

Research & Product Development

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CME Group Equity Index Futures Quarterly Roll Summary*

The volatility of the calendar spreads continued to be elevated during this past June/Sep roll. With the LIBOR-Fed Funds spread standing at a higher-than-usual level, the implied financing rate of the roll exhibited a larger discount to LIBOR, especially in the S&P 500 and Dow Jones Industrial Average.

	S&P 500	NASDAQ-100	Dow Jones Industrial Avg	Russell 2000	S&P MidCap 400	S&P SmallCap 600	LIBOR ¹
6/9/08	-24.69	-54.41	-26.15	-156.09	-47.30		2.75
6/10/08	-17.93	-61.86	-19.58	-159.97	-39.81	42.56	2.84
6/11/08	-13.74	-55.59	-8.37	-157.15	-36.13		2.81
6/12/08	-14.92	-56.38	-14.39	-160.10	-38.53		2.84
6/13/08	-17.43	-57.06	-20.75	-161.72	-37.63		2.85
6/16/08	-22.60	-50.34	-22.78	-164.86	-45.27	-44.57	2.90
6/17/08	-21.83	-49.09	-20.37	-163.16	-39.25	-116.21	2.88
6/18/08	-20.97	-50.56	-22.21	-164.01	-38.00	-110.40	2.83
6/19/08	-20.33	-57.18	-26.45	-163.33	-39.19	-111.74	2.84
VWAP	-18.62	-53.89	-19.84	-162.06	-39.46	-87.56	

Table 1. Estimated Implied Financing Cost of Calendar Spread less LIBOR, expressed in annualized basis points, based on volume-weighted average calendar spread prices of E-mini index futures between 8:30 am - 3:15 pm Central Time each trading day.

With the market under heightened volatility, the fair value of the spreads fluctuated quite a bit during this roll period as well. The following table shows the daily estimated fair value vs. average pricing comparison.

	S&P 500			NASDAQ-100		Dow Jones Industrial Avg		Russell 2000		S&P MidCap 400		S&P SmallCap 600	
	VWAP Regular	VWAP E-mini	FV	VWAP	FV	VWAP	FV	VWAP	FV	VWAP	FV	VWAP	FV
6/9/08	2.00	1.98	2.83	8.88	11.60	-0.37	7.75	-0.18	2.73	2.01	3.06		
6/10/08	2.15	2.15	2.77	8.96	12.04	2.10	8.19	-0.10	2.86	2.32	3.19	2.10	1.68
6/11/08	2.10	2.11	2.57	8.96	11.69	3.89	6.47	-0.13	2.75	2.29	3.08		
6/12/08	2.16	2.15	2.66	9.00	11.76	2.68	7.11	-0.14	2.80	2.28	3.11		
6/13/08	2.14	2.14	2.74	9.14	11.96	1.59	8.01	-0.13	2.85	2.35	3.17		
6/16/08	2.18	2.20	2.97	9.85	12.36	2.70	9.77	-0.07	3.00	2.34	3.34	1.33	1.77
6/17/08	2.17	2.16	2.91	9.86	12.32	2.50	8.80	-0.07	2.98	2.46	3.33	0.60	1.74
6/18/08	1.97	1.91	2.62	9.40	11.90	-0.30	6.49	-0.19	2.84	2.34	3.17	0.60	1.67
6/19/08	1.83	1.74	2.43	9.17	12.01	-1.68	6.37	-0.15	2.87	2.34	3.20	0.60	1.70

Table 2. Volume-Weighted Average Price (VWAP) of calendar spreads (during regular trading hours, based on E-mini futures unless otherwise stated) vs. fair value (FV) (i.e., priced at LIBOR).

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¹ Based on LIBOR fixes and Eurodollar prices in the morning, interpolated for the corresponding period between two expirations (from "settle" to "settle").

	MSCI EAFE				MSCI Emerging Market			
	VWAP	FV ²	Spread to LIBOR	Volume	VWAP	FV	Spread to LIBOR	Volume
6/9/08	2.24	4.38	-40.39	57	-0.76	-0.12	-21.65	120
6/10/08	3.88	4.66	-15.09	541	-0.51	-0.04	-16.08	114
6/11/08	4.43	4.49	-1.20	476	-0.45	-0.27	-6.33	132
6/12/08	4.62	4.50	2.31	653	-0.72	-0.33	-13.82	318
6/13/08	5.29	4.64	12.80	1156	-1.00	-0.94	-1.93	1251
6/16/08	5.80	4.96	16.17	3007	-0.79	-0.44	-12.30	1102
6/17/08	8.32	4.94	65.31	5360	0.30	-0.42	24.77	1949
6/18/08	11.70	4.60	138.33	3763	3.04	-0.64	127.74	753
6/19/08	13.62	4.41	181.07	2698	5.90	-0.75	233.20	421
Overall	8.82	4.73	79.78	17711	0.45	-0.56	35.23	6160

Table 3. Volume-Weighted Average Price of calendar spreads, fair value, implied financing rate as spread vs. LIBOR (in basis points) and spread volume for E-mini MSCI EAFE and E-mini MSCI Emerging Market futures.

Once again, volatility in the more established index futures was even more pronounced in the two nascent MSCI indexes. The calendar spreads in the E-mini MSCI EAFE contract continued to be heavily concentrated in the last few days of the period. The pricing richened materially. The June 2008 E-mini MSCI EAFE futures started trading as the nearest expiring contract with open interest of 17,485 positions, higher than the comparable figures of 14,724, 8,758 and 8,553 positions following the past three rolls.

The roll of the nascent E-mini MSCI Emerging Market Index futures was spread across several days. In terms of implied financing spread, there were still substantial gyrations but less pronounced than in the previous roll. On average, the roll was priced at 35 bps above LIBOR, substantially lower than the comparable figure of 154 bps above LIBOR in the previous roll. Further, three quarters of the roll had completed prior to the roll market widening out to triple digits. Open interest also advanced significantly for the past quarter. The June 2008 contract started trading as the nearby contract with open interest of 6,622 positions, up from the comparable figures of 3,858 and 1,877 positions following the previous two expirations.

² The fair values of the spreads are calculated assuming gross dividend points.

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