

# CME Group 2010 Commodities Trading Challenge

## Competition Rules and Procedures

# CME Group

## 2010 Commodities Trading Challenge

- CME Group with assistance from CQG, the University of Houston, Hofstra University and Columbia University is sponsoring a commodities trading competition among colleges and universities.
- Students will compete as school teams for the electronic trading portion and individually for the open out-cry portion.
- Schools and individuals will compete for cash prizes and internships.
- Registration begins January 5, 2010 at [www.cmegroup.com/tradingchallenge](http://www.cmegroup.com/tradingchallenge).
- Please refer to [www.cmegroup.com/tradingchallenge](http://www.cmegroup.com/tradingchallenge) for information during the competition.

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## 2010 Commodities Trading Challenge

The CME Group Trading Challenge is comprised of two parts:

- 1. The Electronic Trading team competition is designed to provide students with an educational experience consistent with that of a professional trader on CME Globex.**
  - Each school can enter up to two teams with a LIMIT of 5 participants; graduate or undergraduate.
  - Teams will use CQG Integrated Client trading platform to execute trades on CME Globex. CQG will provide access to software and training before the competition begins.
  - No team or individual is required to participate in both the Electronic Trading and Open Out-Cry Competitions.
- 2. The Open Out-Cry Competition simulates trading as a floor broker at CME Group in New York.**
  - The one day Open Out-Cry Competitions allow individuals to compete in several elimination rounds to determine the best “trader”.
  - The Open Out-Cry Competitions will be held at the University of Houston on March 27 and in New York on the CME Group trading floor on April 16.

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## 2010 Commodities Trading Challenge

### Practice Round

- The two-day Practice Round begins Tuesday, February 15 at 6:00 pm ET and ends Wednesday, February 17 at 5:15 pm ET. A trading day begins at 6:00 pm ET and ends the next evening at 5:15 pm ET. All teams should log out of CQG daily.
- CQG will create simulated accounts for each team with a balance of \$100,000.
- Although this is just practice all accounts should be properly margined at all times. Margin rates fluctuates daily. Rates are available at [www.cmegroup.com/clearing/risk-management/](http://www.cmegroup.com/clearing/risk-management/)
- If a team's available balance drops below the required margin, only orders that reduce or exit a position will be accepted.
- If a team's account balance drops to zero or below, the account will be lock and will not be unlocked until it is reset for the competition.

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## 2010 Commodities Trading Challenge

### Preliminary Round

- The Preliminary Round begins Wednesday, February 17 at 6:00 pm ET and ends Thursday, March 4 at 5:15 pm ET.
- All account balances are reset to \$100,000.
- All teams are asked to execute at least 5 trades per day in either NYMEX Crude Oil or COMEX Gold or a combination of both.
- Teams are penalized \$1,000 per day for every day they make less than 5 trades. A commission of \$2.50 is charged per traded contract (side).
- If a team loses 20% of it's available account balance in one day, the account will be locked for the remainder of the trading day.
- The four teams with the highest account balance at 5:15 pm ET on Thursday, March 4 will advance to the Championship Round.

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### Championship Round

- The Championship Round will begin Sunday, March 7 at 6:00 pm ET and end Friday, March 19 at 5:15 pm ET.
- The trading rules for the Championship Round are the same as the Preliminary round.
- Account balances are reset to \$250,000.
- The winner will be determined by the team with the highest account balance in the Championship Round.
- All teams in the Championship Round will receive a cash prize.
- All registered members of the winning team will be interviewed for a paid Summer internship in New York on the CME Group trading floor that includes housing and round trip transportation. The selection is up to the discretion of the floor trader and CME Group.

