

Grain Calendar Spread Options Benefits and Examples

Grain Calendar Spread Options (CSOs)

CSOs on Corn, Wheat, Soybeans, Soybean Oil and Soybean Meal offer:

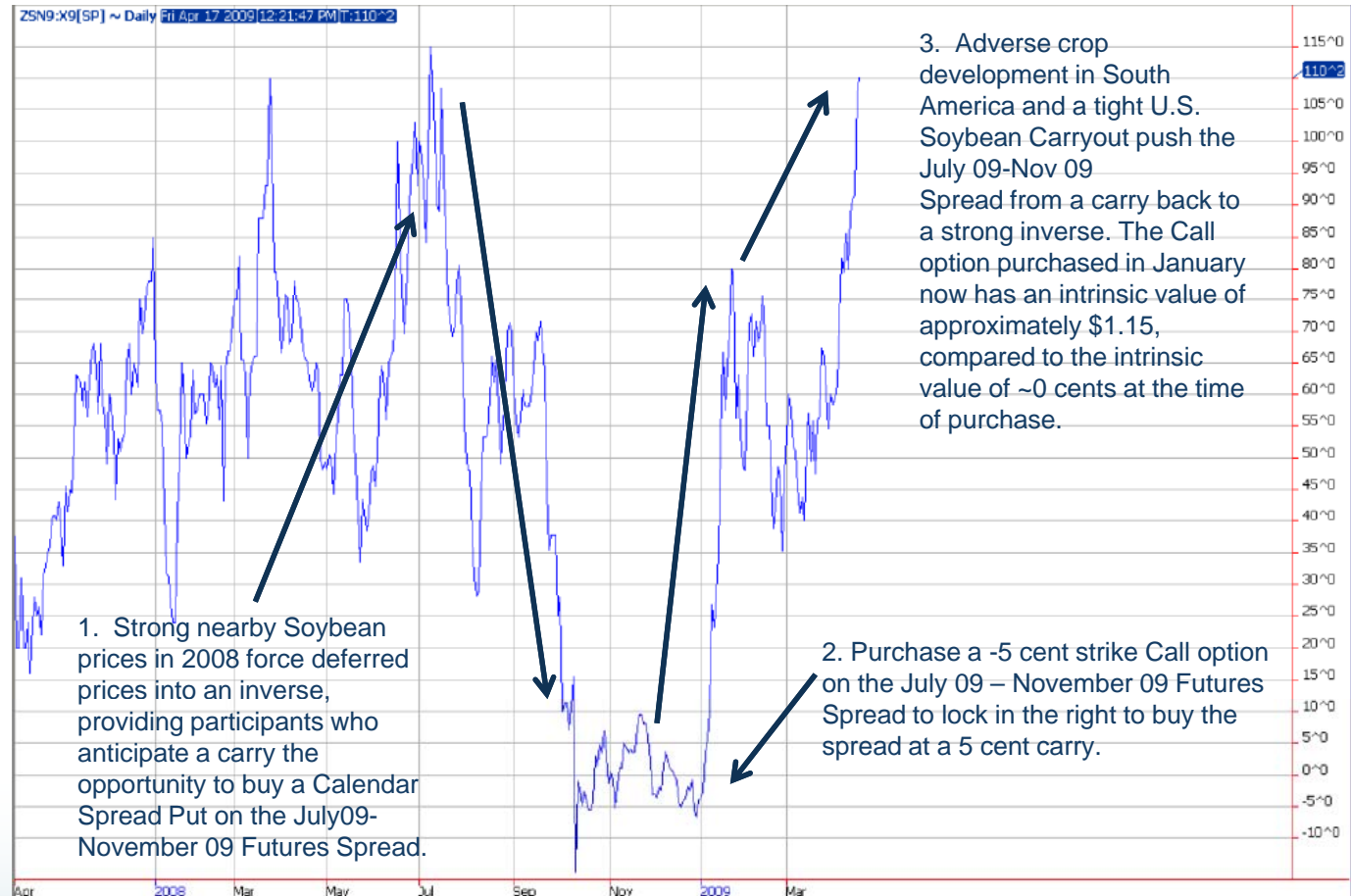
- **Customization**
Precise hedges geared to your exposure to temporal risk
- **Opportunities**
Protection against adverse spread moves along with access to favorable spread changes
- **Choice of venue**
Trading floor or CME Globex electronic platform
- **Liquidity**
Continuous live bid/offer quotes streamed by dedicated market makers on CME Globex
- **Security**
Centralized clearing and guaranteed counterparty credit

Trade Example

SN9: SX9

A market participant who bought an **ATM Calendar Spread Put option** at step 1 and held until step 2 would have realized an appreciation in the value of the option of \$1.20 less whatever time decay the option experienced between steps 1 and 2.

Similarly, if the participant purchased an **ATM Calendar Spread Call option** at step 2 that option would have realized a \$1.15 increase in the intrinsic value by step 3.



Trade Example CN9:CZ9

The 2009 old crop/new crop spread in Corn moved from an inverse back to a carry with tremendous speed, demonstrating the potential utility for owning a **Calendar Spread Put Option**.



Trade Example

WZ9:WN10

Old crop/new crop spreads agricultural commodities can experience volatile moves over time, as demonstrated by the December 2009 – July 2010 Wheat Futures Calendar Spread.

Depending on timing and nearby versus deferred global crop concerns the spread can oscillate between a carry and an inverse. This example demonstrates the various entry and exit points where owning the protection of a **Calendar Spread Option** would help to alleviate some of the risk in managing these spreads.



Additional Information

Visit www.cmegroup.com/cso to view:

- Contract Specifications
- Rulebook Chapters
- An Introduction to Grain Calendar Spread Options

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