U.S. Treasury Futures Inter-Commodity Spreads

January 2026

Treasury Futures Inter-Commodity Spreads (ICS) on Globex

Implied, pre-defined spreads on Treasury futures

Treasury futures ICS Examples	
FYT	5-Yr vs. 10-Yr
BOB	T-Bond vs. Ultra Bond
TEX	10-Yr vs. Ultra 10
TUF	2-Yr vs. 5-Yr
NCB	Ultra 10 vs. T-Bond

Key Benefits:

- ✓ **Eliminates price slippage.** Provides easier and more efficient execution
- ✓ **Increases matching opportunities.** Implied functionality provides automated arbitrage between outright and spread order books, enhancing market liquidity and efficiency.
- ✓ **Provides arbitrage opportunities.** Match engine may be able to leg spread orders at prices better than the spread order price.
- ✓ **Automatic margin offsets.** Provides simple capital efficiency.

Treasury Futures ICS Mechanics and Pricing

- Buying the spread (a “steepener”) involves buying the front (shorter tenor) leg and selling the back (longer tenor) leg
- Spreads trade in pre-defined ratios:
  - Quantity ratios are calculated based on the DV01s of the respective cheapest-to-deliver securities
  - Price ratios equal the front leg quantity divided by the back leg quantity (except for 2-Yr Treasury futures ICS where the price ratio is then doubled to account for the $200,000 notional size)
  - Price and quantity ratios are published here
  - Price and quantity ratios are expected to remain unchanged absent substantial changes in the marketplace.
- ICS minimum tick is equal to the minimum tick of the front leg
- Each leg has the same expiry:
  - E.g., FYT 03-02 M3 involves Jun 2023 5-Yr T-Note futures (ZFM3) vs. Jun 2023 10-Yr T-Note futures (ZNM3)
- Pricing convention is “net change on day”:

$$\text{ICS price} = \text{Net change in front leg price} - \frac{\text{Net change in back leg price}}{\text{Price ratio}}$$

ICS Globex Specifications

Listing and trading

- Deferred month spreads will be listed midway through the month prior to a contract expiration month:
  - E.g., Sept ICS will be listed mid-May, joining the existing Jun spreads
- ICS are eligible to trade until expiration day of whichever leg expires first.

Order type specifications

- Good Till Cancelled (GTC) and Good Till Date (GTD) order qualifiers not supported
- IV spread type.

Matching

- Defined spread orders will take precedence over implied orders at a given price
- Implied outrights created by ICS are filled according to a pre-defined priority.

Market data

- Generally, only first generation implied “in” market data is disseminated
- However, implied “out” market data is disseminated for spreads with 1:1 quantity ratios.

ICS Matching

- If available, incoming ICS orders match with existing ICS orders at the same or better price:
  - Leg prices are allocated such that the net change in the front leg matches the net change in the spread and the back leg price matches the previous day settle.
- If a match isn't available in the ICS book, Globex will look to the constituent leg prices to see if there is a match:
  - In cases where Globex "legs" the order, the order will be executed at the most advantageous differential possible, which may be better than the price on the incoming order
  - While ICS orders and prices use "standard" (.25, .50, .75, 1.0) tick increments, ICS orders are frequently matched at narrower bid/ask spreads.

Example

- FYT 03-02 M3 has a 3:2 quantity ratio and a 1.5 price ratio
- FVM3 trades at 109'195 / 109'197 (last settle of 110'032) and TYM3 trades at 114'290 / 114'295 (last settle of 115'175)
  - FYT bid = (109'195 – 110'032) – (114'295 – 115'175)/1.5 = -2.4167 ticks
  - FYT ask = (109'197 – 110'032) – (114'290 – 115'175)/1.5 = -1.8333 ticks
- Absent resting ICS bids at -2.5 or offers at -1.75, an aggressor would be filled at -2.4167 for a sell order and -1.8333 for a buy order.

