Potential 20-Year Treasury Bond Futures

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This presentation is only for discussion purposes to explore possible designs, no decisions have been made around a plan to launch or timeline

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U.S. Treasury markets in 2021



Source: SIFMA

Future		Average Daily Open Interest 2021 through 10/6
2-Yr	TU	2,134,642
3-Yr	3Y	12,190
5-Yr	FV	3,490,047
10-Yr	TY	3,969,595
Ultra 10	UXY	1,417,362
T-Bond	US	1,202,558
Ultra Bond	WN	1,181,975
TOTAL		**13,408,975**

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Context on 20-year bonds

- The Treasury Department reintroduced the 20-year bond at the May 2020 auction cycle
- Current quarterly issuance is $75 billion per CUSIP, auctions spread across three months including two re-openings
- T-Bond futures currently have a basket from 15-25 years remaining term to maturity, and 20-year bonds are deliverable into this product

Treasury Issuance

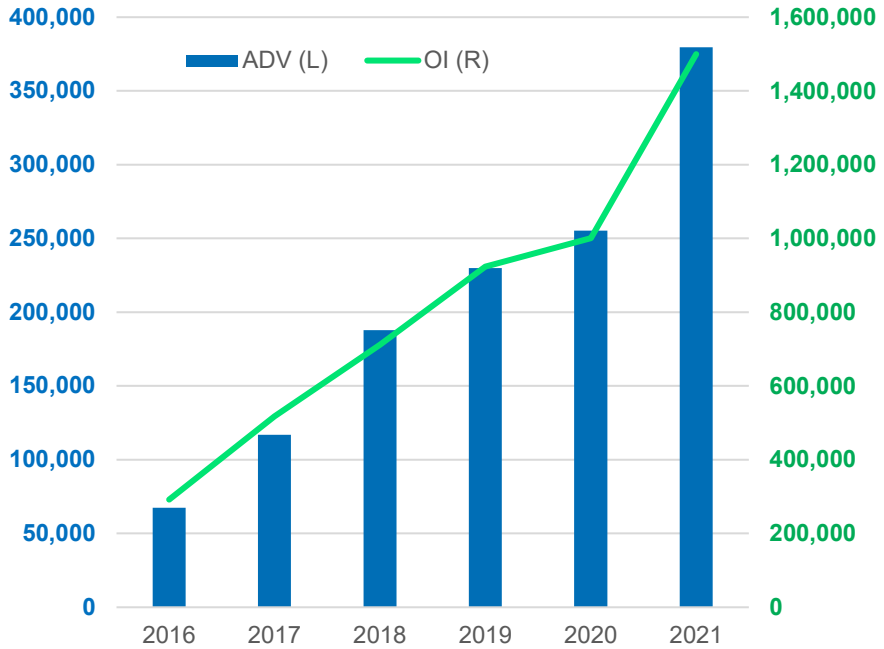
QUARTERLY ISSUANCE ($B)

	2020 Q4	2021 Q1	2021 Q2	2021 Q3
2 YEAR	168	180	180	180
3 YEAR	162	174	174	174
5 YEAR	171	183	183	183
7 YEAR	168	186	186	186
10 YEAR	114	117	117	117
20 YEAR	73	75	75	75
30 YEAR	74	75	75	75
GROSS	930	990	990	990
MATURITIES	331	318	308	359
NET	599	672	682	631

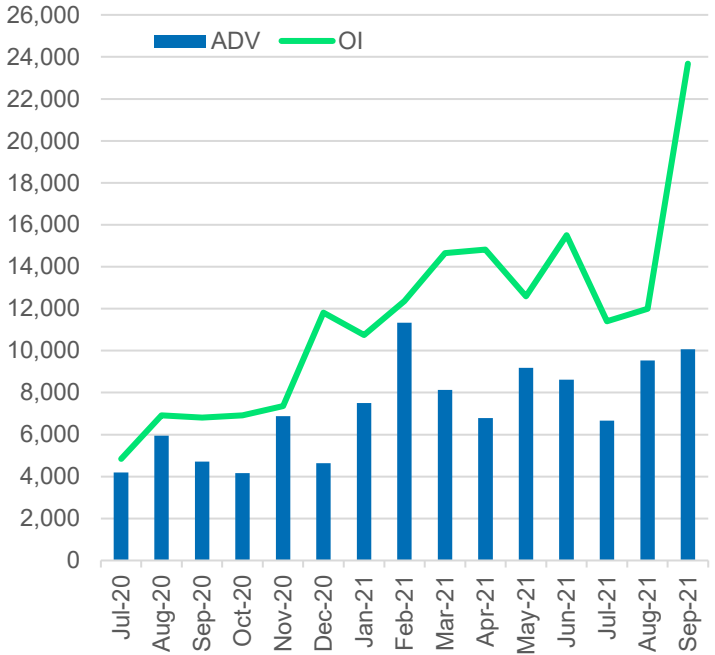
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Recent additions to the Treasury futures complex

