

The roll: the standing cost of staying

THE FUTURES ROLL COST

The price of maintaining exposure past expiry: close the dying month, open the next, pay the basis between them. In financial families the gap is thin carry - financing minus dividends, quarterly - and in physical ones it is the commodities track's storage arithmetic; in both, it is the maintained position's largest standing cost, because the asset class's other lines are one-off, returnable or bidirectional.

Two tracks built the roll machinery: the commodities track priced it violently, module 8 there timetabled it. Futures inherit everything - and this lesson places the roll where it belongs in this track's cost structure: the one line that stands.

The inheritance, sized per family

Work the example: a financial future's quarterly roll through thin contango costs a fraction of a percent per cycle - around one percent a year at the worked figures, the financing-minus-dividends carry collected in instalments. Physical families pay the commodities track's storage-shaped gaps, which can be an order of magnitude larger. Same machinery, family-sized bills - and the sign rule transfers too: backwardated curves pay the maintained long, in every family where they occur.

Why this is the line that stands

The stack is per trade: entry and exit pay it once each - it does not accrue. Margin returns and variation flows both ways: neither accrues either - lesson 3's ledger. The roll accrues: every expiry, for as long as the exposure is maintained - the only futures cost that compounds with holding period, which makes it the futures analogue of the CFD's financing meter, at a usually-lower rate the curve sets.

The costing habit, completed

A maintained futures position's annual cost is: the roll's annualised figure at the current curve - the calculator below prices it live - plus the stack times the rolls' round turns, plus lesson 3's capital line. That total against the CFD's meter and ownership's zero is the three-wrapper comparison this platform has been assembling for two tracks - now complete, computable per position, and decided as always by holding period and curve shape. Module 8 adds the timing craft; module 6 charges every backtest; this lesson's job was the placement: the roll is the rent, and everything else was the doorway.

Worked example - figures in USD

One domestic index future at \$50 per point, rolled quarterly: front 4,000, next 4,010.

Illustrative thin contango; no conversion.

1. A financial future's thin contango: front at 4,000, next at 4,010. Each quarterly roll pays 0.25% - \$500 on one contract.
2. A year of maintained exposure is 4 rolls: 1%, \$2,000 - the financing-minus-dividends arithmetic from module 1, collected in four instalments.
3. Small beside the commodities track's storage-driven rolls - and still the largest standing cost a maintained futures position has, because the machine's other lines were all one-off or returnable.

Try it yourself with the roll-cost calculator: <https://ticksprout.com/tools/roll-cost>

Check your understanding

1. Why is the roll the futures position's one standing cost?

- a. It is the largest single payment
- b. Everything else is one-off, returnable or bidirectional - only the roll accrues with holding period, every expiry, for as long as exposure is maintained
- c. Exchanges mandate roll fees

Answer: b. The stack pays per trade, margin returns, variation flows both ways. The roll compounds - the futures analogue of the financing meter, at the curve's rate.

2. How do financial and physical families differ in roll cost?

- a. Financial families roll monthly
- b. The gap's origin: thin financing-minus-dividends carry in financial families, storage-shaped and much larger gaps in physical ones - same machinery, family-sized bills
- c. Physical families cannot be rolled

Answer: b. Module 1's carry inputs size each family's basis, and the roll collects it. The worked 1% financial year sits an order of magnitude below steep physical contango.