ICS Pricing Example

Calculating the ICS price

	Last Settle	Current Price	Net Change	Leg Quantity
FVM3	110’032	109’197	-0’155	600
TYM3	115’175	114’290	+0’205	400

- ICS price = -0’155 – 0’205/1.5 = -1.8333/32nd (this implied price would be rounded to the nearest allowable tick, i.e., -2/32nd bid and -1.75/32nd ask)

Calculating P&L

	ICS Price	x	$ Value of 1/32nd	x	# Front Leg Contracts	=	P&L
If the trade takes place at the bid	-2/32nd	x	$31.25	x	600	=	-$37,500
If the trade takes place at the ask	-1.75/32nd	x	$31.25	x	600	=	-$32,812.50

Margining

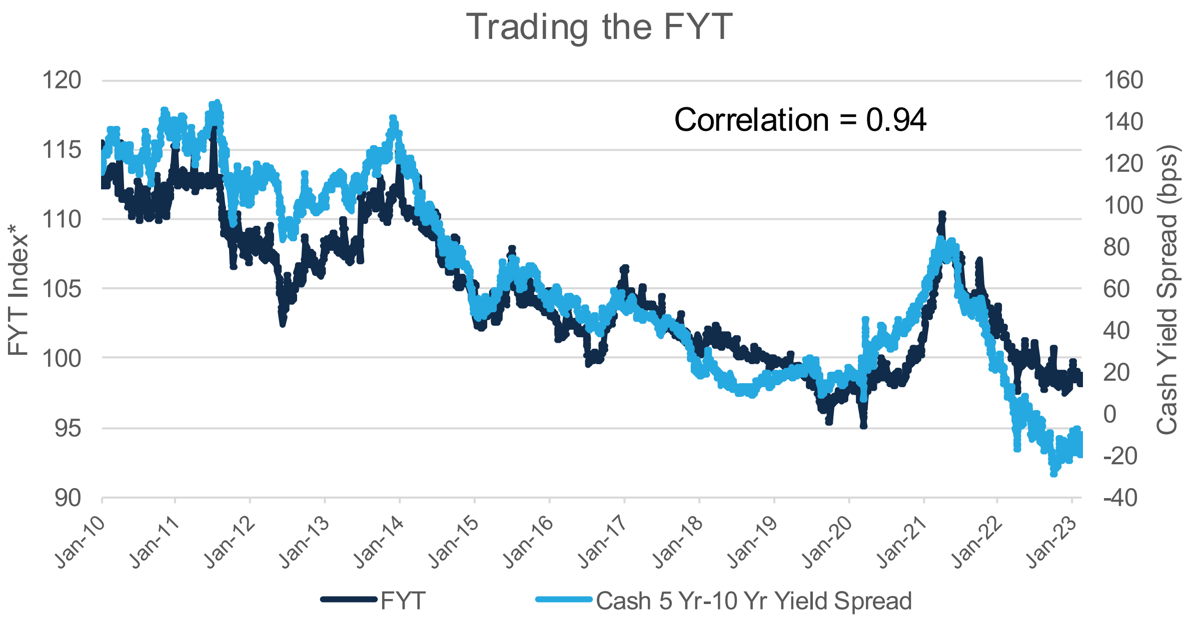
- Margin offsets between ICS legs reduce total initial margin requirements for an ICS
- Given the following margin requirements (note that margin requirements and offsets are subject to change):

Leg	IM/contract	Number of contracts in leg	Offset
TY	$2,475	2	65%
FV	$1,870	3	

- To calculate the total initial margin requirement:
  1. For both legs, multiply IM/contract by the number of contracts in each leg
  2. Add the two values from Step 1 and multiply by 1 minus the offset percentage
- Total initial margin requirement = ($1,870 × 3 + $2,475 × 2) × (1 – 65%) = $3,696

