CME Group
A CME/Chicago Board of Trade Company

FUTURES SPREADS

ON THE CME GLOBEX PLATFORM

JUNE 2008

Futures Spreads on CME Globex

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1. Introduction

A spread is defined as the purchase of one or more futures contracts and the sale of one or more offsetting futures contracts. Spreads allow you to take less risk than is available with outright futures positions. The amount of risk between two intra-market futures positions is usually less than the risk in an outright futures position.

CME Globex lists exchange-defined spreads that are separate from the order book of the outright markets.

All spreads are shown from the buyer's perspective.

Leg Description
For the purpose of this discussion, the term Leg1 refers to the first component of the spread as shown in the naming convention. Leg2 refers to the second component of the spread, Leg3 refers to the third component of the spread, and so on.

Abbreviations
AG = Agricultural
Com = Commodity
EQ = Equity
Exp = expiration
FX = Foreign Exchange
IR = Interest Rate
RT = Reduced Tick Spread
Vol = Volatility

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2. Futures Spreads

CME Globex lists the following exchange-defined futures spread types per product complex and exchange.

Futures		Legacy CME				Legacy CBOT			NYMEX	KCBT		MGEX
Strategy	**Strategy Type Code**	**EQ**	**FX**	**AG**	**IR**	**EQ**	**AG**	**IR**	**ALL**	**EQ**	**AG**	**AG**
Calendar												
Foreign Exchange	**FX**		●	●[1]								
Reduced Tick	**RT**							●	●			
Standard	**SP**			●	●	●	●	●	●		●	●
Equities	**EQ**	●				●				●		
Butterfly	**BF**			●	●	●	●	●			●	●
Condor	**CF**				●		●	●			●	●
Strip	**FS**	●	●	●				●	●			
Inter-commodity	**IS**	●	●	●	●		●		●			
E-mini S&P MidCap 400 - E-mini Russell 2000	**EC**	●										
Crack 1:1	**C1**								●			
Pack	**PK**				●							
Month Pack	**MP**				●							
Pack Butterfly	**PB**				●							
Double Butterfly	**DF**				●							
Pack Spread	**PS**				●							
Bundle	**FB**				●							
Bundle Spread	**BS**				●							

[1] Note: CME Group lists the **FX** calendar spread on the Goldman Sachs Commodity Index (GSCI) product, which is classified as an agricultural product.

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3. Futures Spreads Construction Summary

Futures Spreads	Strategy Type Code	Construction	Example Instrument Code / Security Definition
Calendar			
Foreign Exchange	**FX**	Buy1exp2 Sell1exp1	6EH9-6EZ8
Reduced Tick	**RT**	Buy1exp1 Sell1exp2	ZBZ8-ZBH9
Standard	**SP**	Buy1exp1 Sell1exp2	GEZ8-GEH9
Equities	**EQ**	Sell1exp1 Buy1exp2	ESZ8-ESH9
Butterfly	**BF**	Buy1exp1 Sell2exp2 Buy1exp3	GE:BFM8-U8-Z8
Condor	**CF**	Buy1exp1 Sell1exp2 Sell1exp3 Buy1exp4	GE:CFZ8H9M9U9
Strip Month Expiry Year Expiry	**FS**	Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4	CL:FS 03M U8 ZB:FS 01Y U8
Inter-commodity	**IS**	Buy1exp1com1 Sell1exp1com2	GTBZ8-GEH9
Crack 1:1	**C1**	Buy1exp1Distillate Sell1exp1Crude	CL:C1 HO-CL U8
Pack	**PK**	Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4	GE:PK 01Y M8
Month Pack	**MP**	Buy4exp1 Sell (Pack)1exp2	GE:MP Z8 1YH9
Pack Butterfly	**PB**	Buy1(Pack)exp1 Sell2 (Pack)exp2 Buy1(Pack)exp3	GE:PB Z8-Z9-Z0
Double Butterfly	**DF**	Buy1exp1 Sell3exp2 Buy3exp3 Sell1exp4	GE:DF Z8H9M9U9
Pack Spread	**PS**	Buy1(Pack)exp1 Sell1(Pack)exp2	GE:PS Z8-H9
Bundle	**FB**	Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4 Buy2exp5 Buy3exp6 Buy4exp7 Buy5exp8	GE:FB 02Y M8
Bundle Spread	**BS**	Buy1(Bundle)exp1 Sell1(Bundle)exp2	GE:BS 2YU8 2YU9

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4. Futures Spread Detailed Descriptions

4.1 Calendar (Horizontal or Diagonal)

Calendar spreads consist of two contracts within the same instrument group and with different maturity months. There are variations in calendar spreads based on the product. Each calendar spread variation is designated through the use of a different spread type code.

