Implied Orders

An implied order is an order CME Globex identifies as existing in the spread market based on orders in the outright market (IMPLIED IN) OR, an order CME Globex identifies as existing in the outright market based on orders in the spread market (IMPLIED OUT).

Implied quantity follows these basic rules in all markets:

1. Implication requires at minimum two orders in related markets in the proper combination.
2. Implied bids do not trade against implied offers.
3. Implied bids can exist at the same or inverted price levels with implied offers. When this occurs, CME Globex ceases dissemination of the implied bid; however, the bid is still calculated and can be traded against.
4. Implied OUT quantity will not disseminate when the leg value of the included spread is in a ratio greater than one. The price and quantity are still calculated and can be traded against.

Examples

- Butterfly middle legs
- CBOT Inter Commodity spreads (NOB, FYT, TUB)

5. Implied quantity in futures markets does not have time priority.

6. Implied quantity is not available:

- When the market is not in a matching state (e.g. Pre-Open)
- When implied calculation has been suspended (e.g. CME Globex detects a trade occurring outside of limits as a result of implication)

The examples below show how implied orders are constructed in one market based on orders in another.

Implied Overview

This brief video introduces the way implied functionality provides liquidity across markets.

Example: Implied IN Orders

Implied IN spread orders derive from existing outright orders in individual legs. Below is an example for an implied bid in a spread created from outright orders (known as an implied IN order).

(***i = implied order)***

In this scenario, the Ask for 10 in September at 9500 and the Bid for 5 at 9450 in December create an implied Ask at 50 for 5 in the Sept-Dec spread order book.

U (September)

Bid		Ask	
		9500	10

Z (December)			
Bid		**Ask**	
9450	5		

U-Z (Sept-Dec)			
Bid		**Ask**	
		50	**5*i***

Example: Implied OUT Orders

Implied OUT outright orders are derived from a combination of an existing spread order and an existing outright order in one of the individual underlying legs. These two orders are used to create a contingent outright order on the other underlying leg of the spread. The following is an example for an implied bid in an outright order book (known as an implied OUT).

(***i* = implied order)**

In this scenario, the Ask order in Sept-Dec spread for 5 at 50 (i.e., simultaneously sell 5 September contracts and buy 5 December contracts) and the Bid order in December for 5 at 9450 create an implied Ask order in the September order book for 5 at 9500.

U (September)			
Bid		**Ask**	
		9500	**5*i***

Z (December)			
Bid		**Ask**	
9450	5		

U-Z (Sept-Dec)			
Bid		**Ask**	
		50	5

Stop-Limit Orders for Implied-Eligible Instruments

The processing of stop-limit orders is slightly different for Implied-enabled instruments. After a stop-limit order is triggered, it is treated as a newly arriving limit order. It can be executed at all price levels better than or between the trigger and the limit prices. This behavior differs from the processing of non-implied instruments, which are executed only at price levels between the trigger and the limit prices.

Additional Implied Functionality Topics

The following topics contain more information on this topic:

- Implied Orders - Examples
- Side Effect Trading
- Implied Options
- Triangulation