Alternative to Cash Treasury RV Trading

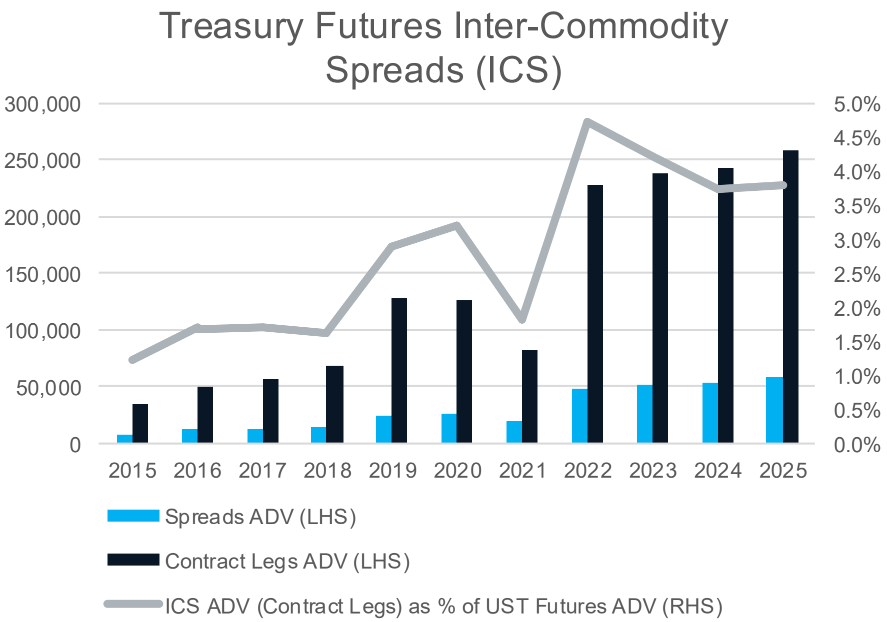
Treasury ICS prices are highly correlated with the Treasury yield spread, providing an alternative way of trading the yield curve



*FYT Index = 3 × FV Price – 2 × TY Price
**FYT ratio has been 3:2 except for Jun and Sep 2015 expiries whose ratio was 5:3

Treasury Futures ICS Volume

ICS volume has grown significantly in recent years, both in volume terms and as a percentage of Treasury futures volume



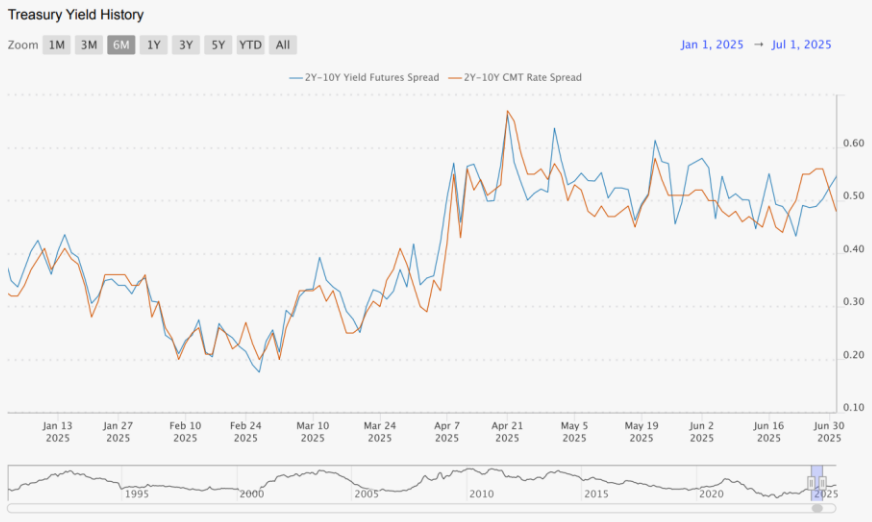
Top 5 ICS by 2025 ADV (Contract Legs)

Pair	ICS	2025 ADV (Spreads)	2025 ADV (Contract Legs)
5Y/10Y	FYT/FIT/FYN	19,329	91,846
2Y/5Y	TFY/TUF/TAF	12,953	60,185
10Y/Ultra10Y	NON/TEX/TOX	9,036	43,201
10Y/30Y	NOB/NBY/NIB	6,567	19,699
Ultra10Y/30Y	NCB	3,422	17,112

Yield Futures ICS

Simple, DV01-matched yield curve trading

- Yield futures are yield-quoted futures on the BrokerTec US Treasury benchmarks (on-the-runs)
- 2, 5, 10, and 30-year tenors available, with ICS available between all tenor-pairs
- Fixed $10 DV01 allow traders to trade the yield curve while fully hedged against parallel shifts
- Closely tracks changes in the on-the-run spread (see our CurveWatch tool)



For More Information

- Visit http://www.cmegroup.com/ics
- Contact the Interest Rate Products team (InterestRates@cmegroup.com)

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