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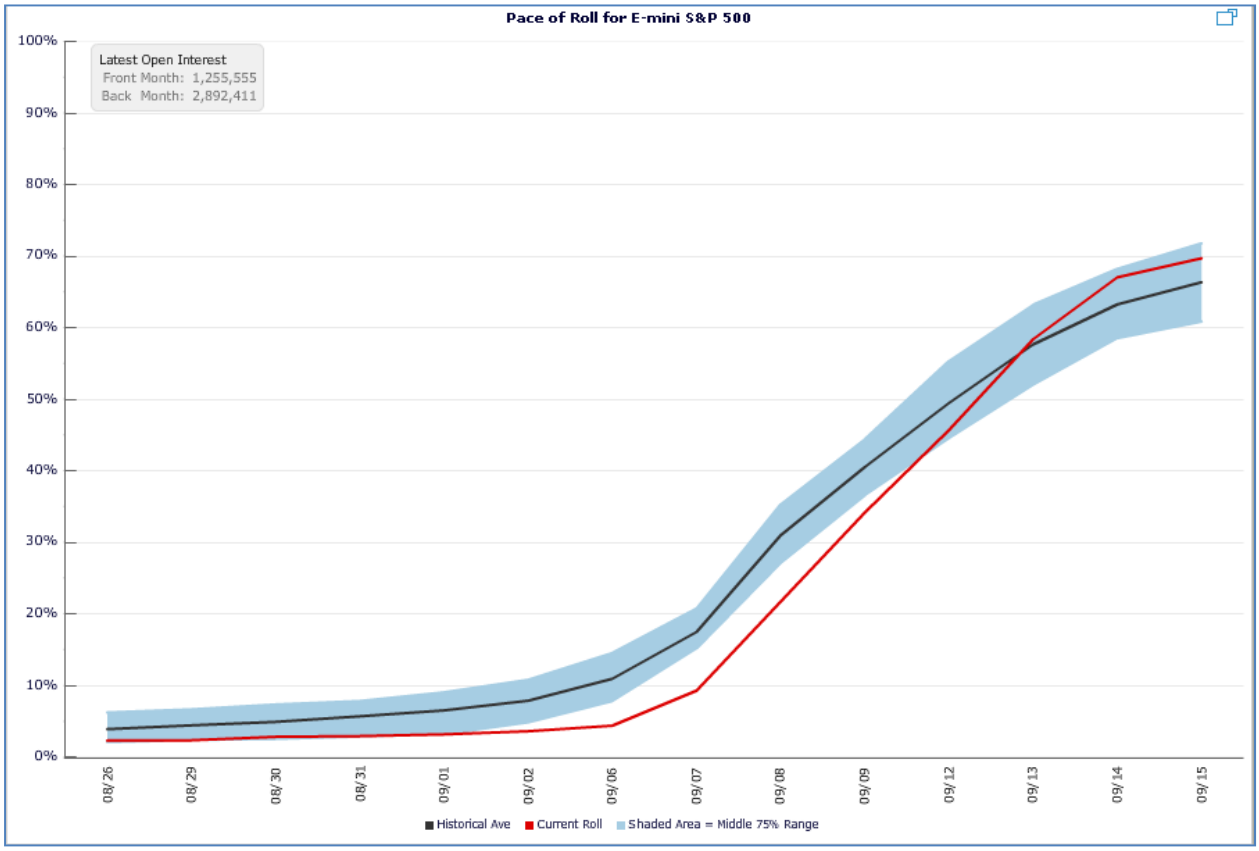
Equity Index Futures Quarterly Roll Summary

September-December 2011 Roll

As it turned out, the pace of the 2011 September to December calendar roll market was eventful, in that it lagged behind previous rolls. Exhibit 1 depicts the September-December roll compared to the historic average. The pace of open interest rolling into the E-mini S&P 500 December contract did not pick up until the last three days in the roll period. What is also notable is that while the roll already traded at a slight discount to LIBOR rates for the first several days, the implicit financing rate experienced a sharp drop during the last three days of the roll period.

