

Concepts and Applications for Trading CME Futures and Options on Futures

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IB Group Fact Sheet

- ❑ 30th Year as a Broker / Dealer.
- ❑ IB Group is ranked 16th largest securities firm by Institutional Investor Magazine.
- ❑ IB Group's consolidated equity capital exceeds \$2.8 billion.
- ❑ The affiliates of Interactive Brokers Group execute 14% of the world's equity options and 19.2% of US options.



Global Access

- ❑ Stocks, Options, Futures, Forex, Bonds and ETFs all from One IB Universal Account.

- ❑ Seamless Direct Access to 70 Exchanges, some of which include:
 - NYSE, OneChicago, Nasdaq and four ECNs, Globex, E-CBOT, Six U.S. options exchanges, LIFFE, MATIF, Eurex and Singapore.



Over 50 order types, including:

- Limit
- Market
- Stop
- Stop Limit
- Trailing Stop
- MOC, LOC, MOO, LOO
- AON, FOK
- Baskets
- Icebergs
- Brackets



Benefits

- Our Mission
- Dynamic Smart Order Routing Logic
- Seamless connectivity
- Multi-currency Universal account allows for access to global markets
- Better cost structure



Interactive Brokers
The Professional's Gateway to the World's Markets

Rob Moore
Chicago, IL

(312) 542.6849

rmoore@interactivebrokers.com

Agenda

- **Background**
- **Value of IB Platform/CME Futures**
- **Becoming familiar with futures/options on futures**
- **OSOK strategies with futures/options on futures**
- **Trade setups**
- **Questions**

John Netto - Background

- **President of One Shot – One Kill Trading, LLC**
- **Author of “One Shot – One Kill Trading” (McGraw-Hill, 2004)**
- **Chief Investment Officer in Triple Witch Metals Management, LLC**
- **Host of Web TV Show “SniperScope Live Trading”**
- **Consult in underwriting structured investment products**
- **Own and operate an Independent Introducing Brokerage Firm – M3 Capital, LLC**
- **Nine year US Marine Corps Veteran**
- **Live in Las Vegas and San Francisco**
- **Speak Japanese and Chinese**

Value of Interactive Brokers' Platform

- Data Providers can cost \$400-\$1,000 a month per subscription
- Trading Platforms can cost \$500-\$1,500 a month before commissions
- Stocks and futures historically have been separate accounts
- Trading wide array of investment vehicles can be challenging
- Interactive Brokers provides to clients at cost
- Trading Platform is included as part of competitive commission structure
- IB offers universal account structure with real time risk management to better utilize margins
- Access to broad array of markets through intuitive trading platform

What CME Group Futures Accomplish – Why so many professionals/institutions use them

Interactive Brokers and CME Group serve as gateway to world liquidity

- Nearly 24 hour ability to trade
- Beneficial tax treatment (60 percent long term/40 percent short term)
- Portfolio risk reduction through diversification in over 150 global markets, including:
 - Stock indices, financial instruments, agricultural and tropical products, precious metals, currencies, and energy products.
- Portfolio enhancement capability through efficient margining (4-8% margin)
- Part of evolution in development of structured investment products
 - Investors worldwide will continue to aggressively diversify their portfolios into alternative assets, accounting for over \$2.5 Trillion in new flows by 2011.

