

The continuous chart is stitched together

CONTINUOUS SERIES

A single long chart made by splicing together successive futures contracts as each expires. No such instrument exists: every contract has a finite life, and the chart you are reading is several of them joined end to end. The joins are artefacts of the splice, not moves anyone traded.

This is the most valuable thing in the module, and it is barely taught anywhere. If you take one idea from these nine lessons, take this one.

Nothing you are looking at traded for years

A futures contract expires. The December contract stops existing in December, and the March contract - a different instrument, with its own price - takes over as the one everyone trades.

But your chart shows a continuous line stretching back years. It was assembled. Somewhere in it, repeatedly, one contract's prices stop and another's begin.

The join is not a move

The two contracts do not price at the same level. A contract settling further out embeds more financing and fewer dividends, so it typically trades at a different price from the near one at the same moment.

When the chart switches, the level steps by that difference. Nobody traded through the step. No participant made or lost money on it. It is an accounting boundary that looks exactly like a price move, because it is drawn with the same line.

Two conventions, and you must know which you have

Unadjusted: contracts are concatenated as they traded. Every historical price is real, and there is a visible step at each roll. Back-adjusted: history is shifted so the join is seamless. The recent end is real, the joins are invisible, and older prices no longer equal anything that ever traded.

Both are defensible and they fail differently. Unadjusted gives you steps that look like gaps. Back-adjusted gives you a smooth chart whose old levels are fiction - shifted by the sum of every adjustment since.

What goes wrong

A support level from eighteen months ago, drawn on a back-adjusted chart, may sit at a price the current contract has never printed and never will. It is not a weak level; it is not a level at all.

An indicator averaging across a roll includes a step that no market participant experienced. A backtest run on an unadjusted series sees a gap every quarter, and if it trades gaps it will trade those - the most profitable pattern in the data will be an artefact of the data.

Volume falls away at each roll as interest migrates to the next contract, which reads as fading participation and is nothing of the sort.

How to tell what you are holding

Pick a date more than a year back and compare the chart's price against what the contract that was live then actually traded at. If they match, the series is unadjusted. If they are offset by a suspiciously round-ish amount, it is back-adjusted.

Or look for the steps. On an unadjusted index series they recur at quarterly intervals, always at the same points in the calendar, and always in the same direction for a given market.

Reading it honestly

Know which convention your platform gives you. Most do not say. Treat levels older than the last roll with suspicion, and check them against the current contract before relying on them. For anything near-term, read the contract you are actually trading rather than the stitched series. Distrust a pattern in long history that lands at regular calendar intervals.

What rolling costs, and when to do it, is module 3 and the futures track. This lesson is only about not mistaking a seam for a move.

Check your understanding

1. Why does the price step at a roll on an unadjusted continuous chart?

- a. The market gaps when a contract expires
- b. The chart switches to a different contract, which prices at a different level
- c. The exchange republishes history at settlement

Answer: b. Two contracts settling at different dates trade at different prices at the same moment. The step is the switch between them - nobody traded through it.

2. What is wrong with an old support level on a back-adjusted chart?

- a. Nothing, back-adjustment preserves levels
- b. It may sit at a price the current contract has never printed, because history was shifted
- c. It is valid only if volume was high that day

Answer: b. Back-adjustment buys a seamless join by rewriting older prices. They no longer equal anything that traded, so a level drawn on them is not a weak level - it is not a level.

3. A backtest on an unadjusted series finds a highly profitable gap-trading pattern. What should you suspect first?

- a. That gaps are genuinely tradeable on indices
- b. That it is trading the quarterly roll steps, which no participant experienced
- c. That the sample is too short

Answer: b. Every roll leaves a step that looks exactly like a gap. The most profitable pattern in the data turns out to be a property of how the data was assembled.