Exhibit 1 - Pace of Sep-Dec 2011 roll for E-mini S&P 500 futures.



Source: CME Group Equity Quarterly Roll Analyzer – view it at cmegroup.com/rollpace

Exhibit 2 summarizes September 2011 quarterly roll pricing for U.S. equity index futures listed on CME Group exchanges. Compared to prior roll periods, the calendar spreads during this roll period traded around two or three basis points lower. In particular, the implicit financing rate associated with the E-mini S&P 500 calendar spreads traded within a 32-36 basis point range for the first six days of the roll period, about two-three basis points cheaper than the prevailing LIBOR rates. During the last three days of the roll period, the implicit financing rate consistently declined to a range of 13-27 basis points below LIBOR rates. This pattern of decline in the implicit financing rate also existed for the E-mini NASDAQ-100 and E-mini Dow futures roll. The E-mini S&P MidCap 400 futures had been trading at an average discount to LIBOR of some 20 basis points throughout the roll period.

Exhibit 2 – Volume Weighted Average Price and the corresponding Volume Weighted Average implied financing rate of Sep –Dec 2011 calendar spreads in various domestic index futures.

	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		LIBOR
Date	VWAP	Impl. Fin	VWAP	Impl. Fin	VWAP	Impl. Fin	VWAP	Impl. Fin	VWAP	Impl. Fin	
09/02	-5.70	0.36	-5.14	0.15	-72.80	0.33	-4.66	0.64	n/a	n/a	0.38
09/06	-5.72	0.35	-5.26	0.13	-72.80	0.34	-3.98	0.34	n/a	n/a	0.38
09/07	-5.75	0.34	-5.14	0.15	-71.92	0.36	-3.04	0.12	n/a	n/a	0.38
09/08	-5.75	0.33	-4.88	0.19	-70.79	0.40	-2.90	0.18	n/a	n/a	0.37
09/09	-5.75	0.34	-4.74	0.22	-71.13	0.40	-2.89	0.18	n/a	n/a	0.37
09/12	-5.84	0.32	-4.80	0.21	-71.44	0.39	-2.88	0.18	n/a	n/a	0.37
09/13	-6.05	0.24	-5.43	0.09	-73.36	0.32	-2.94	0.16	-1.00	0.30	0.37
09/14	-6.28	0.16	-5.78	0.03	-75.06	0.26	-2.93	0.16	-2.15	-0.80	0.37
09/15	-6.50	0.09	-5.75	0.03	-76.32	0.21	-2.92	0.16	n/a	n/a	0.36

Source: CME Group.

It is unlikely that the dramatic decline in implicit financing rates was associated with any significant changes in index dividend estimates. Also, there were no unanticipated announcements of index constituents decreasing dividend payouts in Q4 2011.

Exhibit 3 shows the history of the realized dividend points for the S&P 500 Index corresponding to each expiration date in the last 6 years. Realized index dividends during the latest quarter were slightly higher than the prior quarter. During this roll, estimated S&P 500 dividends used in the implicit financing rate calculation ranged from 6.75 - 6.76 index points. LIBOR rates also were stable throughout the roll period, though they were about 10 basis points higher than the prior roll period.

