

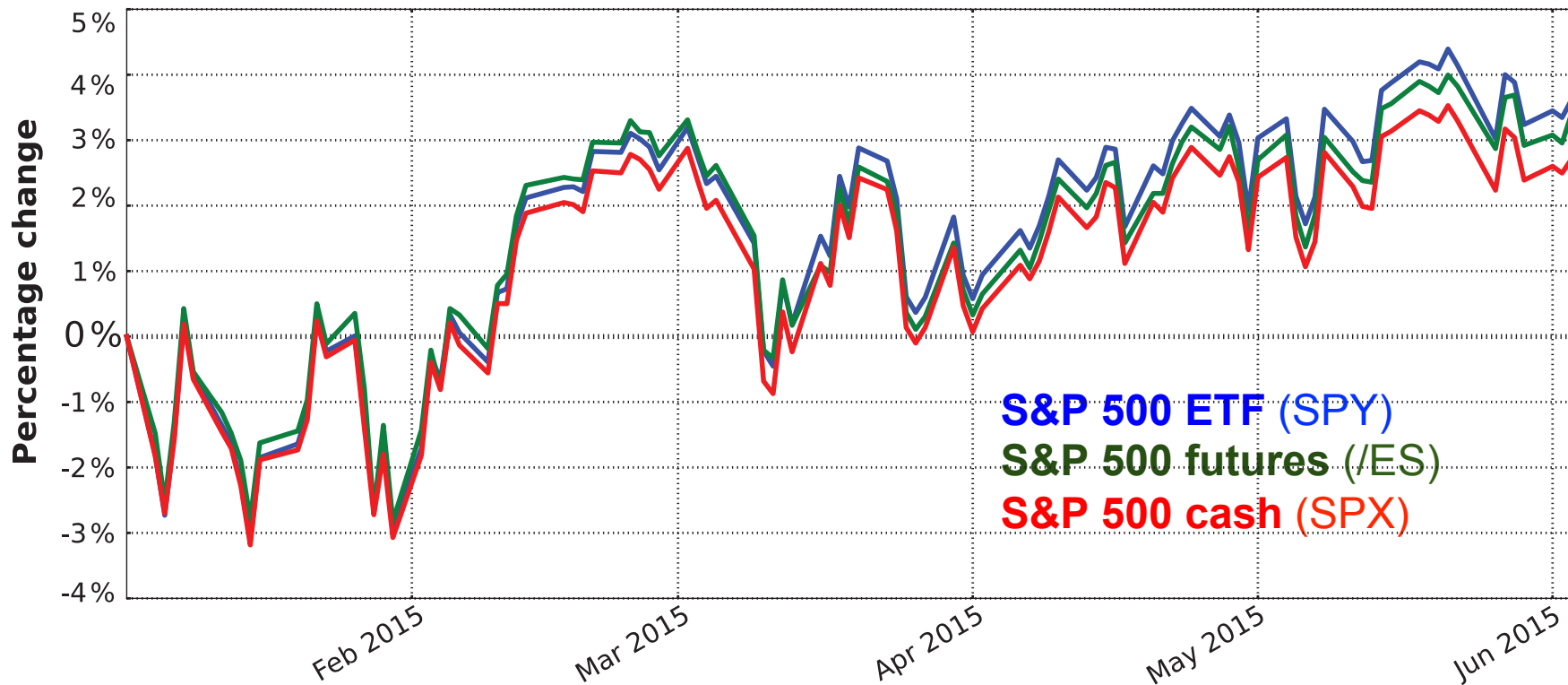


## **S&P 500 Comparables: SPX, SPY, and /ES**

Today we are going to examine three different ways of trading the S&P 500: cash SPX, the ETF SPY, and the futures /ES.

Each have their own advantages and disadvantages – we will discuss all three.

# S&P 500 Comparables: SPX, SPY, and /ES



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S&P 500 product	Current quote	Smallest increment	Notional value
Cash (SPX)	2120.61	0.01 = \$1	$2120.61 \times \$100 = \$212,061$
100 shares of ETF (SPY)	212.40	0.01 = \$1	$212.40 \times \$100 = \$21,240$
Futures (/ES)	2118.50	0.25 = \$12.50	$2118.50 \times \$50 = \$105,925$

**Using the above notional numbers:**

1 SPX = 1000 shares of SPY = 2 /ES contracts

500 shares of SPY = 1 /ES contract



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S&P 500 product	ATM straddle max profit	ATM straddle buying power reduction	Profit as percentage of buying power reduction
Cash (SPX)	\$7,470	(\$42,224)	$\$7,470 / \$42,224 = 17.7\%$
100 shares-ETF (SPY)	\$768	(\$4,243)	$\$768 / \$4,243 = 18.1\%$
Futures (/ES)	\$3,725	(\$3,739)	$\$3,725 / \$3,739 = 99.6\%$

As expected, the max profits for the straddles for the different products are equivalent to their notional sizes (e.g. SPX notional size is 10 times the size of SPY and twice the size of /ES and so are the potential max profits). Looking at the return on capital, the futures (/ES) has the best potential return for money used.



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\* July expiration with 46 DTE

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## Advantages of each:

### SPX

- Large size is ideal for larger accounts (less commissions for equivalent size)
- Possible tax advantages\*

### SPY

- Smaller size is ideal for smaller accounts
- Ability to scale in and out of positions
- Normal Friday expiration

### /ES

- Large potential return on capital invested
- Possible tax advantage\*
- Longer trading hours (overnight)



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Investors should consult with their tax advisors. Tax laws and regulations change from time to time and may be subject to varying interpretations.

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## Disadvantages of each:

### SPX

- Size may be a disadvantage for smaller accounts
- No ability to trade options overnight

### SPY

- Small size may mean multiple commissions for larger accounts
- No ability to trade options overnight

### /ES

- The small buying power reduction may be misleading since it may increase significantly



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## Takeaways:

- 🍒 We generally lean toward the ETF (SPY) for efficiency (tight spreads), flexibility and more volume across all strikes
- 🍒 SPX and /ES may have tax advantages\*
- 🍒 SPX has European exercise (no early exercise, except in OEX)
- 🍒 Keep in mind, SPX is AM settled on Thursday

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