

Focus on CME G7 Calendar Spreads

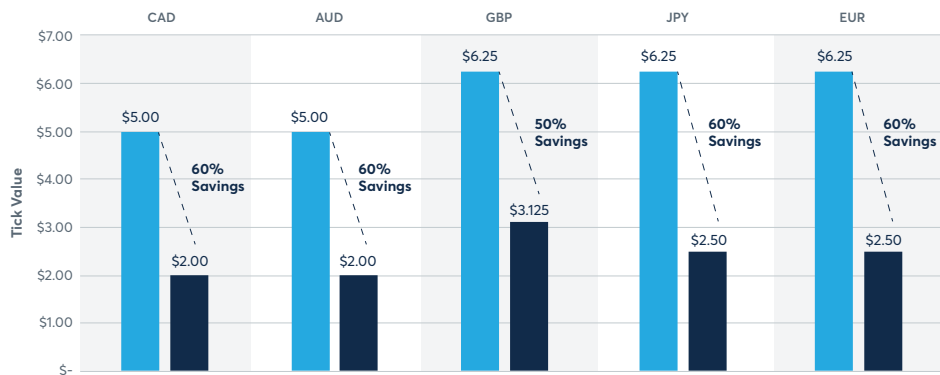
CME FX calendar spreads represent a low cost, capital and credit efficient way to manage FX swap exposure. Traded electronically on CME's all-to-all marketplace, this firm liquidity can be attractive to participants managing FX swap exposures.

Reduced Minimum Price Increment

CME Group recently reduced the MPI in AUD/USD and CAD/USD non-consecutive calendar spreads from 0.5 (\$5.00) to 0.2 (\$2.00), following the successful 2019 reductions in GBP/USD, EUR/USD, and JPY/USD.

This should deliver better value to market participants by lowering the cost of execution.

- **EUR & JPY:** Quoted at 0.2 (vs. 0.5 previously) nearly the entire roll, an end-user cost improvement of 60%
- **GBP:** Quoted at 0.5 (vs. 1.0 previously) the entire roll, an end-user cost improvement of 50%
- **AUD & CAD:** Quoted at 0.2 (vs. 0.5 previously) nearly the entire roll, an end-user cost improvement of 60%



Source: CME Group

Initial MPI Reduced MPI

Savings assumes aggressing execution at minimum price increment

Liquidity to Trade in Large Size

The Dec 2019 roll continues to highlight healthier liquidity, with enough top-of-book (TOB) depth for participants to execute at the reduced MPI (~99% of the two-week roll period).

- **EUR:** TOB depth averaged \$12.8B (93K contracts, ~9x maximum order quantity)
- **GBP:** TOB depth averaged \$15.2B (188K contracts, ~19x maximum order quantity)
- **JPY:** TOB depth averaged \$1.4B (12K contracts, ~1x maximum order quantity)

CURRENCY PAIRS	MPI	NOTIONAL DEC ADV (2 WEEK ADV)	DEC ADV (2 WEEK ADV)
EUR/USD	\$2.50 (0.2)	\$30.4 Bn	221,366 RT ADV
GBP/USD	\$3.125 (0.5)	\$5.4 Bn	66,797 RT ADV
JPY/USD	\$2.50 (0.2)	\$9.0 Bn	79,346 RT ADV
AUD/USD	\$2.00 (0.2)	\$2.7 Bn	40,703 RT ADV
CAD/USD	\$2.00 (0.2)	\$3.2 Bn	42,445 RT ADV

Data for roll spreads during the two-week roll period RTH Q4 '19

EUR, GBP & JPY spread markets are 80% Pro-Rata/20% FIFO, AUD and CAD spread markets were migrated to this match algorithm structure ahead of the March roll (previously 100% Pro-Rata)

CME FX Link

The first ever Central Limit Order Book (CLOB) between OTC spot FX and listed FX futures, is being used by a diverse set of participants for a wide range of purposes, presenting a unique form of firm liquidity for FX swap market participants.

Use cases include:

- Replicating FX swap activity: A transparent alternative to roll or hedge spot and FX swaps exposures
- Managing FX basis: Mitigate execution risk by managing spot-futures basis in a single transaction
- Converting spot delta hedges: Optimize option margins by converting spot delta hedges to futures

Discover more FX Link uses cases: cmegroup.com/fxlink

Get connected: ISV codes

CURRENCY PAIR	EUR/USD	GBP/USD	JPY/USD	AUD/USD	CAD/USD	CHF/USD	NZD/USD
Bloomberg Code*	ECA ccy	BPA ccy	JYA ccy	ADA ccy	CAD ccy	SFA cmdty	NVA ccy
Reuters Code*	URO	BP	JY	AD	CD	SF	NE
Reuters FX Link	UROXF-EURUSD	BPXF-GBPUSD	JYYF-USDJPY	ADXF-AUDUSD	CDYF-USDCAD	SFYF-USDCHF	NEXF-NZDUSD

*Codes are for front outright contracts

For more information, please contact fxteam@cmegroup.com

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