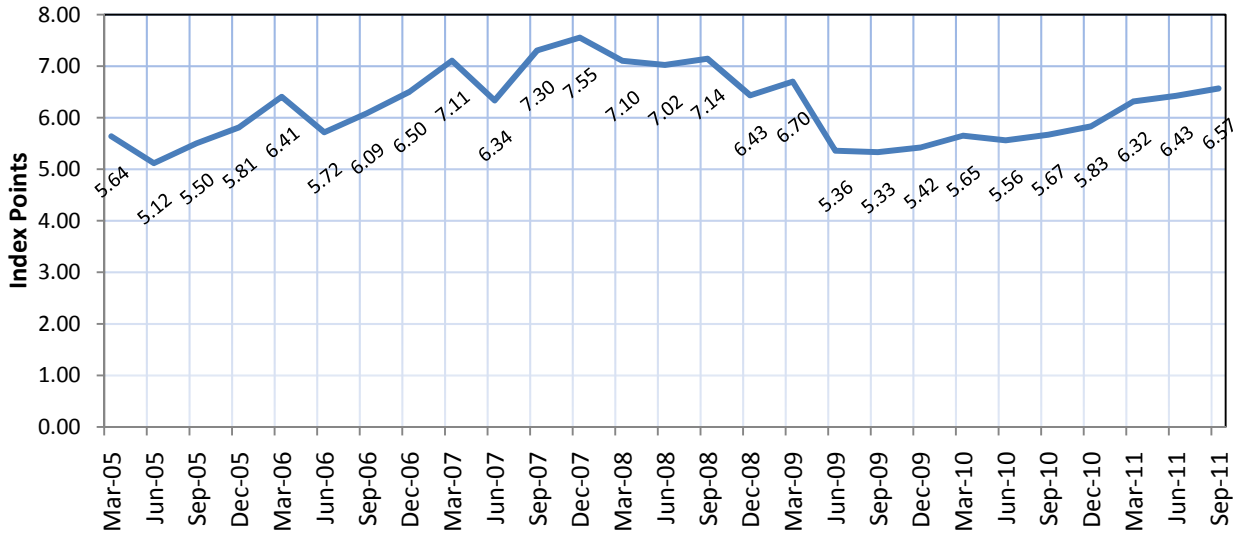
The decline in U.S. equity prices during August 2011 was the largest since the depths of the 2008-2009 financial crisis. The emergence of a global growth scare caused investors to shun equities and take

refuge in less risky assets. Increasing concerns related to European sovereign debt instability contributed to the pattern of risk avoidance.

Market volatility spiked during August 2011. Large asset managers substantially increased short positions in the nearby (i.e., September) equity index contracts during August. These short equity futures positions were then aggressively rolled into the December contract, in spite of less attractive spread prices. The increased roll activity contributed to the December contract price being substantially lower than it may have been in the absence of the increased roll activity.

Appendix 1 shows the significant increase in short positions by Asset Managers in August 2011 versus their historic short holdings in certain major index futures.

Exhibit 3 – 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.

Turning our attention to the E-mini S&P Select Sector Index Futures, the Sep-Dec 2011 roll demonstrates that this new suite of futures has gained the attention of the marketplace in the six months following their official launch. Among the nine select sectors, the E-mini S&P Industrial Select Sector futures and the E-mini S&P Consumer Staples Select Sector futures experienced spread volume of 800 contracts.

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Most of the E-mini S&P Select Sector futures roll markets reflected the cheaper implicit financing situation observed in the major equity index futures roll markets. For example, E-mini S&P Consumer Staples Select Sector futures, which had the highest spread volume among the nine sector futures, rolled at a range of 22 - 46 basis points discount to LIBOR.

