

New 1,000-oz. silver futures

The CME Group's new, smaller silver futures contract was designed with smaller traders in mind.

The CME Group's new 1,000-oz. silver futures contract (ticker: SIL) offers traders a way to participate in the precious metals market with lower margins and reduced risk.

The contract, which begins trading on June 15, is one-fifth the size of the existing CME/COMEX full-size silver futures contract (ticker: SI), and allows traders to buy or sell a futures contract with margin of only \$2,475 (vs. \$12,375 for the full-sized contract) and a minimum price fluctuation (tick size) of \$10 (0.001) per contract. The new contract also features lower exchange fees than the full-size silver contract.

Contract details

Table 1 summarizes the key contract specifications for 1,000-oz. silver futures. The new contract is designed to replicate the established full-size contract in most respects, including trading hours, termination of trading, deliverability, and trading and clearing

venues (the contract is traded both electronically and through open outcry).

Contracts are listed for the current calendar month, the next two calendar months, and any January, March, May, July, September, and December falling within a 12-month period. For example, in early August the four contracts nearest to expiration would be August (SILQ13), September (SILU13), October (SILV13), and December (SILZ13). For more information about futures contract ticker symbol conventions, refer to the "Futures ticker symbols" sidebar.

The new 1,000-oz. silver futures are completely fungible with the 5,000-oz. contract. Also, there will be 100% margin offset between five 1,000-oz. silver futures contracts and one full-size silver futures contract — i.e., five long 1,000-oz. silver futures contracts would offset one short 5,000-oz. futures contract (and vice versa) for the same delivery month. (If the contracts don't

have the same month, spread margin rates are used.)

Price action

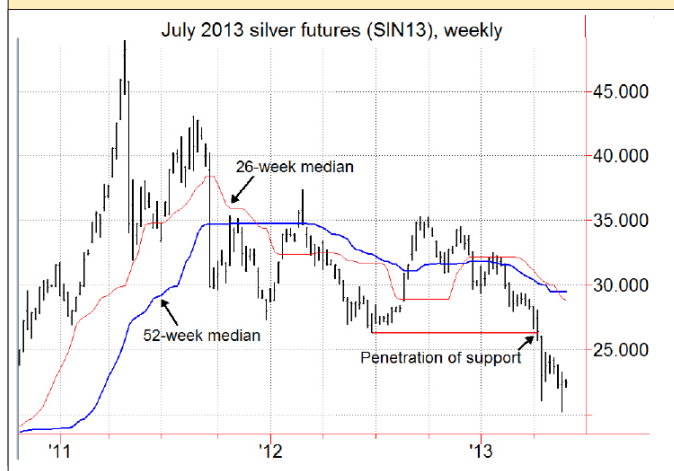
For reference, Figure 1 shows a weekly chart of the July 2013 full-size silver futures (SIN13). It shows how the market, after peaking at about \$45 in 2011, entered a downtrend and traded as low as \$20.25 in late May 2013 after penetrating (in April) the support level defined by the contract's June 2012 low. The blue and red lines are 26-week and 52-week moving median lines (similar to moving averages), and show the shorter-term median has been below the longer-term median most of the time since late 2011, reflecting the market's downtrend.

The move from the April 12 close of \$26.39 to the low of \$20.25 in the week ending May 24 would have represented a \$30,700 per-contract gain (for a short position) or loss (for a long position) in the

TABLE 1: CME 1000-OZ. SILVER FUTURES CONTRACT

Contract size	1,000 troy ounces
Price quotation	U.S. dollars and cents per troy ounce (sample: \$23.40)
Minimum price fluctuation (tick size)	Outrights: \$0.01 per troy ounce (\$10) Spreads: \$0.005 per troy ounce (\$5) Settlement: \$0.001 per troy ounce
Minimum initial margin	\$2,475
Contract months	Contracts are listed for the current calendar month, the next two calendar months, and any January, March, May, July, September, and December within a 12-month period.
Last trading day	The third-to-last business day of the delivery month.
Trading hours (ET)	CME Globex: Sun.-Fri. 6 p.m.-5:15 p.m., with a 45-minute break beginning at 5:15 p.m. CME ClearPort: Sun.-Fri. 6 p.m.-5:15 p.m., with a 45-minute break beginning at 5:15 p.m. Open outcry: Mon.-Fri. 8:25 a.m. to 1:25 p.m.

Source: CME Group (www.cmegroup.com). All information subject to change without notice.

FIGURE 1

full-size silver contract; a trader in the 1,000-oz. silver futures would have experienced an equity swing of only \$6,140 during this period.

To get a feel for how much the 1,000-oz. silver futures would move on a daily and weekly basis, Table 2 summarizes some of silver's recent typical price moves, and their corresponding dollar values, as of May 22. The median and average moves represent absolute values — that is, the sign (positive or negative) is ignored in the calculations.

Again, the dollar values of the moves in Table 2 would be five times as large in the 5,000-oz. silver futures. Silver is a traditionally volatile market, but the smaller 1,000-oz. contract size gives traders more control over how much risk they want to take.

A note on delivery

Although the 1,000-oz. silver futures are, technically, physically delivered, a trader who holds a long position for delivery does not take possession of 1,000-oz. silver bars. Instead, the individual receives an Accumulated Certificate of Exchange (ACE), which represents 20% ownership in a 5,000-oz. silver futures contract and is held in the form of a COMEX silver warrant. ACEs are backed by physical silver held in a COMEX Licensed Depository.

When a trader accumulates five ACEs, he or she can redeem them for a 5,000-oz. COMEX silver warrant. Conversely, a trader with a short position wishing to deliver against a 1,000-oz. silver

Futures ticker symbols

Ticker symbols for futures contracts have two components: a designation for the market followed by a designation for the specific contract month and year. For example, the CME Group 1,000-oz. silver futures are designated by "SIL."

The table below lists the letters that represent the different contract months. In a futures ticker symbol, the year is typically reduced to the final two digits. For example, the ticker symbol for the July 2013 1,000-oz. silver futures is SILN13, the symbol for September 2013 1,000-oz. silver is SILU13, and the symbol for January 2014 1,000-oz. silver is SILF14.

Month	Ticker designation
January	F
February	G
March	H
April	J
May	K
June	M
July	N
August	Q
September	U
October	V
November	X
December	Z

futures position can only deliver an ACE. (However, the CME intends to make the 1,000-oz. silver contract fully deliverable later this year.) For most traders (especially shorter-term ones), of course, delivery mechanics are not a primary concern, as most traders do not intend to make or take delivery of the underlying commodity and offset their positions in time to avoid doing so.

However, traders should be aware of the relevant trade dates for a given contract to avoid putting themselves in delivery situations.

For more information about the 1,000-oz silver futures delivery process and other contract details, visit www.cme-group.com/silver, or contact a member of the CME Group metals team at metals@cmegroup.com.

For articles on trading strategies and market analysis for futures, stocks, and options, go to www.activetradermag.com.

TABLE 2: RECENT PRICE MOVE STATISTICS

	Median	Average
Daily high-low range (past 3 months)	0.640 (\$640)	0.796 (\$796)
Daily close-to-close move* (past 3 months)	0.228 (\$228)	0.319 (\$319)
Weekly range* (past 6 months)	1.563 (\$1,563)	1.639 (\$1,639)
Weekly close-to-close move* (past 6 months)	0.739 (\$739)	0.851 (\$851)
52-week high/low	\$35.445	\$20.250

All data as of 5/22/13. *Absolute values