Ultra 10-Year Note futures



3-Year Note futures



Since Ultra10 introduction, the classic 10-Year Future ("TY") open interest also grew from 3.0MM to 4.2MM contracts, +40%

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Principles for evaluating new product

- This presentation is only for discussion purposes to explore the feasibility of launching the new product and possible designs; no decisions have been made around a plan to launch or timeline
- Discussions with marketplace will be used to inform value-add of a new product and the optimal design.
- Consider how any new product will fit with the existing instruments that are well-developed sources of liquidity.

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Prototypes

1. Cash-Settled to yield of on-the-run 20-Year
2. 19.5 to 20-Years: Deliverable contract with basket of bonds with remaining terms to maturity of at least 19 Yrs 5 Mos and not more than 20 Yrs
    A. Original issue 20-year bonds only
    B. Both Original 20 & 30-year bonds
3. 19 to 25-Years: Deliverable contract with basket starting of bonds with remaining terms to maturity of at least 19 Yrs 8 Mos but less than 25 Yrs

Tenor	Ticker	CME Symbol	Basket Range
10-Yr	TY	ZN	6.5 to 10y
Ultra 10	UXY	TN	9.5 to 10y
20Y			?
T-Bond	US	ZB	15 to 25y
Ultra Bond	WN	UB	25 to 30y

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Prototype #1: Micro Treasury Yield Futures

- Cash-settled to the yield of on-the-run Treasuries, anchored by transactions from BrokerTec
- 2s, 5s, 10s, 30s currently offered, most of the activity in 10Y
- 20-Year Benchmark exists and could be used to launch a corresponding cash-settled future

	MICRO YIELD FUTURES
TENORS	2Y, 5Y, 10Y, 30Y
SETTLEMENT	Cash-settled to BrokerTec UST benchmark
PRICE CONVENTION	US Treasury Yield
CONTRACT SIZE	$10.00 DV01
TICK SIZE	$1.00 (1/10 of 1 bp)
# OF EXPIRIES	2 nearest monthly contracts
TERMINATION	Last Business Day of Month

In seven weeks of trading:

- Total volume of 450K contracts
- Trading from 500+ unique accounts
- Sept. ADV of 16K contracts, +44% MoM
- Open interest of 3,805 contracts

X	CC	Product	Description	Qty	Bid	Ofr	Qty	Volume
−	Yield Futs							
×	2YY	Micro 2-Year Yield Future	Sep21	351	0.230	0.234	101	
×	5YY	Micro 5-Year Yield Future	Sep21	151	0.794	0.798	301	
×	10Y	Micro 10-Year Yield Future	Sep21	997	1.303	1.304	13	11,808
×	30Y	Micro 30-Year Yield Future	Sep21	2	1.921	1.923	2	6

For more information on Micro Treasury Yield Futures, visit: www.cmegroup.com/yieldfutures

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Prototype #2: Baskets for a hypothetical Sep-2021 contract month

2A: Original 20s only

- Targeted Basket
- CTD $75 billion
- Conversion Factor ~0.55

Original Maturity	Coupon	Issue Date	Maturity Date	Remaining Maturity	CUSIP	Issuance (bn)	Conversion Factor Sep'21
20	1 7/8	03/01/21	02/15/41	19.47	912810SW9	$75.0	0.5328
20	2 1/4	06/01/21	05/15/41	19.72	912810SY5	$75.0	0.5723
20	1 3/4	08/31/21	08/15/41	19.97	912810TA6	$27.0	0.512

