CME Group
A CME/Chicago Board of Trade Company

SMC-ER2 Intercommodity Spread Listing

Now Available on the CME Globex platform – ticker symbol: SMC-ER2

CME Group offers a new way to transfer your small-cap U.S. equity exposure to the E-mini SmallCap 600 futures contracts, by listing a new intercommodity spread between E-mini S&P SmallCap 600 futures and E-mini Russell 2000 futures.

The spread is based on a 2:1 contract ratio (2 E-mini S&P SmallCap 600s futures to 1 E-mini Russell 2000 futures) to reflect the difference in notional value between the two contracts, with approximately $85,000 - $90,000 notional value on either side of the spread. It is then priced on the difference in index points x $100 (the multiplier), and trades in .05 increments.

The anchor leg of the spread is fixed based on the previous day's settlement price of E-mini S&P SmallCap 600 futures.

For example: When the E-mini S&P SmallCap 600 futures and the E-mini Russell 2000 futures are trading at 448.20 and 854.20 respectively, the spread is quoted as 2 x 448.20 -854.60 = 41.80 index points (896.20-854.60=41.80). If the spread widened to 42.80, this would represent a $100 move (42.80-41.80 =1.00, x $100 =$100).

You can go long or short the intercommodity spread, as illustrated below:

<u>Long the Spread</u>
Long two E-mini S&P SmallCap 600s – short one E-mini Russell 2000 contract

<u>Short the Spread</u>
Short two E-mini S&P SmallCap 600s – long one E-mini Russell 2000 contract

Following a spread trade, the price of the E-mini S&P SmallCap 600 futures leg will be set at the settlement price of the E-mini S&P SmallCap 600 contract from the previous day.

The price of the E-mini Russell 2000 leg is then determined by the following formula:

2 x E-mini S&P SmallCap 600 leg price - the net index point differential

For example: Assume the spread is traded at a net index point differential of 41.90, and the E-mini S&P SmallCap 600 leg price is 448.20 (the settlement price from the previous day). In this scenario, the E-mini Russell 2000 index futures leg = **(2 x 448.20) – 41.90 = 854.50**.

For each E-mini Russell 2000 index futures contract months, two spreads will be listed for trading: one against the same contract month in the E-mini S&P SmallCap 600 index futures, and one against the next nearest quarterly contract available in the E-mini S&P SmallCap 600 futures listing cycle.

For example: In the first spread listing, a Sep 07 E-mini Russell 2000 contract is paired with a Sep 07 E-mini S&P SmallCap 600 contract; in the second spread listing, the Sep 07 E-mini Russell contract is paired with a Dec 07 E-mini S&P SmallCap 600 contract. Both underlying legs must be listed for the pairings to be listed for trading.

For more information on how to trade this spread listing, contact the CME Group Equity Products team at 1-800-331-3332 or email info@cmegroup.com.