*For more information, visit **cmegroup.com/equities** or please contact:*

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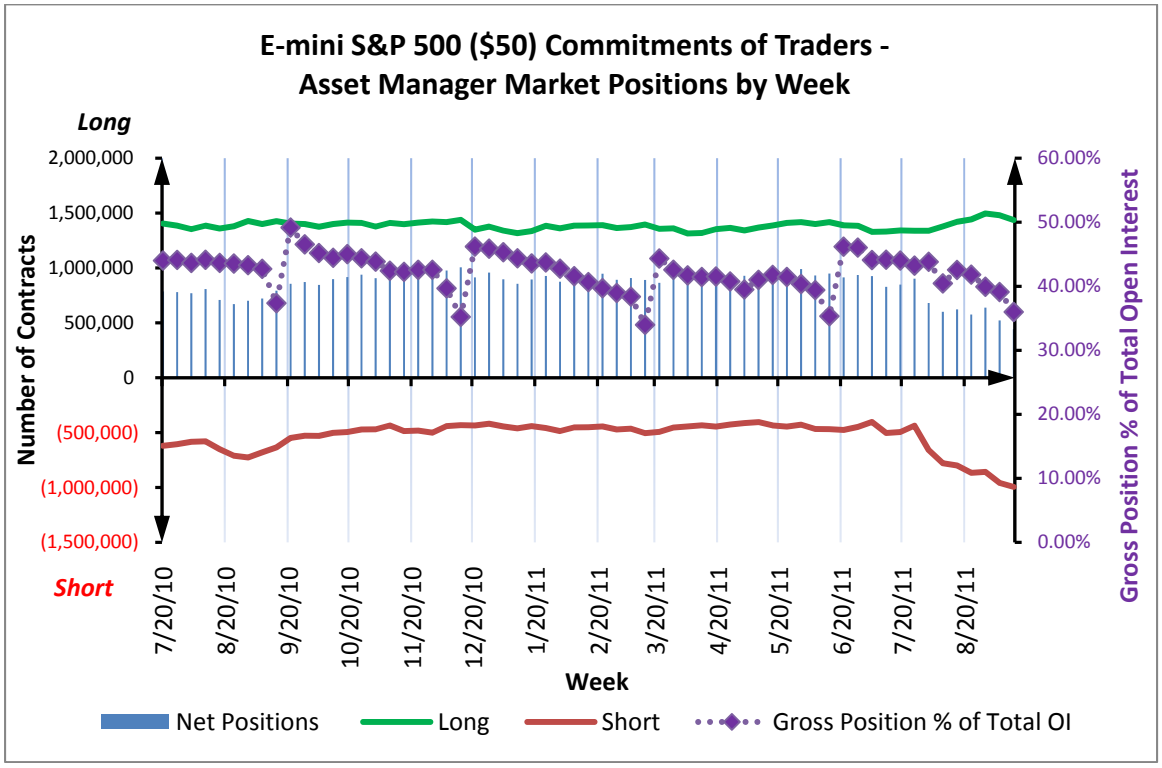
APPENDIX:

Asset Managers' Positions in Major CME and CBOT Equity Index Futures

CFTC Traders in Financial Futures report



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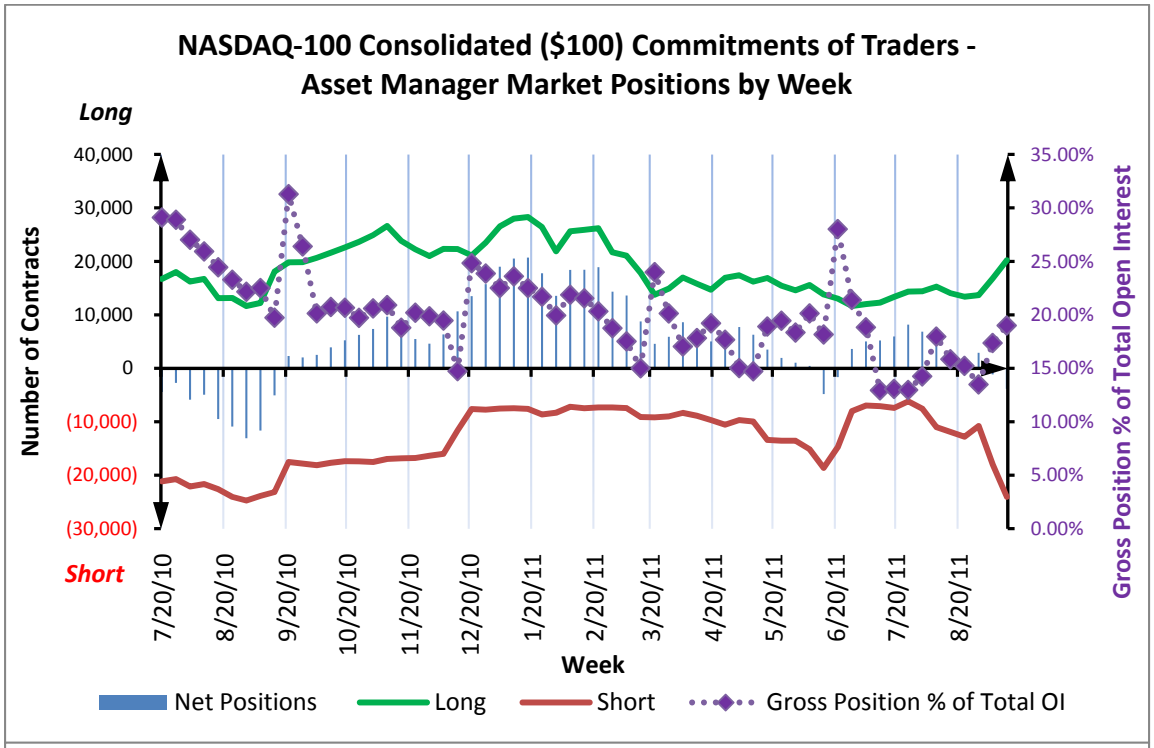

