

Research & Product Development

March 22, 2012

CME Group Equity Index Futures Quarterly Roll Summary March 2012 – June 2012 Roll

Given that the market staged a month-long rally, the roll market was relatively calm for the March/June roll. The table in Exhibit 1 shows the average March/June 2012 spreads and the implied financing rates associated with these spreads for the major domestic stock index futures. Note that the sample was restricted to U.S. daylight trading hours on CME Globex.

In particular, E-mini S&P 500 calendar spreads traded at implied financing rates from 0.36 percent per annum to 0.43 percent per annum at the conclusion of the roll period. This pattern of increasing implicit financing rates as the roll period concluded also existed for both the E-mini NASDAQ-100 and the E-mini Dow (\$5) futures. The last time we saw an increase in the implied financing during the roll period was at the end of December 2010.

The implied financing rate is tied to expected dividends over the ensuing three-month period. If you maintain a higher dividend assumption, relative to market consensus, then the implied financing rate will be higher as well. During March 2012, the Federal Reserve had been expected to pave the way for a doubling of bank dividends and share buybacks when it unveiled the result of stress tests on the largest U.S. financial groups. As such, the implied financing rate increase may have partly reflected an expected increase in dividends throughout the March-June period.

Exhibit 1

Volume Weighted Average Price and the corresponding volume weighted average implied financing rate of March/June 2012 calendar spreads in various domestic index futures.

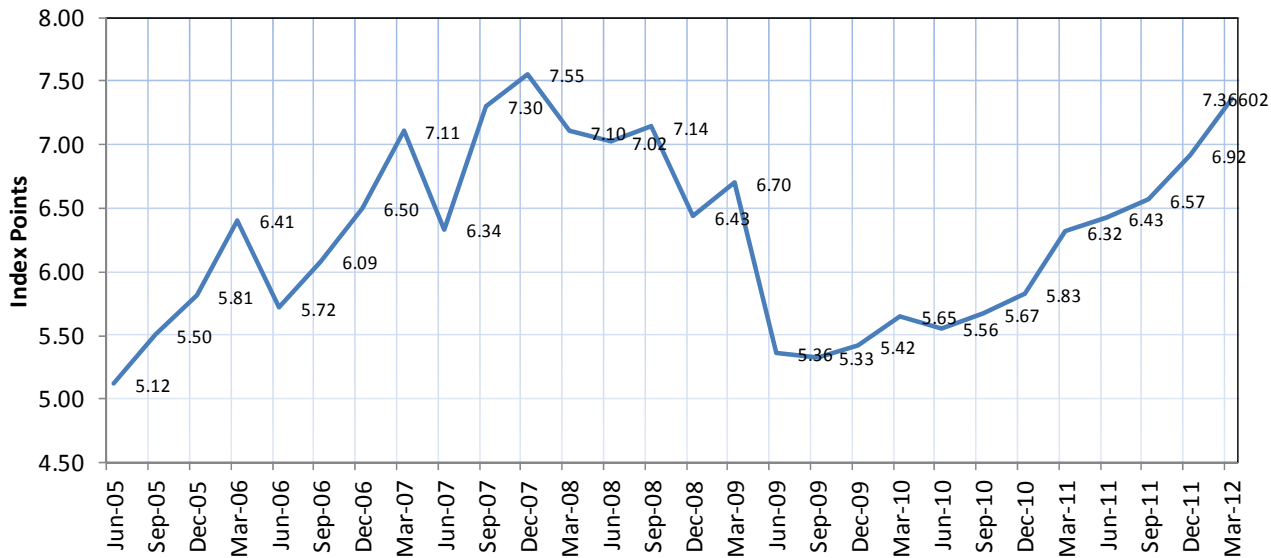
Date	E-mini S&P 500		E-mini NASDAQ-100		E-mini Dow (\$5)		E-mini S&P MidCap 400	
	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.
3/5	-5.83	0.36	-5.57	0.26	-70.92	0.39	-2.54	0.32
3/6	-5.80	0.37	-5.68	0.25	-70.34	0.41	-2.96	0.16
3/7	-5.79	0.37	-5.55	0.27	-69.43	0.44	-2.85	0.20
3/8	-5.83	0.36	-4.99	0.35	-67.95	0.48	-2.78	0.23
3/9	-5.79	0.37	-4.64	0.40	-67.88	0.48	-2.74	0.24
3/12	-5.78	0.37	-4.42	0.43	-67.29	0.50	-3.00	0.13
3/13	-5.67	0.40	-3.95	0.49	-66.80	0.51	-3.06	0.11
3/14	-5.56	0.44	-3.57	0.54	-66.79	0.51	-2.95	0.15
3/15	-5.61	0.43	-3.91	0.49	-65.80	0.54	-2.88	0.18

Source: CME Group.