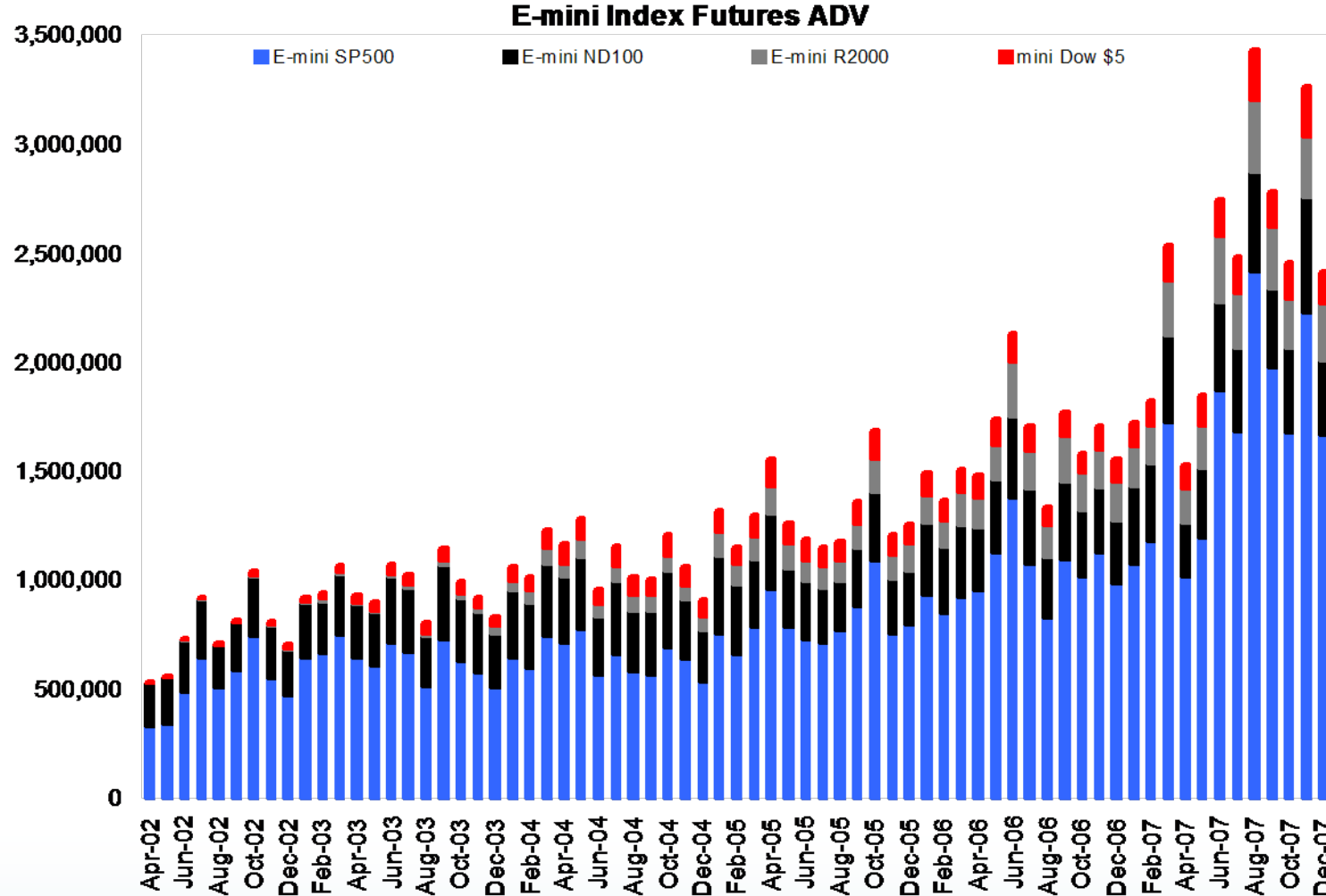
Becoming Familiar with Futures Markets

- **Getting Started**
- **Availability of Products**
- **Making a Layout with Futures in TWS**
- **Adding Options on Futures in TWS**

Trading Futures – The Basics

- **Determining tick size**
- **Value of position**
- **Date of Expiration (Issue of delivery)**
- **Liquidity**
- **Trading hours**
- **Open outcry vs. electronic**
- **Bid/ask spread**
- **Currency contract**
- **How is settlement conducted (cash vs. position)**

Brief History of Futures Products



Availability of Products

Contract Information Center - Windows Internet Explorer
 http://www.interactivebrokers.co.uk/contract_info/index.php

Simple Search | 1 to 100 out of 223 | 1 2 3 | (0.08 seconds)