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## 2010 Commodities Trading Challenge

### Product Specifications

<b>Commodity</b>	<b>Crude Oil</b>	<b>Exchange</b>	NYMEX
<b>CQG Symbol</b>	CLE	<b>Price Example</b>	71.43
<b>Open Out-Cry Hours</b>	9:00AM – 2:30 pm ET	<b>Contract Size</b>	1000 barrels
<b>Minimum Tick</b>	\$.01 per barrel	<b>Price per Tick</b>	\$10.00
<b>Delivery Months</b>	All	<b>Last Trading Day</b>	Mar: Feb 22, 2:30 pm ET
<b>Margin</b>	\$5,400 per contract (example)		

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<b>Commodity</b>	<b>Gold</b>	<b>Exchange</b>	COMEX
<b>CQG Symbol</b>	GCE	<b>Price Example</b>	1049.20
<b>Open Out-Cry Hours</b>	8:20 AM – 1:30 pm ET	<b>Contract Size</b>	100 troy ounces
<b>Minimum Tick</b>	\$.10 per troy ounce	<b>Price per Tick</b>	\$10.00
<b>Delivery Months</b>	Feb, Apr, Jun, Aug Oct and Dec	<b>Last Trading Day</b>	Feb: Feb 24, 1:30 pm ET
<b>Margin</b>	\$4,500 per contract (example)		

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## 2010 Commodities Trading Challenge

### Delivery Month Codes

<b>F</b>	<b>G</b>	<b>H</b>	<b>J</b>
January	February	March	April
<b>K</b>	<b>M</b>	<b>N</b>	<b>Q</b>
May	June	July	August
<b>U</b>	<b>V</b>	<b>X</b>	<b>Z</b>
September	October	November	December

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## 2010 Commodity Trading Competition

### Profit and Loss

#### Profit / Loss Calculation Example:

If you buy 10 lots of NYMEX Crude Oil at \$71.43 and liquidate the position by selling 10 at \$72.27, you have made \$0.84 (points) on 10 lots. The price per tick for NYMEX Crude Oil is \$10.00. The following procedure provides an elementary example of calculating profit or loss.

*\* Refer to the Contract Specifications page for calculation details.*

*\*\* Always use the decimal point in the calculation.*

#### Step 1: Calculate Point Difference

Sell Price (72.27) – Buy Price (71.43) = Point Difference (.84).

#### Step 2: Calculate Profit/Loss

Point Difference (.84) \* Contract Size (1,000) \* # of Contracts (10) =  
Profit/Loss (8,400)

**Profit of \$8,400.00**

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## 2010 Commodities Trading Challenge

### Buying and Selling

- If you **buy** to initiate a position, your account is “**long**”.
- If you **sell** to initiate a position, your account is “**short**”.
- If you are **long 10 lots** of April Crude Oil, you can **sell 10 lots** of April Crude Oil to liquidate the position and become “flat”.  
You can also increase your position.
- Open positions are marked to market (the most recent day’s settlement price). You do not realize a profit or loss until you liquidate your position.
- To calculate your profit or loss, you should use the criteria specific for each commodity.
- All executions should be manually recorded and checked daily against the CQG trade log.

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## 2010 Commodities Trading Challenge

### Order Types

**Market Order (MKT)** – The order is submitted without a price.  
A Market order is executed immediately at the current market price.

**Limit Order** – The order is submitted with a specific price limit.  
You will be filled at the stated price limit.  
Buy Limit orders should be entered below the current market.  
Sell Limit orders should be entered above the current market.

**Stop Order (X)** - A Stop order is a resting order used to initiate or offset a position at or near a specific price level.  
A Stop order becomes a Market order when the market reaches the stated price level.  
Sell Stop orders should be entered below the current market.  
Buy Stop orders should be entered above the current market.

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## 2010 Commodities Trading Challenge

### How are your orders filled?

- Market orders will be filled immediately at the last traded price.
- Limit orders will be filled when the market trades at the limit price.
- Stop orders will be filled when the market trades at the stop price.

