpetual Oil Futures in 24/7 Trading Push," *Bloomberg*, republished by *Yahoo Finance*, September 3, 2026. [Yahoo Finance article](#)



KEY TAKEAWAYS:

- **No expiration, continuous exposure.**

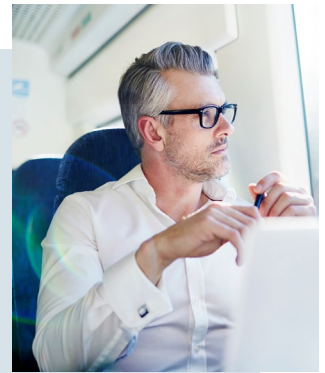
Unlike traditional futures, “perps” have no fixed expiration date, allowing investors to maintain continuous exposure without repeatedly rolling contracts. Instead of expiration pulling futures toward spot prices, a dynamic **funding rate** helps keep perpetual futures aligned with the underlying market.

- **What began in crypto is moving into mainstream markets.**

Perpetual futures became enormously popular in digital assets, but the structure is now expanding into established asset classes including **oil, gold, silver, stocks and equity indexes**. This suggests that an innovation pioneered in crypto could increasingly influence the structure of traditional financial markets.

- **Greater convenience doesn’t mean less risk.**

Eliminating expiration and contract rolls simplifies maintaining exposure, but perps introduce their own considerations—particularly **funding-rate uncertainty, leverage and liquidation risk, basis risk, liquidity, collateral, counterparty exposure and varying regulatory oversight**. They are more likely to **coexist with traditional futures than replace them**.



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