Most, but not all, CME Group futures spread markets follow the convention of Buying the Spread, which indicates buying the front expiration and selling the back expiration. The following markets use the convention for calendar spreads only, where Buying the Spread is inverted to mean selling the front expiration month and buying the back expiration month:

- FX
- Equity

4.1.1 SP Calendar Spreads

The standard (**SP**) Calendar spreads consist of two contracts within the same instrument group with different maturity months. Buying one calendar means buying one front month leg and selling one back month leg. This is a +1:-1 ratio spread.

Products: **All Products**
Construction: **Buy1exp1 Sell1exp2**

Examples

Buy one spread GEZ8-GEH9:
Buy one December 2008 Eurodollar future and
Sell one March 2009 Eurodollar future

Sell one spread GEZ8-GEH9:
Sell one December 2008 Eurodollar future and
Buy one March 2009 Eurodollar future

4.1.2 FX Calendar Spreads

The Foreign Exchange (**FX**) calendar spreads consist of two contracts within a single Foreign Exchange instrument group with different maturity months. Buying one calendar means buying one back month leg and selling one front month leg. This is a +1:-1 ratio spread.

Due to the tick differences between the spreads and the outright markets, Foreign Exchange leg prices from spread trades may be traded at non-standard tick increments.

Products: **Foreign Exchange (FX) Products**
Construction: **Buy1exp2 Sell1exp1**

Examples

Buy one spread 6EH9-6EZ8:
Buy one March 2009 EuroFX future and
Sell one December 2008 EuroFX future

Sell one spread 6EH9-6EZ8:
Sell one March 2008 EuroFX future and
Buy one December 2009 EuroFX future

Note: CME Group lists the **FX** calendar spread on the Goldman Sachs Commodity Index **(GSCI)** product, which is classified as an agricultural product.

4.1.3 EQ Calendar Spreads

The Equities (**EQ**) calendar spreads consist of two contracts within a single Equities instrument group with different maturity months. Buying one calendar means selling one front month leg and buying one back month leg. This is a -1:+1 ratio spread.

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Products: **Equities Products**
Construction: **Sell1exp1 Buy1exp2**

Examples

Buy one spread ESZ8-ESH9:
Sell one December 2008 E-mini S&P 500® future and
Buy one March 2009 e-mini S&P 500 future

Sell one spread ESZ8-ESH9:
Buy one December 2008 E-mini S&P 500 future and
Sell one March 2009 E-mini S&P 500 future

4.1.4 **RT Calendar Spreads**

The Reduced Tick (**RT**) calendar spreads are unique to the CME Group U.S. Treasury futures and COMEX Silver markets, and allow a different tick size for the underlying instrument versus the spread. The underlying instrument trades in the published tick size (e.g., 1/32nd or ½ of 1/32nd), while the spread market of the underlying trades in a reduced tick size of ¼ of 1/32nd. This is a +1:-1 ratio spread.

Products:

- 30-Year U.S. Treasury Bond Futures (**ZB**)
- 10-Year U.S. Treasury Note Futures (**ZN**)
- 5-Year U.S. Interest Rate Swap Futures (**SA**)
- 10-Year U.S. Interest Rate Swap Futures (**SR**)
- 30-Year Interest Rate Swap Futures (**I3**)
- COMEX Silver (**SI**)
  Note: Silver futures trade in increments of five; Silver **RT** calendar spreads trade in increments of one.

Construction: **Buy1exp1 Sell1exp2**

Examples

Buy one spread ZBZ8-ZBH9:
Buy one December 2008 30-year U.S. Treasury Bond future and
Sell one March 2009 30-year U.S. Treasury Bond future

Sell one spread ZBZ8-ZBH9:
Sell one December 2008 30-year U.S. Treasury Bond future and
Buy one March 2009 30-year U.S. Treasury Bond future

4.2 ***Butterfly***

The Butterfly (**BF**) spreads consist of three contracts within the same instrument group with equally distributed maturity months (e.g., M8-U8-Z8). Buying one butterfly means buying one of the closest maturity leg, selling two of the next maturity leg, and buying one of the furthest maturity leg. This is a +1:-2:+1 ratio spread.