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## 2010 Commodities Trading Challenge

### Open Out-Cry Competition

- Students from each school are invited to participate in the Open Out-Cry Competition.
- Open Out-Cry competitors are not required to have participated in the Electronic Trading Competition.
- CME Group will host simulated Open Out-Cry Competitions in New York City and at the University of Houston.
- Open Out-Cry training will be provided in Houston on Friday, March 26 followed by trading on Saturday, March 27.
- Training and trading at CME Group in New York is on Friday, April 16.
- Competitors will advance from the preliminary trading rounds to the final rounds based on their ability to follow the movement of the market, execution of orders and recording of trades.
- The judging panel will consist of Exchange members, trading firm representatives, industry executives and CME Group staff.
- The winners will be awarded with cash prizes.

# Glossary

**Account Executive** The agent of a commission house who serves the customer/traders by entering their commodity future and option orders, reporting trade executions, advising on trading strategies, etc.

**At the Market** An order to buy or sell at the best price obtainable at time order is received. (See Market Order)

**At the Money** An option is “at the money” when the underlying futures price equals the strike price.

**Back Month** More distant trading months, months that are farther away from the spot month.

**Bear Market** A market in which prices are declining.

**Bid** A motion to purchase a futures contract at a specified price.

**Broker (Paper/Floor)** The person who executes the buy and sell orders of a customer in return for a commission or fee.

**Bull Market** A market in which prices are rising.

**Call Option** An option which gives the buyer/holder the right to enter into a long futures position at a predetermined strike price, and obligates the seller/writer to enter into a short futures position at the designated price, should the option be exercised.

**CFTC** The Commodity Futures Trading Commission. An independent government agency created by Congress to regulate commodity futures trading.

**Clearing Member** A member firm of the Clearing House or Association. Each clearing member must also be a member of the exchange. Not all members of the exchange, however, are members of the clearing association. All trades of a non-clearing member must be registered with and eventually settled through a clearing member.

**Clerk** An employee of an Exchange Member who has been registered to work on the floor of the Exchange. The person may be a Telephone Clerk, Screen Clerk, Point Clerk or Runner.

**Closing Range** The range in trading prices during the last two minutes of trading (the close).

**Commodity** Any tangible good or product which can be traded or used for commercial purposes.

# Glossary

**Contract** An obligation to either make or accept delivery of a specified commodity at a specific price, amount and quality within a specified period of time in the future.

**Daily Limit** The maximum allowable variation above or below the previous day's settlement price that a commodity can trade.

**Day Trading** Refers to establishing and liquidating the same position or positions within one day's trading.

**Deck** The collective name given to all the orders held by a broker.

**Delivery Month** The month specified in a given futures contract for delivery of the actual physical or cash commodity.

**Exercise** The right granted to the option's holder to buy the underlying futures contract, in case of a call option, or sell the underlying futures contract, in the case of a put option.

**Flat Market** A market in which the bid and offer are the same price.

**Futures Commission Merchant** Any individual, association, partnership, or corporation that buys or sells futures contracts on commission. FCMs must now meet specified minimum financial standards.

**Hedge** A position in the futures market equal and opposite of a position in the cash market.

**Independent** A trader who trades solely for his/her own account, also known as a local.

**In the Money** An option is "in the money" if the underlying futures price is above a call option's strike price or below a put options' strike price.

**Limit Order** An order given to a broker by a customer specifying a certain maximum (or minimum price), beyond which the order is not to be executed.

**Limit Up/Down** A term used to describe trading that is at the daily limit.

**Local** A trader who trades solely for his/her own account, also known as an independent

**Long Position** A trading position in which a trader has purchased futures contracts and has not yet offset his/her position by selling those contracts (opposite of a short position).

**Lot** Same as a contract, the smallest unit of any trade.

# Glossary

**Margin** A cash amount of funds which must be deposited with the broker for each contract as a guarantee of fulfillment of the futures contract. It is not considered as part payment of purchase. Margins are also required on short options positions.

