

Offsetting a Trade Position

Offsetting is entering an order to liquidate the initial position:

1. By selling if one is holding a long position
2. By buying if one is holding a short position

The ability to eliminate a position on a contract by buying or selling it before the delivery date is a key feature of futures trading. It is known as offsetting and happens much more frequently than holding a contract to term. In fact, a very small percentage (about three percent) of CME Group futures contracts currently result in physical delivery. Most people clear or eliminate their positions before the contracts expire.



Every futures contract has a last trading day by which all open positions must be closed out. For a physical delivery contract like Swiss francs, this day is the third Monday of the contract month. (Delivery date would be the third Wednesday of that month.)

An open position can be closed out by either:

1. Making an offsetting futures trade or
2. Making/taking physical delivery of the underlying asset

For cash-settled futures contracts such as the Brazilian real, positions can be closed out by either making an offsetting futures trade or leaving the position alone. If the position is left alone, it will be closed out by one final marked-to-market settlement adjustment. The last trading day is the day on which trading ceases for the maturing (current) delivery month.