Products: **Agricultural, Interest Rate, Legacy CBOT Equity Products**
Construction: **Buy1exp1 Sell2exp2 Buy1exp3**

Examples

Buy one spread GE:BFM8-U8-Z8:
Buy one June 2008 Eurodollar future
Sell two September 2008 Eurodollar futures and
Buy one December 2008 Eurodollar future

Sell one spread GE:BFM8-U8-Z8:
Sell one June 2008 Eurodollar future
Buy two September 2008 Eurodollar futures and
Sell one December 2008 Eurodollar future

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*4.3 **Condor***

The Condor (**CF**) spreads consist of four contracts within the same instrument group with consecutive quarterly maturity months (e.g., Z8-H9-M9-U9). Buying one condor means buying one of the closest maturity leg, selling one of the next maturity leg, selling one of the next maturity leg, and buying one of the furthest maturity leg. This is a +1:-1:-1:+1 ratio spread.

Products: **Interest Rate, Legacy CBOT and KCBT Agricultural Products**
Construction: **Buy1exp1 Sell1exp2 Sell1exp3 Buy1exp4**

Examples

Buy one spread GE:CFZ8H9M9U9:
Buy one December 2008 Eurodollar future
Sell one March 2009 Eurodollar future
Sell one June 2009 Eurodollar future and
Buy one September 2009 Eurodollar future

Sell one spread GE:CFZ8H9M9U9:
Sell one December 2008 Eurodollar future
Buy one March 2009 Eurodollar future
Buy one June 2009 Eurodollar future and
Sell one September 2009 Eurodollar future

*4.4 **Strip***

The Strip (**FS**) spreads are the simultaneous purchase (or sale) of futures positions in consecutive months. The average of the prices for the futures contracts bought (or sold) is the price level of the hedge. A six-month strip, for example, consists of an equal number of futures contracts for each of six consecutive contract months. The Strip spread consists of four to 40 contracts within the same instrument group and with consecutive months. The leg ratios vary.

Strip spreads are also known as calendar strips.

Strips are constructed as buying a series of contracts simultaneously. Strips tick in one-tick increments. Strips can consist of any consecutive months between and including two-month to 12-month strips.

Products: **Legacy CME Equities, FX, Agriculturals, Legacy CBOT Interest Rates, Nymex Products**
Construction: **Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4**

Examples

Buy one spread CL:FS 03M U8:
Buy one September 2008 Crude Oil future
Buy one October 2008 Crude Oil future
Buy one November 2008 Crude Oil future and
Buy one December 2008 Crude Oil future

Sell one spread CL:FS 03M U8:
Sell one September 2008 Crude Oil future
Sell one October 2008 Crude Oil future
Sell one November 2008 Crude Oil future and
Sell one December 2008 Crude Oil future

*4.5 **Inter-Commodity***

The Inter-Commodity (**IS**) spreads consist of two futures contracts of different products. Tick increments must be the same value. Expiration month does not matter. This is a +1:-1 ratio spread.

Construction: **Buy1exp1com1 Sell1exp1com2**

Examples

Buy one spread GTBZ8-GEH9:
Buy one December 2008 13-week U.S. Treasury Bill future and

Sell one March 2009 Eurodollar future

Sell one spread GTBZ8-GEH9:
Sell one December 2008 13-week U.S. Treasury Bill future and
Buy one March 2009 Eurodollar future

4.5.1 **Crack 1:1**

The Crack 1:1 (**C1**) inter-commodity spreads are unique to NYMEX energy products and consist of two different products within the same instrument group with the same maturity months. Buying the Crack 1:1 spread means buying the distilled product (Gasoline or Heating Oil) and selling the Crude Oil. All Crack Spreads are listed as same-month contracts. This is a +1:-1 ratio spread.

Products: **NYMEX Products**
Construction: **Buy1exp1Distillate Sell1exp1Crude**

Examples

Buy one spread CL:C1 HO-CL U8:
Buy one September 2008 Heating Oil future and
Sell one September 2008 Crude Oil future

Sell one spread CL:C1 HO-CL U8:
Sell one September 2008 Heating Oil future and
Buy one September 2008 Crude Oil future

4.5.2 **E-mini S&P MidCap 400® - E-mini Russell 2000® Inter-Commodity**

The E-mini S&P MidCap 400 - E-mini Russell 2000 Inter-Commodity spreads are unique and used only to trade these specific products. The spread is intended to assist customers wanting to transfer their E-mini Russell 2000 open interest to a liquid trading alternative. This is a +1:-1 ratio spread.

