

# T-Bond Mar 15 – Jun 15 Roll Jumps the Five Year Gap in T-Bond Delivery Basket

## 1. How can I roll my March'15 T-Bond Position on Globex?

- All existing mechanisms for rolling positions will continue to be available, including the 1:1 ratio calendar spread on Globex, and floor trading which allows for execution with tails. The marketplace place routinely utilizes auto spreaders in front-end execution systems to manage tails (differences in delta of the two contract expirations).
- In response to client demand, CME announced a 3:2 ratio calendar spread will also be available on Globex beginning on Sunday February 15 for Trade Date Tuesday February 17.
- The new calendar spread with a 3:2 ratio will facilitate the roll from March'15 to June'15 at near delta neutrality.
- This new ratio spread was rolled out in the Globex New Release testing environment on January 20, and numerous participants are already testing.

## 2. What are the tails involved in T-Bond 3:2 ratio Mar 15 – Jun 15 calendar roll?

The new 3:2 ratio calendar spread will enable customers to rollover positions in a nearly risk neutral manner. The table below demonstrates that the remaining tail to manage after utilizing the 3:2 ratio spread is 2%, as of February 9.

Expiration	CTD CUSIP	CTD Maturity	Cash DV01 per \$1m*	Conversion Factor	Future DV01 per \$1M
ZBH5	912810FM5	5/15/2030	\$1,693	1.0245	\$1,653
ZBM5	912810FT0	2/15/2036	\$2,068	0.8244	\$2,508
					Ratio 1.52

*\*As of Monday, 9 February 2015.*

Measured as a percentage of futures DV01 of ZBH5, this amounts to a 1.8% tail.

## 3. Will the February 17 production date for the T-Bond ratio spread provide enough time to roll?

CME has completed all necessary testing and participants have been provided a four week window to complete their testing in CME Globex New Release environment. Most leading market data and ISV providers have indicated readiness by February 17 when the 3:2 ratio calendar spread will be available in production. Historically, most of the roll activity is concentrated in last nine business days of the roll month with a high percentage trading in last five business days of the roll. The February 17 launch in production ensures the spread is available during the window when it is most needed.

#### 4. What ISVs will support the 3:2 spread?

CME has worked with many of the front-end systems that our clients use to ensure they will support the 3:2 spread. The information and indications on readiness that CME has received from its channel partners are listed below.

CME Group Channel Partners: Treasury Bond Futures - 3:2 Ratio Spread Support				
Channel Partner	Symbol	Available Feb 16	Automatically Available	Channel Partner Website
Bloomberg	USH5USM5 Comdt	Yes	N/A	<a href="http://www.bloomberg.com">www.bloomberg.com</a>
Bloomberg Tradebook	USH5USM5 Comdt	Yes	Yes	<a href="http://www.bloombergtradebook.com">www.bloombergtradebook.com</a>
Broadway Technology	ZBXH5-ZBXM5	Yes		<a href="http://www.broadwaytechnology.com">www.broadwaytechnology.com</a>
Celoxica	ZBXH5-ZBXM5	Yes		<a href="http://www.celoxica.com">www.celoxica.com</a>
CQG	ZBXH5-ZBXM5	Yes		<a href="http://www.CQG.com">www.CQG.com</a>
DTN	@ZBXH15-@ZBXM15	Yes	N/A	<a href="http://www.dtn.com">www.dtn.com</a>
Fidessa	ZBXH5-ZBXM5	Yes	Yes	<a href="http://www.fidessa.com">www.fidessa.com</a>
ION Trading (and Patsystems & FFastFill)	ZBXH5-ZBXM5	Yes		<a href="http://www.iontrading.com">www.iontrading.com</a>
Object Trading	ZBXH5-ZBXM5	Yes		<a href="http://www.objecttrading.com">www.objecttrading.com</a>
OnixS	ZBXH5-ZBXM5	Yes	Yes	<a href="http://www.onixs.biz">www.onixs.biz</a>
OptionsCity	ZBXH5-ZBXM5	Yes		<a href="http://www.optionscity.com">www.optionscity.com</a>
ORC & Tbricks	ZBXH5-ZBXM5	Yes		<a href="http://www.orc.com">www.orc.com</a> <a href="http://www.tbricks.com">www.tbricks.com</a>
Rithmic	ZBXH5-ZBXM5	Yes		<a href="http://www.rithmic.com">www.rithmic.com</a>
SunGard	ZBXH5-ZBXM5	Yes		<a href="http://www.sungard.com">www.sungard.com</a>
Thomson Reuters	1USXRT	Yes	N/A	<a href="http://www.thomsonreuters.com">www.thomsonreuters.com</a>
Trading Technologies	ZBXH5-ZBXM5	Yes	No. Contact firm risk manager	<a href="http://www.tradingtechnologies.com">www.tradingtechnologies.com</a>
Contact the risk manager at your firm if you do not see the product enabled for trading. Contact your front-end provider if you do not see them listed above.				

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## 5. Why is the 3:2 calendar roll not eligible for Single Line Entry of Differential Spreads (SLEDs)?

The systems that use SLEDs (trade entry screens and trade load programs) expect the front and back legs to be equal. They rely on pricing one leg based on the other leg and differential, and do not take quantity into account, other than to say that one side is long, and the other short, and that they are of equal magnitude. Hence, sleds are by definition not eligible for the T-bond new 3:2 ratio calendar roll. SLEDs are useful in particular for asset managers who may need to allocate trade fills across client accounts. As per feedback from the market place, the lack of SLEDs will not be an impediment for most asset managers as they have in house price averaging systems. Additionally, the Q&A below discusses ways of ensuring minimum number of leg prices on order fills.

## 6. If I execute a T-bond 3:2 calendar roll order with a quantity of 100, how many contracts will I receive?

The executed order fills will contain 300 contracts of March 2015 and 200 contracts of June 2015 T-bonds futures.

## 7. How many prices will I receive? How are they determined?

For a given fill, there will be an anchor leg and a floating leg. The anchor leg is the one with the most recent CLast. The engine will then determine the price of the floating leg based on the traded spread differential. The floating leg will receive a maximum of two different prices: one price will be on-tick ( $1/32^{\text{nd}}$ ) and the second price will account for the remaining portion of the price which is off tick ( $0.25/32^{\text{nd}}$ ).

## 8. If an order aggresses into the order book and is immediately filled, will it receive a single price on the anchor price and how many split prices can it get on the floating leg?

If an order that aggresses into the book (hits a bid or lifts offer) and is immediately filled (never resting in the book) entirely at the top level, the firm will get a single price on the anchor leg, and a maximum of two prices on the second leg.

However in the context of trade matching on Globex, immediately can be shorter than milliseconds and microseconds. It is possible, as an example, that an aggressing buy order enters exactly behind another order at the same time or when the offer is pulling out, the aggressing buy order becomes the bid and is hit right away. This can result into anchor leg receiving multiple legs if there is more than one seller and if the outright leg is trading actively.

## 9. How can an aggressing order ensure that the anchor leg receives a single price?

This can be achieved by simulating an All-or-None order by aggressing into the order book with a simultaneous FOK and Minimum Quantity equal to the full quantity of the order.

Note that this technique runs the risk of order being cancelled if the quantity is missed by even one contract.

For Minimum Quantity see page 12 and for FOK see page 13 of [www.cmegroup.com/globex/files/GlobexRefGd.pdf](http://www.cmegroup.com/globex/files/GlobexRefGd.pdf)

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