

Research & Product Development

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Q4 2009 Equity Index Futures Quarterly Roll Summary*

We had a relatively calm December/March roll to close out a tumultuous year. As with the December/March rolls of the past, volume and open interest was a little light – perhaps more so this year following the upheaval earlier in the year.

The table in Exhibit 1 shows the average prices and the implied financing rate associated with the prices for 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). When compared to the September/December roll three months ago, the S&P 500 futures roll was slightly richer to LIBOR, averaging at a premium of approximately 7.34 basis points. Except for a noticeable drop in the implied financing rate towards the close on the December 10 “rollover day, the roll market had been quite orderly. Absent surprises from the FOMC announcement or any other major news, the implied financing for the S&P 500 futures roll drifted within a 7-basis point range – perhaps not the tightest range historically, but neither was there any appreciable trend.

Exhibit 2 on the following page shows the intraday implied financing rate for the E-mini S&P 500 index futures vs. the rates implied by the December and January Eurodollar futures, as well as the Fed Fund futures strip covering the same three-month period.

Exhibit 1

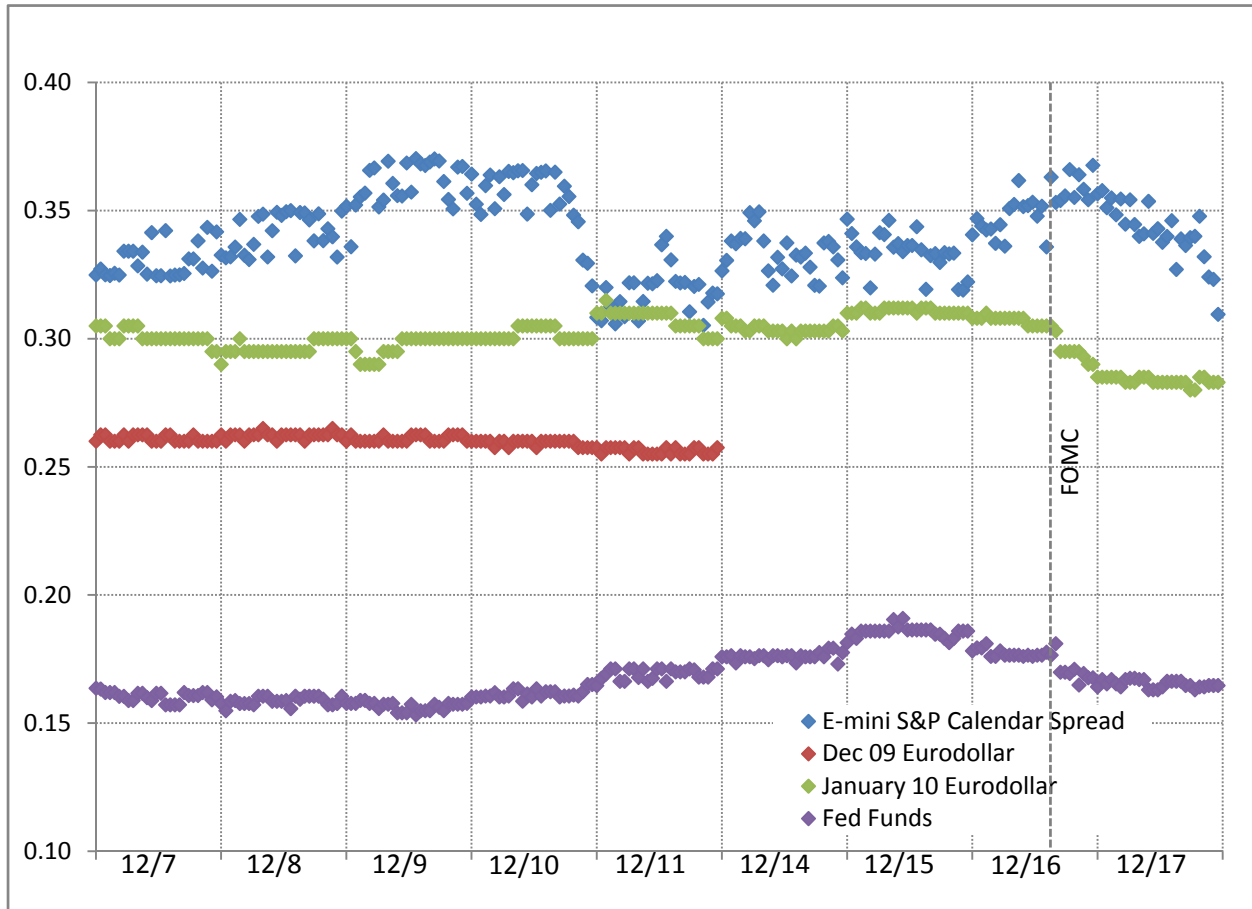
Volume Weighted Average Price and the corresponding volume weighted average implied financing rate of September-December calendar spreads in various domestic index futures. Forward LIBOR was constructed using a combination of BBA LIBOR and CME Eurodollar futures prices.