Note: This spread will not be available after the E-mini Russell 2000 contract is delisted from the CME Globex platform following the September 2008 expiration.

Construction: **Buy1exp1com1 Sell1exp1com2**

Examples

Buy one spread EMDU8-ER2U8:
Buy one September 2008 E-mini S&P MidCap 400 future and
Sell one September 2008 E-mini Russell 2000 future

Sell one spread EMDU8-ER2U8:
Sell one September 2008 E-mini S&P MidCap 400 future and
Buy one September 2008 E-mini Russell 2000 future

4.6 ***Pack***

The Pack (**PK**) spreads are the simultaneous purchase or sale of an equally weighted, consecutive series of four Eurodollar futures, quoted on an average net change basis from the previous day's close. The pack spreads consist of four contracts within the same instrument group with consecutive quarterly maturity months (e.g., M8-U9-Z9-H9). This is a +1:+1:+1:+1 ratio spread.

Products: **Eurodollar Products**
Construction: **Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4**

Examples

Buy one spread GE:PK 01Y M8:
Buy one June 2008 Eurodollar future
Buy one September 2008 Eurodollar future
Buy one December 2008 Eurodollar future and
Buy 1 March 2009 Eurodollar future

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Sell one spread GE:PK 01Y M8:
Sell one June 2008 Eurodollar future
Sell one September 2008 Eurodollar future
Sell one December 2008 Eurodollar future and
Sell one March 2009 Eurodollar future

*4.7 **Month Pack***

The Month-Pack (**MP**) spreads consist of selling one pack with a later maturity and buying four outright contracts of the same contract month with a maturity earlier than the front month of the pack.

The spread is listed with the Instrument Code/Security Description of the month code followed by a space then the pack code.

For example: GE:MP Z8 1YZ9 represents four GEZ8 futures vs. the Z9 1-year Pack (GEH9, GEM9, GEU9, GEZ9). This is a +4:-1(Pack) ratio spread.

Products: **Eurodollar Products**
Construction: **Buy4exp1 Sell (Pack)1exp2**

Examples

Buy one spread GE:MP Z8 1YH9:
Buy four December 2008 Eurodollar futures and
Sell one March 2009 Eurodollar Pack
One Year March 2009 Pack consists of the March2009, June2009, Sept2009, Dec2009 Eurodollar futures

Sell one spread GE:MP Z8 1YH9:
Sell four December 2008 Eurodollar futures and
Buy one March 2009 Eurodollar Pack
One Year March 2009 Pack consists of the March2009, June2009, Sept2009, Dec2009 Eurodollar futures

*4.8 **Pack Butterfly***

The Pack-Butterfly (**PB**) spreads consist of a butterfly spread with each of the legs being a pack. Buying one pack-butterfly means buying one of the closest maturity pack, selling two of the next maturity pack, and buying one of the furthest maturity pack. This is a +1:-2:+1 ratio spread.

Products: **Eurodollar Products**
Construction: **Buy (Pack)1exp1 Sell (Pack)2exp2 Buy (Pack)1exp3**

Examples

Buy one spread GE:PB Z8-Z9-Z0:
Buy one December 2008 Eurodollar Pack
Sell two December 2009 Eurodollar Packs and
Buy one December 2010 Eurodollar Pack

Sell one spread GE:PB Z8-Z9-Z0:
Sell one December 2008 Eurodollar Pack
Buy two December 2009 Eurodollar Packs and
Sell 1 December 2010 Eurodollar Pack

*4.9 **Pack Spread***

The Pack-Spread (**PS**) spreads consist of a calendar spread with each leg being a pack with different maturities. Buying one pack-spread means buying one closer maturity pack, and selling one further maturity pack. This is a +1:-1 ratio spread.

Products: **Eurodollar Products**
Construction: **Buy (Pack)1exp1 Sell (Pack)1exp2**

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Examples

Buy one spread GE:PS Z8-H9:

Buy one December 2008 Eurodollar Pack and
Sell one March 2009 Eurodollar Pack

December 2008 Pack=Dec2008, March2009, June2009, Sept2009
March 2009 Pack= March2009, June2009, Sept2009, Dec2009

Sell one spread GE:PS Z8-H9:

Sell one December 2008 Eurodollar Pack and
Buy one March 2009 Eurodollar Pack

December 2008 Pack=Dec2008, March2009, June2009, Sept2009
March 2009 Pack= March2009, June2009, Sept2009, Dec2009

4.10 ***Double Butterfly***

The Double Butterfly (**DF**) spreads are a calendar spread between two butterfly spreads where the second and third leg of the first butterfly are common to the first and second leg of the second butterfly. The net effect of this causes a spread with four legs of equal separation.

