

Research & Product Development

DECEMBER 2009

Pace of the Roll Daily Tracker Tools

www.cmegroup.com/rollpace

During the two-week period prior to the quarterly expiration date, CME Group offers daily updates on the quarterly roll activity taking place in key equity index futures contracts, including related financing costs.

The tools on the Pace of Roll page are designed to provide information contract participants can use to analyze their roll strategies and make adjustments for optimal efficiency. An overview of how these tools work is provided below.

Pace of Roll Daily Charts (at top right of page)

Over a two-week period near the end of each quarter, to maintain equity exposure, open interest holders transfer their positions from the expiring quarterly contract into the nearest deferred month.

The Pace of Roll charts on the page show the progression of open interest in key equity index contracts, in terms of percentage of open interest in the deferred month for that contract. These charts are updated daily, and track the following:

- **Red line** represents the current roll period, or percentage of open interest in the March 2010 quarterly contract month.
- **Black line** represents the historical average of the pace of the roll in the contract over the previous **12** roll periods.
- **Blue shaded area** represents the middle 75 percent confidence range over the last **12** roll periods.

These charts typically will be updated by 7:00 a.m. Chicago time each weekday of the two-week quarterly roll period.

VWAP and Implied Financing Costs table (bottom half of page)

This table offers calculations of the volume weighted average price (VWAP) of calendar spread activity in our key equity index futures contracts. The associated implied financing costs is also provided and updated daily.

An asterisk in the date indicates that the numbers are initial estimates provided by our Research staff based on representative CME Globex volumes taken throughout the trading day. The asterisk will be removed when the results are finalized.

Important Note about Implied Financing Calculations and Impact of Dividend Forecasts

Implied financing calculations are made using a widely used source of dividend yield forecasts. As futures position holders forego the dividend flow associated with an underlying stock portfolio, it's important to note that, given the same spread price, a high dividend yield assumption can create the appearance of a high implied financing rate.

Important Note about Implied Correlation Calculation for Nikkei 225 futures

The roll pricing for the USD- and Yen-denominated Nikkei 225 futures contracts typically differ due to the embedded exchange rate/index correlation risk. Please see our publication "*Spreading CME USD and Yen-Denominated Nikkei 225 Futures*," posted on the Equity Index Research Center at www.cmegroup.com/equityindexresearch, for more information. For the implied correlation calculation, we used the implied volatilities of Nikkei 225 Index options and of Japanese Yen as inputs.

For More Information

We hope that you will find these tools valuable. If you have questions about them or suggestions of other analytical tools that you would find helpful, contact a member of the CME Group Equity Products team using the information below:

E-mail

EQresearch@cmegroup.com

Phone

1-800-331-3332

For additional strategies and tools, be sure to visit the Equity Index Research Center at

www.cmegroup.com/equityindexresearch

Disclaimers

Futures and options on the Nikkei 225 are listed with, and subject to the rules and regulations of, CME.

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

All references to options refer to options on futures.

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