2B: With Original 30s

- Wider Basket
- CTD $42 billion
- Conversion Factor ~0.80

Original Maturity	Coupon	Issue Date	Maturity Date	Remaining Maturity	CUSIP	Issuance (bn)	Conversion Factor Sep'21
30	4 3/4	02/15/11	02/15/41	19.47	912810QN1	$42.0	0.8583
20	1 7/8	03/01/21	02/15/41	19.47	912810SW9	$75.0	0.5328
30	4 3/8	05/16/11	05/15/41	19.72	912810QQ4	$42.0	0.8147
20	2 1/4	06/01/21	05/15/41	19.72	912810SY5	$75.0	0.5723
30	3 3/4	08/15/11	08/15/41	19.97	912810QS0	$42.0	0.7416
20	1 3/4	08/31/21	08/15/41	19.97	912810TA6	$27.0	0.512

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Prototype #3: Baskets for a hypothetical Sep-2021 contract month

Original Maturity	Coupon	Issue Date	Maturity Date	Remaining Maturity	CUSIP	Issuance (bn)	Conversion Factor
30	4 3/8	05/16/11	05/15/41	19.72	912810QQ4	$42.0	0.8147
20	2 1/4	06/01/21	05/15/41	19.72	912810SY5	$75.0	0.5723
30	3 3/4	08/15/11	08/15/41	19.97	912810QS0	$42.0	0.7416
20	1 3/4	08/31/21	08/15/41	19.97	912810TA6	$27.0	0.512
30	3 1/8	11/15/11	11/15/41	20.22	912810QT8	$42.0	0.6677
30	3 1/8	02/15/12	02/15/42	20.47	912810QU5	$42.0	0.6655
30	3	05/15/12	05/15/42	20.72	912810QW1	$42.0	0.6488
30	2 3/4	08/15/12	08/15/42	20.97	912810QX9	$42.0	0.6171
30	2 3/4	11/15/12	11/15/42	21.22	912810QY7	$42.0	0.6149
30	3 1/8	02/15/13	02/15/43	21.47	912810QZ4	$42.0	0.6572
30	2 7/8	05/15/13	05/15/43	21.72	912810RB6	$42.0	0.6253
30	3 5/8	08/15/13	08/15/43	21.97	912810RC4	$42.0	0.7135
30	3 3/4	11/15/13	11/15/43	22.22	912810RD2	$42.0	0.7271
30	3 5/8	02/18/14	02/15/44	22.47	912810RE0	$42.0	0.7103
30	3 3/8	05/15/14	05/15/44	22.72	912810RG5	$42.0	0.6782
30	3 1/8	08/15/14	08/15/44	22.97	912810RH3	$42.0	0.6456
30	3	11/17/14	11/15/44	23.22	912810RJ9	$42.0	0.6284
30	2 1/2	02/17/15	02/15/45	23.47	912810RK6	$42.0	0.5642
30	3	05/15/15	05/15/45	23.72	912810RM2	$42.0	0.6246
30	2 7/8	08/17/15	08/15/45	23.97	912810RN0	$42.0	0.607
30	3	11/16/15	11/15/45	24.22	912810RP5	$42.0	0.621
30	2 1/2	02/16/16	02/15/46	24.47	912810RQ3	$39.0	0.5557
30	2 1/2	05/16/16	05/15/46	24.72	912810RS9	$39.0	0.5537
30	2 1/4	08/15/16	08/15/46	24.97	912810RT7	$39.0	0.5196

Tenor	Ticker	CME Symbol	Eligible Remaining Term to Maturity
T-Bond	US	ZB	15 to < 25 years
20-Year	Prototype #3		19.75 to < 25 years
Ultra Bond	WN	UB	25+ [to 30] years

If prototype #3 is preferred, we would expect to address the overlap with the T-Bond basket that is relevant if yields rise toward 6%

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Prototypes Summary

Prototype	Description	CTD Maturity	CTD Size	Basket Size
1	Cash-Settled to Yield	20.0	n/a	n/a
2A	19.5 to 20-Years Original 20s only	19.47	$75.0	$204 3 CUSIPs
2B	19.5 to 20-Years Original 20s & 30s	19.47	$42.0	$330 bn 6 CUSIPs
3	19.75 to 25-Years	19.72	$42.0	$1,134 bn 26 CUSIPs

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Next Steps

Webinar will be followed by rigorous validation with marketplace to determine the validity and design preferences of this potential new product.

If the validation confirms a need for an additional futures product, it would be followed by a formal announcement of contract specifications and launch date.

Get in touch
InterestRate@cmegroup.com

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