

Research & Product Development

Equity Index Futures Quarterly Roll Summary March–June 2011 Roll

With the on-going political turmoil in Libya and the unexpected earthquake in Japan, the March-June equity index futures roll was becoming richer as the roll period progressed. With the Libya protest turning into a political war before the roll, and the unexpected earthquake in Japan turning into an uncertain nuclear crisis during it, risk appetite appeared to have returned. Market volatility during the month of March also picked up.

Exhibit 1 summarizes the roll spread pricing for U.S. domestic stock indexes. Given the recent major market-moving news, the spreads traded in a relatively rich range during the roll period. In particular, the E-mini S&P 500 calendar spreads traded from 0.39% per annum (p.a.) to as high as 0.43% p.a. in terms of implied financing by the conclusion of the roll period.

Consequently, this roll traded richly to LIBOR, and in the case of E-mini S&P 500 futures, much more so than compared to the previous roll (Dec 2010-March 2011), averaging a premium of approximately 6.71 basis points and trading rich to LIBOR throughout the entire roll period. The spread between the implied financing rate and LIBOR reached as wide as 11 basis points at one point near the roll period's end. The pattern was similar in other domestic equity index futures roll markets as well.

Exhibit 1

Volume Weighted Average Price and the corresponding Volume Weighted Average implied financing rate of March-June 2011 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		E-mini S&P SmallCap 600	
	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.
03/7	-4.89	0.39	-2.39	0.34	-63.75	0.40	-2.65	0.16	n/a	n/a
03/8	-4.86	0.41	-2.30	0.35	-63.42	0.41	-2.17	0.35	n/a	n/a
03/9	-4.79	0.42	-2.20	0.37	-62.59	0.44	-2.22	0.33	n/a	n/a
03/10	-4.85	0.41	-2.21	0.38	-63.07	0.43	-2.20	0.34	-0.91	0.18
03/11	-4.88	0.40	-2.35	0.36	-63.06	0.43	-2.21	0.35	-1.02	0.08
03/14	-4.88	0.40	-2.38	0.35	-62.67	0.44	-2.22	0.34	n/a	n/a
03/15	-4.84	0.42	-2.42	0.35	-63.47	0.44	-2.25	0.34	-1.05	0.07
03/16	-4.80	0.43	-2.39	0.36	-63.10	0.45	-2.21	0.35	-0.91	0.20
03/17	-4.88	0.41	-2.37	0.36	-63.68	0.43	-2.19	0.36	-1.05	0.07

Source: CME Group.

Turning to the E-mini MSCI futures contracts, as has become customary for the E-mini MSCI EAFE contract, the bulk of the roll was condensed into a short time frame (March 10-16). Pricing appeared to be high there as well, with implied financing well above the levels exhibited in the previous quarterly roll period. E-mini MSCI Emerging Markets futures followed very similar lines, but with rollover activities more dispersed throughout the two-week traditional roll period. Pricing appeared to be at the customary range of approximately 96 basis points above LIBOR based on gross dividend assumptions.

Exhibit 2

Estimated roll costs for the E-mini MSCI EAFE and E-mini MSCI Emerging Markets futures during the Mar/June 2011 roll period.

	E-mini MSCI EAFE			E-mini MSCI Emerging Markets		
	VWAP	Impl. Fin. (Gross Div)	Volume	VWAP	Impl. Fin. (Gross Div)	Volume
03/7	-29.96	-0.49	75	-3.38	2.18	787
03/8	-25.65	0.48	75	-4.96	1.61	97
03/9	-27.07	0.16	218	-6.01	1.25	821
03/10	-25.62	0.47	1942	-6.44	1.15	3135
03/11	-21.91	1.34	2072	-6.17	1.22	7541
03/14	-21.52	1.52	7622	-5.92	1.32	7791
03/15	-21.86	1.48	7265	-5.97	1.32	7091
03/16	-23.04	1.20	6149	-6.46	1.20	6152
03/17	-23.47	1.14	898	-6.12	1.34	1511

Source: CME Group.

As open interest levels go, the E-mini MSCI EAFE stayed almost the same with 27,378 positions from 27,958 and 30,223 positions following the last two quarterly expirations. E-mini MSCI Emerging Markets open interest declined slightly to 26,663 positions from 38,297 and 28,146 positions, respectively, following the last two quarterly expirations.

For more information on the CME Group suite of Equity Index futures and options, visit www.cmegroup.com/equities

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