Date	S&P 500 VWAP		Impl. Fin.	E-mini NASDAQ-100		E-mini Dow (\$5)		E-mini S&P MidCap		E-mini S&P SmallCap		Forward LIBOR
	E-mini	Standard		VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.	VWAP	Impl. Fin.	
12/7/09	-4.774	-4.771	0.335	-2.151	0.141	-61.96	0.289	-2.481	0.028	-0.800	0.632	0.272
12/8/09	-4.780	-4.787	0.339	-2.119	0.148	-61.47	0.312	-2.221	0.177	n/a	n/a	0.272
12/9/09	-4.727	-4.741	0.360	-2.008	0.172	-61.11	0.325	-2.208	0.164	n/a	n/a	0.272
12/10/09	-4.741	-4.736	0.351	-1.900	0.194	-59.42	0.386	-2.200	0.164	-1.000	-0.147	0.270
12/11/09	-4.807	-4.814	0.320	-2.013	0.170	-61.00	0.324	-2.213	0.201	-0.899	0.232	0.270
12/14/09	-4.758	-4.751	0.335	-1.937	0.186	-61.09	0.320	-2.281	0.170	-0.850	0.424	0.266
12/15/09	-4.749	-4.744	0.335	-1.782	0.220	-60.08	0.356	-2.308	0.167	-0.940	0.084	0.266
12/16/09	-4.710	-4.708	0.349	-1.705	0.236	-61.14	0.315	-2.313	0.164	-0.882	0.197	0.262
12/17/09	-4.744	-4.736	0.342	-1.945	0.186	-61.42	0.309	-2.319	0.160	-1.000	-0.228	0.256

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Exhibit 2

Intra-day E-mini S&P 500 futures calendar spread implied financing rate vs. Dec and Jan Eurodollar futures and Fed Funds futures strip.



The story in the two MSCI international index futures contracts was considerably different than the domestic index futures. The E-mini MSCI EAFE futures spread spotted an average premium over LIBOR of approximately 100 basis points, while the E-mini MSCI Emerging Markets futures spread traded at an average

Exhibit 3

Estimated roll cost for E-mini MSCI EAFE and E-mini MSCI Emerging Market index futures.

	MSCI EAFE			MSCI EM			Forward LIBOR
	VWAP	Impl. Fin.	GLOBEX Volume	VWAP	Impl. Fin.	GLOBEX Volume	
12/7/09	n/a	n/a	-	n/a	n/a	-	0.272
12/8/09	-3.284	1.199	226	1.585	2.192	33	0.272
12/9/09	-3.507	1.152	68	n/a	n/a	-	0.272
12/10/09	-4.007	1.021	1,293	1.314	2.062	800	0.270
12/11/09	-3.691	1.094	4,380	1.820	2.256	1,437	0.270
12/14/09	-3.009	1.250	10,278	2.739	2.527	7,152	0.266
12/15/09	-2.157	1.466	3,753	6.075	3.888	3,591	0.266
12/16/09	-2.082	1.476	1,322	6.281	3.951	2,093	0.262
12/17/09	-2.417	1.393	637	5.779	3.818	585	0.256

premium of 275 basis points. While these levels were not unprecedented, they both started high and only went higher over the course of the roll period. In past rolls, the spread markets in these contracts featured marked reversal towards the end of the period with the dwindling unrolled positions. There was no such reversal in this particular roll.

Further, the use of block trades for rolling the positions was elevated this quarter in the E-mini MSCI EAFE futures – a total of 2,923 spreads were rolled in a handful of block trades, representing more than 10 percent of the open interest.

Insofar as the open interest levels go, 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 25,723 contracts of open interest, up from 23,465 contracts following the Sep/Dec roll and inching closer to the 26,397 contracts level attained after the June/Sep roll. Open positions in the E-mini MSCI Emerging Markets futures regressed slightly after the rollover. The new lead month contract emerged with 16,600 contracts of open interest, down from the 17,098 contracts level following the last roll, but up from the 12,599-contracts level reached following the Jun/Sep roll.

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