| Symbol | Description | Type | Cy | Cur. | Exchanges |
|--------|--|---------|-----|------|-------------|
| EM | 1 MONTH LIBOR (INT. RATE) [Details] | Index | | USD | GLOBEX |
| EM | 1 MONTH LIBOR (INT. RATE) [Show All Contracts] | Futures | | USD | GLOBEX |
| S0 | 10 YEAR SWAP CME [Show All Contracts] | Futures | n/a | USD | CME, GLOBEX |
| GTB | 13 WEEK T-BILLS [Show All Contracts] | Futures | | USD | GLOBEX |
| S2 | 2 YEAR SWAP CME [Details] | Index | n/a | USD | GLOBEX |
| S2 | 2 YEAR SWAP CME [Show All Contracts] | Futures | n/a | USD | GLOBEX |
| S5 | 5 YEAR SWAP CME [Show All Contracts] | Futures | n/a | USD | GLOBEX |
| H1 | ATLANTA HEATING DEGREE DAY INDEX [Details] | Index | n/a | USD | GLOBEX |
| ACD | Australian Dollar/Canadian Dollar (CME/GLOBEX) [Details] | Index | n/a | CAD | GLOBEX |
| ACD | Australian Dollar/Canadian Dollar (CME/GLOBEX) [Show All Contracts] | Futures | n/a | CAD | GLOBEX |
| AJY | Australian Dollar/Japanese Yen (CME/GLOBEX) [Details] | Index | n/a | JPY | GLOBEX |
| AJY | Australian Dollar/Japanese Yen (CME/GLOBEX) [Show All Contracts] | Futures | n/a | JPY | GLOBEX |
| ANE | Australian Dollar/New Zealand Dollar (CME/GLOBEX) [Details] | Index | n/a | NZD | GLOBEX |
| ANE | Australian Dollar/New Zealand Dollar (CME/GLOBEX) [Show All Contracts] | Futures | n/a | NZD | GLOBEX |
| AUD | Australian Dollar/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Futures | n/a | USD | GLOBEX |
| AUD | Australian Dollar/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Options | n/a | USD | GLOBEX |
| BOS | BOSTON HOUSING INDEX [Details] | Index | | USD | GLOBEX |
| BOS | BOSTON HOUSING INDEX [Show All Contracts] | Futures | | USD | GLOBEX |
| BRE | Brazilian Real/U.S. Dollar (CME/GLOBEX) [Details] | Index | n/a | USD | GLOBEX |
| BRE | Brazilian Real/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Futures | n/a | USD | GLOBEX |
| BRE | Brazilian Real/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Options | n/a | USD | CME, GLOBEX |
| PJY | British Pound/Japanese Yen (GLOBEX) [Details] | Index | n/a | JPY | GLOBEX |
| PJY | British Pound/Japanese Yen (GLOBEX) [Show All Contracts] | Futures | n/a | JPY | GLOBEX |
| PSF | British Pound/Swiss Franc (GLOBEX) [Details] | Index | n/a | CHF | GLOBEX |
| PSF | British Pound/Swiss Franc (GLOBEX) [Show All Contracts] | Futures | n/a | CHF | GLOBEX |
| GBP | British Pound/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Futures | n/a | USD | GLOBEX |
| GBP | British Pound/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Options | n/a | USD | GLOBEX |
| CJY | Canadian Dollar/Japanese Yen (GLOBEX) [Details] | Index | n/a | JPY | GLOBEX |
| CJY | Canadian Dollar/Japanese Yen (GLOBEX) [Show All Contracts] | Futures | n/a | JPY | GLOBEX |
| CAD | Canadian Dollar/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Futures | n/a | USD | GLOBEX |
| CAD | Canadian Dollar/U.S. Dollar (CME/GLOBEX) [Show All Contracts] | Options | n/a | USD | GLOBEX |
| H2 | CHICAGO HEATING DAY DEGREE INDEX [Details] | Index | n/a | USD | GLOBEX |
| CHI | CHICAGO HOUSING INDEX [Details] | Index | | USD | GLOBEX |
| CHI | CHICAGO HOUSING INDEX [Show All Contracts] | Futures | | USD | GLOBEX |
| H3 | CINCINNATI HEATING DAY DEGREE INDEX [Details] | Index | n/a | USD | GLOBEX |

Done Internet 100%

Symbol Lookup

U250120 - Interactive Brokers Trader Workstation

File Page Ticker Order Tools Analytics View Chart Configure Help

Order Transmit Cancel Cancel All Account Trades BookTrader Mkt Depth OptionTrader Mkt Scanner Relevant EFPs Combo Merger Arb Alerts SpreadTrader FX Trader Charts Time & sales Features Market Lookup CS Chat Interactive News News Configure

