

CONTANGO

Meaning: Contango is a market condition in which the futures prices of a commodity are higher than the current spot price, reflecting expectations of future price increases.

1. In a contango market, futures prices are higher than the spot price, indicating expectations of rising costs.
2. Investors often take advantage of contango by rolling over their futures contracts to benefit from price differentials.
3. The phenomenon of contango can significantly impact the returns of commodity ETFs that hold futures contracts.
4. During periods of contango, traders may face losses if they do not manage their positions carefully.
5. Understanding contango is crucial for investors looking to navigate the complexities of commodity markets.

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