CME Group
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Research & Product Development

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CME Group Equity Index Futures Quarterly Roll Summary*
March 2010 – June 2010 Roll

Without any significant market moving forces, the calendar spread market for the March/June 2010 roll traded in a very tight range. The table in Exhibit 1 shows the average prices and the implied financing rates associated with the major domestic stock index futures. Note that the sample was restricted to U.S. daylight trading hours on CME Globex (and open outcry in the case of the standard S&P 500 futures contract).

With 3-month LIBOR hovering around 26 basis points, the S&P 500 futures roll pricing was mostly flat to LIBOR for the two-week period. Other equity index futures traded at a slight discount to LIBOR as usual, without much significant deviation from historical norms in terms of the magnitude of the discount. The pricing on the last day of the roll period was visibly cheaper across the board for domestic U.S. equity index futures.

The action in the two international indexes proved to be far more adventurous as usual. In Exhibit 2, we tabulated the average spread pricing as well as the estimated implied financing rates for the two contracts for the period. Note that, in a departure from the previous reports, we include two sets of implied financing calculations, corresponding to gross and net dividend assumptions.

As it turned out, the cyclicality of the dividends of stocks in the MSCI EAFE Index dictated an unusually large difference in the implied financing calculation for the futures roll. To make our computation comparable to that of the MSCI Total Return Index, we applied a 15 percent-withholding assumption for our calculations. With the second quarter being the heaviest dividend-paying season of the year for the MSCI EAFE Index, the two implied financing calculations yielded a difference upwards of 90+ basis points per annum.

Exhibit 1

Volume weighted average price (VWAP) and the corresponding volume weighted average implied financing rate of March-June 2010 calendar spreads in various domestic U.S. index futures.

	S&P 500 VWAP		Impl. Fin.	E-mini NASDAQ-100		E-mini Dow ($5)		E-mini S&P MidCap 400		E-mini S&P SmallCap 600	
Date	E-mini	Standard	E-mini	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.
3/8/10	-4.69	-4.66	0.25	-2.32	0.22	-62.08	0.21	-2.35	0.18	n/a	n/a
3/9/10	-4.67	-4.66	0.25	-2.52	0.18	-62.41	0.20	-2.35	0.18	n/a	n/a
3/10/10	-4.62	-4.61	0.27	-2.48	0.18	-62.24	0.20	-2.36	0.17	n/a	n/a
3/11/10	-4.68	-4.66	0.25	-2.67	0.14	-62.32	0.20	-2.28	0.23	-1.00	-0.09
3/12/10	-4.65	-4.66	0.26	-2.61	0.16	-62.42	0.19	-2.33	0.20	-1.02	-0.09
3/15/10	-4.65	-4.65	0.26	-2.50	0.18	-62.01	0.21	-2.45	0.13	-0.98	-0.05
3/16/10	-4.64	-4.64	0.27	-2.40	0.20	-62.00	0.21	-2.36	0.17	-0.92	0.03
3/17/10	-4.68	-4.67	0.26	-2.47	0.25	-62.75	0.26	-2.35	0.18	n/a	n/a
3/18/10	-4.77	-4.78	0.24	-2.64	0.22	-63.37	0.24	-2.42	0.13	-0.94	0.01

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Exhibit 2

Estimated roll costs for the E-mini MSCI EAFE and E-mini MSCI Emerging Market futures contracts.

	E-mini MSCI EAFE futures				E-mini MSCI Emerging Markets futures			
	VWAP	Impl. Fin. (Gross Div)	Impl. Fin. (Net Div)	CME Globex Volume	VWAP	Impl. Fin.	I mpl. Fin. (Net Div)	CME Globex Volume
3/8/10	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3/9/10	-13.00	2.84	1.92	1	1.32	3.48	3.03	345
3/10/10	-17.52	1.68	0.76	395	1.63	3.59	3.15	415
3/11/10	-18.27	1.51	0.59	3028	1.55	3.58	3.14	868
3/12/10	-18.62	1.45	0.53	2263	1.48	3.55	3.11	1370
3/15/10	-18.87	1.38	0.45	13342	1.30	3.53	3.08	3854
3/16/10	-18.21	1.54	0.63	3452	-0.25	2.89	2.44	5955
3/17/10	-17.78	1.65	0.74	837	-0.82	2.61	2.17	5598
3/18/10	-17.88	1.57	0.67	541	-1.63	2.47	2.00	1166

A large portion of the roll in the E-mini MSCI EAFE futures was concentrated on 3/15/10, which also proved to enjoy the lowest spread pricing for the period. The spreads crept higher after that day. The magnitude was less dramatic than those in the previous roll periods.

The distortion due to the uneven dividend cycle was much more subdued in the MSCI Emerging Markets Index. The difference between the implied financing rate given net and gross dividend assumptions was 30-34 basis points. While the spread market traded rich, even by historical standards, the pricing progressively declined over the whole period.

As for open interest levels, the E-mini MSCI EAFE futures contracts gained slightly following the rollover. The new lead month E-mini MSCI EAFE futures emerged from the rollover with 27,095 contracts in open interest, up sequentially from 25,723 and 23,465 open interest levels following the last two quarterly expirations. E-mini MSCI Emerging Markets futures emerged from the rollover with 19,709 positions of open interest in the new lead month, also higher than the 16,600 and 17,098 levels following the last two expirations.

For more information about our suite of equity index futures and options, please visit www.cmegroup.com/equities.

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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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