Basic Primary Interest Rates Index CME X untitle

Order Management

| Underlying | Exchange | Description | Company Name Clearing | Bid Size Time in Force | Bid Action | Ask Quantity | Ask Size Lmt. Price | Last Aux. Price | Last Size Type | Change Transmit | Volume Cancel | High Status | Low |
|-----------------------|----------|-----------------------------|--------------------------------|---------------------------|---------------|-----------------|------------------------|--------------------|-------------------|--------------------|------------------|----------------|----------|
| Futures | | | | | | | | | | | | | |
| ES | GLOBEX | Index ES | E-MINI S&P 500 | | | | | C1468.36 | | | | | |
| ES | GLOBEX | MAR08 Futures ESH8 | E-MINI S&P 500 | 488 | 1467.50 | 1467.75 | 89 | 1467.75 | 19 | -9.50 | 399.800K | 1482.75 | 1465.00 |
| NQ | GLOBEX | MAR08 Futures NQH8 | E-MINI NASDAQ 100 FUTURES | 108 | 2100.00 | 2100.50 | 58 | 2100.25 | 7 | -4.50 | 75.410K | 2117.00 | 2095.50 |
| ER2 | GLOBEX | MAR08 Futures ER2H8 | E-MINI RUSSELL 2000 | 3 | 761.30 | 761.40 | 18 | 761.30 | 8 | -10.90 | 54.942K | 771.90 | 759.30 |
| GBP | IDEALPRO | GBP.USD Cash | GBP.USD Cash | 3,325,000 | 1.97920 | 1.97935 | 6,000,000 | C1.98520 | | -0.00590 | | | |
| GBP | GLOBEX | MAR08 Futures 6BH8 | GBP.USD Cash | 14 | 1.9750 | 1.9752 | 12 | 1.9752 | 1 | -0.0033 | 26.250K | 1.9825 | 1.9730 |
| EUR | IDEALPRO | EUR.USD Cash | EUR.USD Cash | 10,000,000 | 1.46965 | 1.46970 | 7,500,000 | C1.45895 | | +0.01075 | | | |
| EUR | GLOBEX | MAR08 Futures 6EH8 | EUR.USD Cash | 166 | 1.4705 | 1.4706 | 11 | 1.4706 | 15 | +0.0116 | 59.138K | 1.4720 | 1.4653 |
| JPY | GLOBEX | MAR08 Futures 6JH8 | JPY.USD Cash | 30 | 0.009144 | 0.009146 | 33 | 0.009145 | 4 | +0.000132 | 53.550K | 0.009166 | 0.009022 |
| GE | GLOBEX | JAN08 Futures GEF8 | GLOBEX EURO-DOLLAR | 8 | 95.4400 | 95.4475 | 264 | 95.4400 | 2 | +0.0350 | 4.606K | 95.4475 | 95.4100 |
| EM | GLOBEX | JAN08 Futures GLBF8 | 1 MONTH LIBOR (INT. RATE) | 1 | 95.565 | 95.570 | 290 | 95.565 | 450 | +0.030 | 830 | 95.578 | 95.542 |
| MID | GLOBEX | MAR08 Futures MDH8 | STANDARD & POOR'S MIDCAP 40... | | | | | 862.30 | 1 | -2.50 | | | |
| Future Options | | | | | | | | | | | | | |
| ES | GLOBEX | MAR08 1470.0 CALL Fut. | E-MINI S&P 500 | 351 | 59.25 | 60.00 | 176 | C65.00 | | | 2 | 60.75 | 60.75 |
| ES | GLOBEX | MAR08 1470.0 PUT Fut. | E-MINI S&P 500 | 552 | 61.25 | 62.25 | 51 | 63.25 | 2 | +5.35 | | | |
| NQ | GLOBEX | MAR08 2080.0 CALL Fut. | E-MINI NASDAQ 100 FUTURES | 31 | 110.50 | 114.75 | 28 | C114.00 | | | | | |
| NQ | GLOBEX | MAR08 2080.0 PUT Fut. | E-MINI NASDAQ 100 FUTURES | 200 | 91.25 | 93.50 | 26 | C89.50 | | | | | |
| EUR | GLOBEX | MAR08 1.56 CALL Fut. O... | EUR.USD Cash | 150 | 0.00190 | 0.00250 | 150 | C0.00150 | | | | | |
| JPY | GLOBEX | MAR08 0.0090 CALL Fut. | JPY.USD Cash | | | | | C0.000173 | | | | | |
| Metals/Energy | | | | | | | | | | | | | |
| GC | NYMEX | FEB08 Futures GCG8 | | 15 | 850.20 | 850.40 | 3 | 850.30 | 1 | +12.30 | 60.258K | 852.30 | 837.50 |
| SI | NYMEX | MAR08 Futures SIH8 | | 22 | 15.190 | 15.200 | 10 | 15.195 | 1 | +0.275 | 10.147K | 15.205 | 14.910 |
| HG | NYMEX | FEB08 Futures HGG8 | | 1 | 3.0460 | 3.0500 | 1 | 3.0480 | 1 | +0.0090 | 45 | 3.0925 | 3.0480 |
| RB | NYMEX | FEB08 Futures RBG8 | NYMEX RBOB GAS INDEX | 1 | 2.5441 | 2.5449 | 1 | 2.5450 | 1 | +0.0542 | 5.814K | 2.5522 | 2.5020 |
| CL | NYMEX | FEB08 Futures CLG8 | LIGHT SWEET CRUDE OIL | 5 | 97.92 | 97.93 | 2 | 97.92 | 5 | +1.94 | 60.166K | 98.30 | 96.05 |

