

ECONOMIC EVENT PRODUCTS

Nonfarm Payroll Futures and Options

For speculation or risk management – transparent, straightforward and direct exposure to the government labor number.

Overview

CME Group Nonfarm Payroll (NFP) futures and options on futures are designed to coincide with the release of the NFP economic data each month (typically the first Friday of the month). These plain vanilla contracts are based on the monthly U.S. Bureau of Labor Statistics report that measures employment health. As it is the first major economic release each month that speaks to the condition of the prior month, the NFP is closely followed as a way to gauge how the Federal Open Markets Committee perceives economic growth. NFP futures and options are a transparent, straightforward and accessible way to gain direct exposure to the government labor number or to offset unexpected financial market moves that often occur when this number is released.

About NFP Futures and Options

NFP futures and options are listed exclusively on the CME Globex electronic trading platform, Sundays through Thursdays from 5:00 p.m. to 4:00 p.m. Central Time (CT) next day. One contract is listed at a time and each contract is listed on the Monday after the previous month's release. Trading in the expiring contract concludes at 7:25 a.m. CT on the day that the U.S. Bureau of Labor Statistics releases its Nonfarm Payroll report. Each contract is valued at \$25 times the change in the Nonfarm Payroll number from the previous month.

Employment Reports

Nonfarm Payrolls are released by the Bureau of Labor Statistics at approximately 7:30 a.m. CT on the first Friday of each month. NFPs are released as part of two distinct reports generated from separate surveys: the "Establishment Survey" of ~375,000 businesses used to generate NFPs; and, the "Household Survey" of ~60,000 households used for the unemployment rate. We focus on the Establishment Survey depicting the seasonally adjusted change in total Nonfarm Payrolls.

Significance of NFPs

The Establishment Survey is one of the first major economic releases of the month that depicts economic activity in the prior month. Policy makers and economists focus on the NFP number as a way to determine the state of the economy and predict future economic activity. In turn, the market closely focuses on NFPs for clues of how policy makers, specifically the Federal Open Markets Committee, will respond to the current state of the economy. Due to the importance of this number, the value of interest rate, equity and currency markets may all be impacted accordingly.

Benefits

- Market-driven, fair and transparent pricing
- Easy access to speculate or manage risks
- Spread opportunities with Interest Rate and FX contracts
- CME Clearing guarantees the performance of every trade

NONFARM PAYROLL FUTURES AND OPTIONS CONTRACT SPECIFICATIONS

	FUTURES	OPTIONS
Contract Size	\$25 x change in Total Nonfarm Payrolls (NFPs) as published by BLS	One (1) futures contract
Quote	Quoted in thousands, e.g., May 2007 contract would have settled at +157, representing change in Nonfarm Payrolls (in 000s) from April to May 2007. Each minimum price fluctuation of 1 point (1,000 jobs) = \$25.00	Quoted in 500 jobs or minimum fluctuation of 0.5 (= \$12.50)
Contract Months	Contracts available for all NFP releases, listed on the Monday after the previous month's release	
Trading Hours	Offered exclusively on CME Globex electronic trading platform on Sundays through Thursdays from 5:00 p.m. to 4:00 p.m. CT next day	
Last Trading Day	Trading in an expiring contract concludes at 7:25 a.m. CT on the first Friday of the contract month or such other day on which NFP figures are scheduled to be released by the BLS	
Final Settlement	Settled in cash based on change in seasonally adjusted total NFPs reported by U.S. Dept. of Labor, Bureau of Labor Statistics Table B-1., Employees on nonfarm payrolls by industry sector and selected industry detail, seasonally adjusted change in total nonfarm payrolls for month prior to named contract month	American-style options may be exercised into one (1) futures contract
Strike Prices	N/A	Established at 10 point (or 10,000 jobs) intervals from -500,000 to +500,000 jobs
Price Limit	Price limit of ± 200 points (200,000 jobs = \$5,000) applied to final settlement price from previous business day's price settlement	Movement in value of a call (put) is effectively capped (floored) by virtue of price limit applied to futures contract
Minimum Block Size	20 contracts	

For more information on NFP futures and options, visit www.cmegroup.com/nfp.

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