

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.

Contents

- [Contracts](#)
- [Reduced Tick Intercommodity Option Spread \(EO\)](#)
 - [Example 1](#)
 - [Example 2](#)
- [Reduced Tick Intercommodity Option Spread \(EO\) - Implied Enabled](#)
- [CME Globex Price Examples](#)
 - [CME Globex Reduced Tick Intercommodity Option Spread \(EO\) Pricing Example 1 - Standard Spread](#)
 - [CME Globex Reduced Tick Intercommodity Option Spread \(EO\) Pricing Example 2 - Nonstandard Spread](#)

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.