Last Login: Jan 02, 03:46

Default Workspace Basics Options Volatility Basket trader EFP Futures InterestRate CME

Trading Options on Futures

- **Determining tick size**
- **Value of position**
- **Trading hours**
- **Spread between bid/ask**
- **Open interest**
- **Date of Expiration (Feb calls on March contract, etc.)**

Adding Options on Futures in TWS

Contract Selection

Filter

Strike

2020.0
2025.0
2030.0
2040.0
2050.0
2060.0
2070.0
2075.0
2080.0
2090.0
2100.0
2110.0
2120.0
2125.0
2130.0
2140.0

P/C

CALL
PUT

Contracts

| Underlying | Symbol | Expiry | Strike | P/C | Exchange | Currency | Trading ... |
|------------|------------|--------|--------|------|----------|----------|-------------|
| NQ | NQH8 C2080 | 200803 | 2080.0 | CALL | GLOBEX | USD | NQ |
| NQ | NQH8 P2080 | 200803 | 2080.0 | PUT | GLOBEX | USD | NQ |

Show multiplier

Clear OK Add Select All Sort... Close

IB Trader Workstation Configuration

enter filter text here

- Configuration
 - General
 - Display
 - Hotkeys
 - Toolbar
 - Messages
 - Trader Dashboard
 - Volatility and Analytics
 - Smart Routing
 - Sound Manager
 - Quick Stock Entry Exchanges
 - API
 - Auto Export
 - Plugins
 - Exit
 - IB Trading Window**
 - Pages
 - Other Layouts
 - Default Layout**
 - Portfolio Layout
 - Volatility Layout
 - Penny Option Layout
 - News Configuration
 - Order
 - BookTrader
 - OptionTrader
 - SpreadTrader
 - FX Trader
 - Market Depth
 - Mkt Scanner
 - Charts
 - Alerts
 - Account Window

Trading Window - Default Layout

Market Data Columns | **Order Columns** | **Colors**

Shown Columns

- Underlying
- Exchange
- Description
- Company Name
- Bid Size
- Bid
- Ask
- Ask Size
- Last
- Last Size
- Change
- Volume
- High
- Low
- Open
- Open Interest

← Add
→ Remove
← Configure...

Show colors

Fit columns to window

Available Columns

- Contract Description
- Symbol
- Notes
- Shortable
- <Separator>
- News
- News Time
- News Title
- P & L
- Position
- Avg Price
- Market Value
- P & L
- Unrealized P&L
- Realized P & L
- Cost Basis
- Prices
- Change (%)
- Change Since Open
- Dividends
- Close
- Gap
- High/Low/Volume
- 13 Week Low
- 13 Week High
- 26 Week Low

Group Sort

Show Disabled

OK Apply Cancel

Some options are hidden...