**Market Order** An order for immediate execution given to a broker to buy or sell at the best obtainable price.

**M.I.T.** Market If Touched. A price order that automatically becomes a market order if the price is reached.

**Offer** A motion to sell a futures contract at a specified price.

**Open Outcry** A method of public auction for making verbal bids and offers for contracts in the trading pits or rings of commodity exchanges. At least three people must be present for trades to be made.

**Open Interest** The total number of futures contracts in a particular market which have not yet been liquidated by an offsetting futures transaction or delivery. The figure represents one side of each open contract, not both sides.

**Opening Call** The process of opening up each contract on a month-by-month basis.

**Out of the Money** An option that has no intrinsic value. For example, a put option is “out of the money” if its strike price is below the underlying futures price.

**Pit** The area on the trading floor where a specific commodity is traded (also known as the ring)

**Pit Card** The card which the seller completes with all trade information after a trade has been executed.

**Podium** A raised platform section, located at the edge of a pit or above it, from which the Exchange staff supervises trading operations and maintains order. The podium is also used by members of the Floor Committee to provide information over the public address system or to receive information.

# Glossary

**Premium** In options trading the premium is the price of an option determined by buyers and sellers in open, competitive trading on the Exchange trading floor.

**Print** A posted price. “Making a print” refers to buying or selling at a price that has not been recently traded that day.

**Put Option** An option that gives the buyer/holder the right to enter into a short futures position at a predetermined strike price, and obligates the seller/writer to a long futures position should the option be exercised.

**Rally** An advancing price movement following a decline in a market.

**Red Months** Contracts that trade more than one calendar year out, red months are the second appearance of a month.

**Reporter** A NYMEX employee whose job is to report the market.

**Ring** The area on the trading floor where a specific commodity is traded.

**Runner** A NYMEX employee who takes pit cards from the ring to Data Processing.

**Settlement Price** The most representative price in a given futures contract near the close of daily trading.

**Short Position** An opening trading position in which the trader has sold futures contracts and not yet offset it by purchasing those contracts (opposite of long position).

**Speculator** An individual who invests in commodity futures with the objective of achieving profits by successfully anticipating price movements.

**Spot Month** The futures contract closest to maturity. The nearest delivery month.

# Glossary

**Spread (futures)** The simultaneous purchase of one futures contract and sale of a different futures contract. May also refer to a futures contract purchase in one month and the sale of the identical contract in another month. The terms “spread” and “straddle” are sometimes used interchangeably. “Calendar Spread” often refers to the simultaneous purchase and sale of futures contracts for the same commodity for delivery in different months. “Straddle” usually refers to the simultaneous purchase and sale of futures in different, but related commodities for delivery in the same or different months.

**Spread (options)** The purchase and sale of two options of the same type (call or puts) which vary in terms of strike prices, expiration dates or both.

**Strike Price or Exercise Price** The price at which an option buyer can establish a crude oil futures position if he/she exercises it.

**TMS (Trade Management System)** TMS is the Exchange’s Trade Management System used to check, allocate and split trades. The system is also used to view market data (e.g. Volume, Open Interest, etc.), send and receive messages. Trades can be viewed for five business days (current day and previous 4 business days).

**Tick** The smallest allowable price movement of a specific commodity contract.

**Trader** Anyone who buys and sells contracts in the ring.

**Trading Volume** The total of purchases or sales during a trading session, not the total of purchases and sales combined. Since there is a buyer and a seller for each contract traded, the total of purchases must equal the total of sales each day.

**Trend** The general direction of price movement in the market.

**Volume** The number of contracts bought and sold each day.

**Volatility** Extreme price sensitivity: a historical measure of the magnitude of commodity price changes. Commodity prices are highly sensitive to weather variations, governmental regulation, labor disputes, new developments in technology, political upheaval, war and other influences. Volatility is not only closely tied to actual supply and demand conditions, but also perceived by anticipated supply and demand conditions.

**Thank you  
and  
Good Luck!**

**To learn more about CME Group  
please visit  
[www.cmegroup.com](http://www.cmegroup.com)**