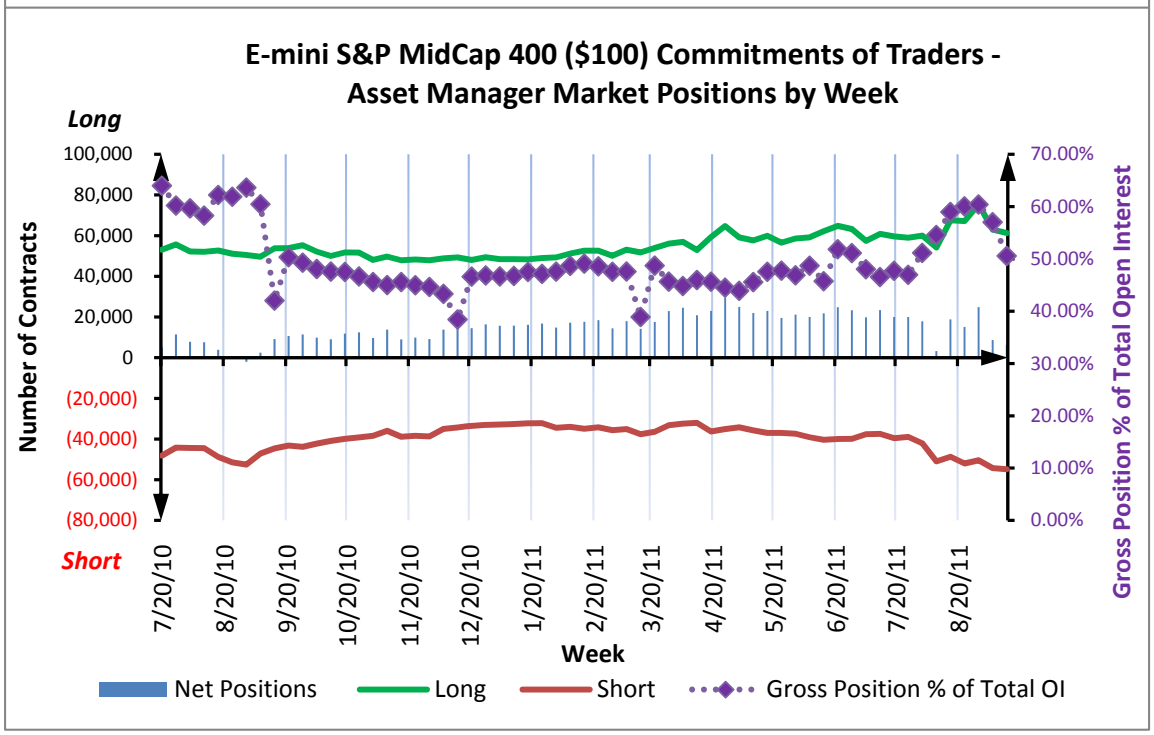

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