The Double Butterfly spread consists of four contracts within the same instrument group and equally distributed maturity months (e.g., Z7-H8-M8-U8). Buying one double butterfly means buying one of the closest maturity leg, selling three of the next maturity leg, selling three of the next maturity leg, and buying one of the furthest maturity leg. This is a +1:-3:+3:-1 ratio spread.

Products: **Eurodollar Products**
Construction: **Buy1exp1 Sell3exp2 Buy3exp3 Sell1exp4**

Examples

Buy one spread GE:DF Z8H9M9U9:

Buy one December 2008 Eurodollar future
Sell three March 2009 Eurodollar futures
Buy three June 2009 Eurodollar futures and
Sell one September 2009 Eurodollar future

Sell one spread GE:DF Z8H9M9U9:

Sell one December 2008 Eurodollar future
Buy three March 2009 Eurodollar futures
Sell three June 2009 Eurodollar futures and
Buy one September 2009 Eurodollar future

4.11 ***Bundle***

The Bundle (**FB**) spreads consist of eight to 40 contracts within the same instrument group and with consecutive quarterly maturity months per block of four. A two-year bundle consists of 8 contracts, five-year bundle consists of 20 contracts, and a 10-year bundle consists of 40 contracts. Buying one bundle means buying one of each leg. This is a +1:+1:+1:…+1 ratio spread.

Products: **Eurodollar Products**
Construction:
Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4 Buy2exp5 Buy3exp6 Buy4exp7 Buy5exp8

Examples

Buy a two-year bundle GE:FB 02Y M8:

Buy one June 2008 Eurodollar future
Buy one September 2008 Eurodollar future
Buy one December 2008 Eurodollar future
Buy one March 2009 Eurodollar future
Buy one June 2009 Eurodollar future
Buy one September 2009 Eurodollar future
Buy one December 2009 Eurodollar future and
Buy one March 2010 Eurodollar future

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Sell a two-year bundle GE:FB 02Y M8:

Sell one June 2008 Eurodollar future
Sell one September 2008 Eurodollar future
Sell one December 2008 Eurodollar future
Sell one March 2009 Eurodollar future
Sell one June 2009 Eurodollar future
Sell one September 2009 Eurodollar future
Sell one December 2009 Eurodollar future and
Sell one March 2010 Eurodollar future

4.12 ***Bundle-Spread***

The Bundle Spread (**BS**) spreads consist of a calendar spread with each leg being a bundle with different maturities. Buying a bundle spread means buying one bundle with closer maturity and selling one bundle with further maturity.

Bundle Spread spreads must have an equal number of legs on each leg of the bundle. For instance, a two-year bundle can only be paired with another two-year bundle to create a bundle spread.

In addition, common future legs between the two bundles are not allowed. So a June 2008 two-year bundle cannot be spread with a March 2010 two-year bundle since this would result in a common leg of the March 2010 futures contract between the two bundles:

June 2008 2-Year Bundle	March 2010 2-Year Bundle
Buy 1 June 2008 Eurodollar	Buy 1 March 2010 Eurodollar
Buy 1 Sept 2008 Eurodollar	Buy 1 Sept 2010 Eurodollar
Buy 1 December 2008 Eurodollar	Buy 1 December 2010 Eurodollar
Buy 1 March 2009 Eurodollar	Buy 1 March 2011 Eurodollar
Buy 1 June 2009 Eurodollar	Buy 1 June 2011 Eurodollar
Buy 1 Sept 2009 Eurodollar	Buy 1 Sept 2011 Eurodollar
Buy 1 December 2009 Eurodollar	Buy 1 December 2011 Eurodollar
Buy 1 March 2010 Eurodollar	Buy 1 March 2012 Eurodollar

Products: **Eurodollar Products**
Construction: **Buy1(Bundle)exp1 Sell1(Bundle)exp2**

Examples

Buy one spread GE:BS 2YU8 2YU9:

Buy one June 2008 Eurodollar bundle and
Sell one June 2009 Eurodollar bundle

Sell one spread GE:BS 2YU8 2YU9:

Sell one June 2008 Eurodollar bundle and
Buy one June 2009 Eurodollar bundle