

# Reduced Tick Intercommodity Option Spread

CME Globex supports the Reduced Tick Intercommodity Option Spread (EO) with a tenth-tick (1/10) between Natural Gas American Style Option (ON) and Natural Gas European Style Option (LNE) energy contracts. [Implied option functionality](#) is enabled for the Reduced Tick Intercommodity Option Spread (EO) energy spread. When a trade occurs for a Reduced Tick Intercommodity Option Spread (EO) spread the legs are assigned and cleared as individual legs.

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## Contracts

Product Name	MDP 3.0: tag 6937-Asset	iLink: tag 55-Symbol MDP 3.0: tag 1151 - Security Group	MDP 3.0: tag 969- MinPriceIncrement	MDP 3.0: tag 9787-Display Factor
Natural Gas Options (American style)	ON	ON, 1T	1	0.001
Natural Gas Options (European style)	LNE	LG, 1T	10	0.0001

## Reduced Tick Intercommodity Option Spread (EO)

For UDS creation a Reduced Tick Intercommodity Option Spread (EO) spread consists of buying one American Natural Gas Option (ON) and selling one European Natural Gas Option (LNE) with a reduced tick. Strike prices and months do not have to be consecutive, and either leg can be a call or a put.

**Buy Spread Ratio:** (Buy 1 ON: Sell 1 LNE)

### Example 1

Buy 1 April 2017 ON Natural Gas Option (American) 2750 Call

Sell 1 April 2017 LNE Natural Gas Option (European) 2750 Call

### Example 2

Buy 1 March 2017 ON Natural Gas Option (American) 3100 Call

Sell 1 April 2017 LNE Natural Gas Option (European) 2950 Put

## Reduced Tick Intercommodity Option Spread (EO) - Implied Enabled

The ON/LNE Reduced Tick Intercommodity Option Spread (EO) will support [implied option functionality](#).

## CME Globex Price Examples

The following section contains CME Globex pricing examples for Reduced Tick Intercommodity Option Spread (EO) user defined spreads.

### CME Globex Reduced Tick Intercommodity Option Spread (EO) Pricing Example 1 - Standard Spread

The client system submits a [Security Definition Request \(tag 35-MsgType=c\)](#) message, creating a Reduced Tick Intercommodity Option Spread (EO) user defined spread composed of the following:

Reduced Tick Intercommodity Option Spread (EO) with legs:

- **ONJ7 C2750**

- **LNEJ7 C2750**

Last CME Globex settlement price for each leg:

- **ONJ7 C2750** = 119
- **LNEJ7 C2750** = 1190

The above EO spread will have an MDP 3.0 969-MinPriceIncrement of 0.1. Because of the differences in MDP 3.0 tag 969-MinPriceIncrement between the spread and its outright legs, the leg trade prices may have a reduced tick. If a bid and offer match in a spread instrument at 1.9 for this spread the legs will return the following prices:

- **ONJ7 C2750** = 122.9
- **LNEJ7 C2750** = 1210

The **ONJ7 C2750** assigned price is at a lower tick increment than its MDP 3.0 tag 969-MinPriceIncrement of 1.

## **CME Globex Reduced Tick Intercommodity Option Spread (EO) Pricing Example 2 - Nonstandard Spread**

The client system submits a [Security Definition Request \(tag 35-MsgType=c\)](#) message, creating a Reduced Tick Intercommodity Option Spread (EO) user defined spread composed of the following:

Reduced Tick Intercommodity Option Spread (EO) with legs:

- **ONH7 C3100**
- **LNEJ7 P2950**

Last CME Globex settlement price for each leg:

- **ONH7 C3100** = 17
- **LNEJ7 P2950** = 2627

The above EO spread will have a MDP 3.0 969-MinPriceIncrement of 0.1. Because of the differences in MDP 3.0 tag 969-MinPriceIncrement between the spread and its outright legs, the leg trade prices may have a reduced tick. If a bid and offer match in a spread instrument at 252.5, the legs will return the following prices:

- **ONH7 C3100** = 19.5
- **LNEJ7 P2950** = 2720

The **ONJ7 C9050** assigned price is at a lower tick increment than its MDP 3.0 tag 969-MinPriceIncrement of 1.