MAC Swap Futures
A CME Deliverable Swap Future

Pricing & Analysis on Bloomberg
Contract Description (DES)

- View contract descriptions including (1) notional coupon rates, (2) current contract value and (3) price histories via DES
- Load equivalent forward starting swap in SWPM for fair value pricing and risk analysis (4)
- DES page commands:
  - 2-Year: CTPH3 <Comdty> DES <GO>
  - 5-Year: CFPH3 <Comdty> DES <GO>
  - 10-Year: CNPH3 <Comdty> DES <GO>
  - 30-Year: CBPH3 <Comdty> DES <GO>
- DSF Coupon Rate Summary

<table>
<thead>
<tr>
<th>TENOR</th>
<th>MARCH 2013</th>
<th>JUNE 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Year</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>5-Year</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>10-Year</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>30-Year</td>
<td>2.75%</td>
<td>2.75%</td>
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</tbody>
</table>
Fair Value Pricing (SWPM)

From the DES page, select “Swap Manager” to view real time implied DSF pricing based on equivalent forward starting interest rate swap

1. Current par rate of forward-starting swap aligned to the Effective and Maturity dates of the DSF

2. Implied market value of the DSF based on principle value of equivalent forward starting swap

3. Implied DV01 and PV01 based on sensitivity of equivalent forward-starting swap (based on Notional inputs)

4. Re-calculate pricing and risk values to maintain real-time view of market pricing

1 Calculate equivalent implied price value as 100 + [Principle/1000] for approximate decimalized price
2 Note: 100M = $100,000 notional (equivalent to 1 DSF contract)
   100MM = $100,000,000 notional
3 PV01 is change in market value from bumping the coupon rate by 1bp while DV01 is the change in market value for a 1bp parallel shift of the yield curve
Hedge Ratio Analysis (FIHR)

Hedging a Cash Security

- Perform hedge ratio analysis to view futures hedge ratios between a cash security and CME futures contracts
- (1) Select a cash security to view hedge ratio to DSF and other futures via FIHR
  - Example: GT10 <GOVT> FIHR <GO>
- By default, a list of hedge ratios relative to CME futures contracts will be displayed
  - (2) Add additional futures contracts such as the CME Deliverable Swap Future
  - (3) View futures hedge ratio values for the cash security against listed futures contracts
Hedge Ratio Analysis (FIHR)
Hedging a Swap

- Perform hedge ratio analysis between an OTC swap and a set of futures contracts
- (1) Select a swap that is created in your portfolio and view hedge ratios relative to DSF and other futures
- By default, a list of hedge ratios relative to CME futures contracts will be displayed
  - (2) Add additional futures contracts such as the CME Deliverable Swap Future
  - (3) View futures hedge ratio values for the swap against the futures contracts
Hedge Ratio Analysis (FIHR)

Hedging a Future

- Perform hedge ratio analysis to view futures hedge ratios relative to other futures contracts
- (1) Select a futures contract such as the DSF to view hedge ratio against other futures
  - Example: CNPH3 <CMDTY> FIHR <GO>
- By default, a list of hedge ratios relative to CME futures contracts will be displayed
  - (2) Add additional futures contracts such as the CME Deliverable Swap Future
  - (3) View futures hedge ratio values for the future against other futures contracts
Bloomberg’s Recommended Settings

- Fair value calculations in SWPM are based on individually configurable pricing settings

- Bloomberg now provides a set of recommended settings to enable common pricing parameters across Bloomberg accounts

- To view your current account settings...
  - SWDF <GO>, Page Fwd to Page 2 - Select 26, “User Preference”

- To access and view recommended settings...
  - From “User Preference” in your current account settings - Select 2, “Recommend Settings”
Disclaimer

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

All references to options refer to options on futures.

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