Exhibit 2 shows the history of realized dividend points for the S&P 500 Index for each expiration month cycle during the past six years. During the March/June 2012 roll period, the estimated dividends used in our implied financing calculation ranged from 7.07 to 7.14 index points. LIBOR rates were relatively stable throughout the roll period, declining from 57 bps on March 5 to 50 bps on March 14.

Exhibit 2

Historical Dividend Accruals, in index points, for the S&P 500 Index shown for each quarterly expiration date over the last six years.

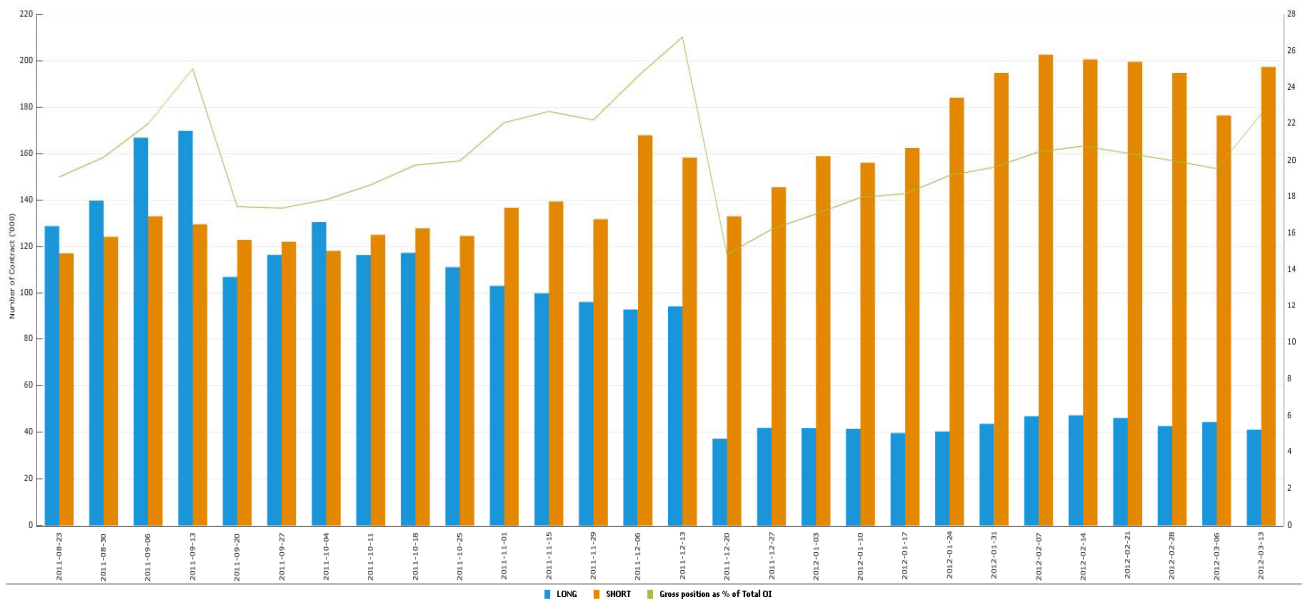


Source: Bloomberg.

Finally, we might observe that U.S. equity dealers have generally been decreasing their short position holdings in the equity futures market since the end of 2011. This may be confirmed by examining the CFTC Commitment of Traders report shown in Exhibit 3. (You can also leverage our recently added online tool, the CFTC Commitment of Traders Report tool for equity indexes, which provide a visual display of Open Interest patterns – access the tool at cmegroup.com/eqcot.) The reasons for this open interest decline vary. But the assumption of an increase in dividends, beyond consensus expectations may play a role. Dealers may have been seeking to receive higher than expected dividends by holding cash equity positions rather than maintaining long position exposure in the equity futures market.

Exhibit 3

S&P 500 Consolidated Commitments of Traders – Dealer Positions by Week.



Source: CME Group.

For More Information

Visit cmegroup.com/equities for more information on these products and access to online tools, including:

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All references to options refer to options on futures.

E-mini Dow (\$5) and Fed Fund futures contracts are listed with and subject to the rules and regulations of CBOT. All other futures contracts mentioned in this brochure are listed with and subject to the rules and regulations of CME.

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