OSOK Trading Strategies

One Shot – One Kill (OSOK) Trading Methodology

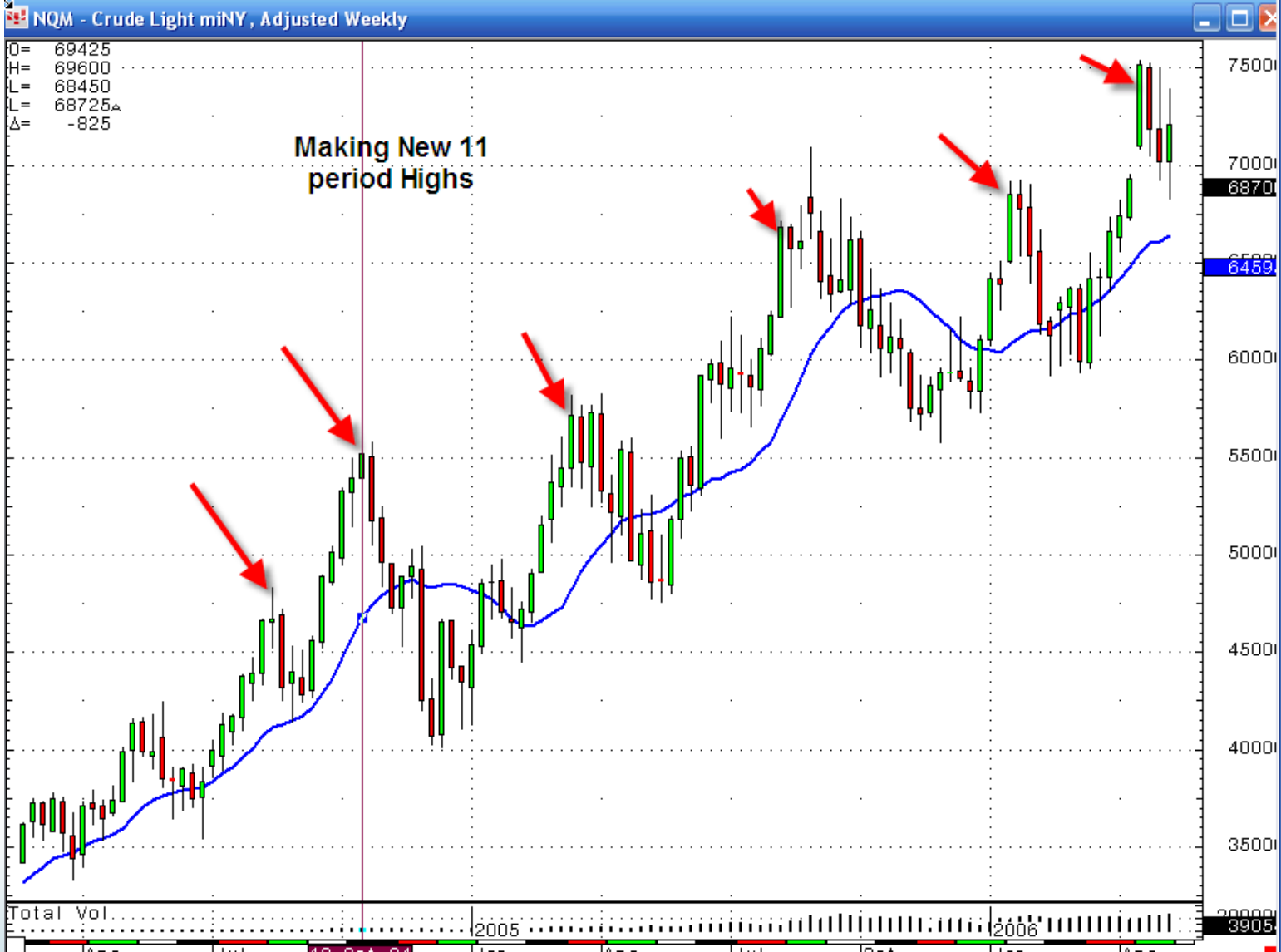
- Identify forces in the market
- Buy weakness in rising markets
- Sell strength in falling markets
- Take profits at predetermined price points
- OSOK's entire method works off of creating viable inflection points

OSOK Strategies

How to Identify Market Forces

- Market making new 11 period high may indicate a bullish pattern
- Market making new 11 period low may indicate a bearish pattern
- Can apply to any time frame from monthly to 3 minutes charts

New 11 Period High/Low



OSOK Trading Strategies

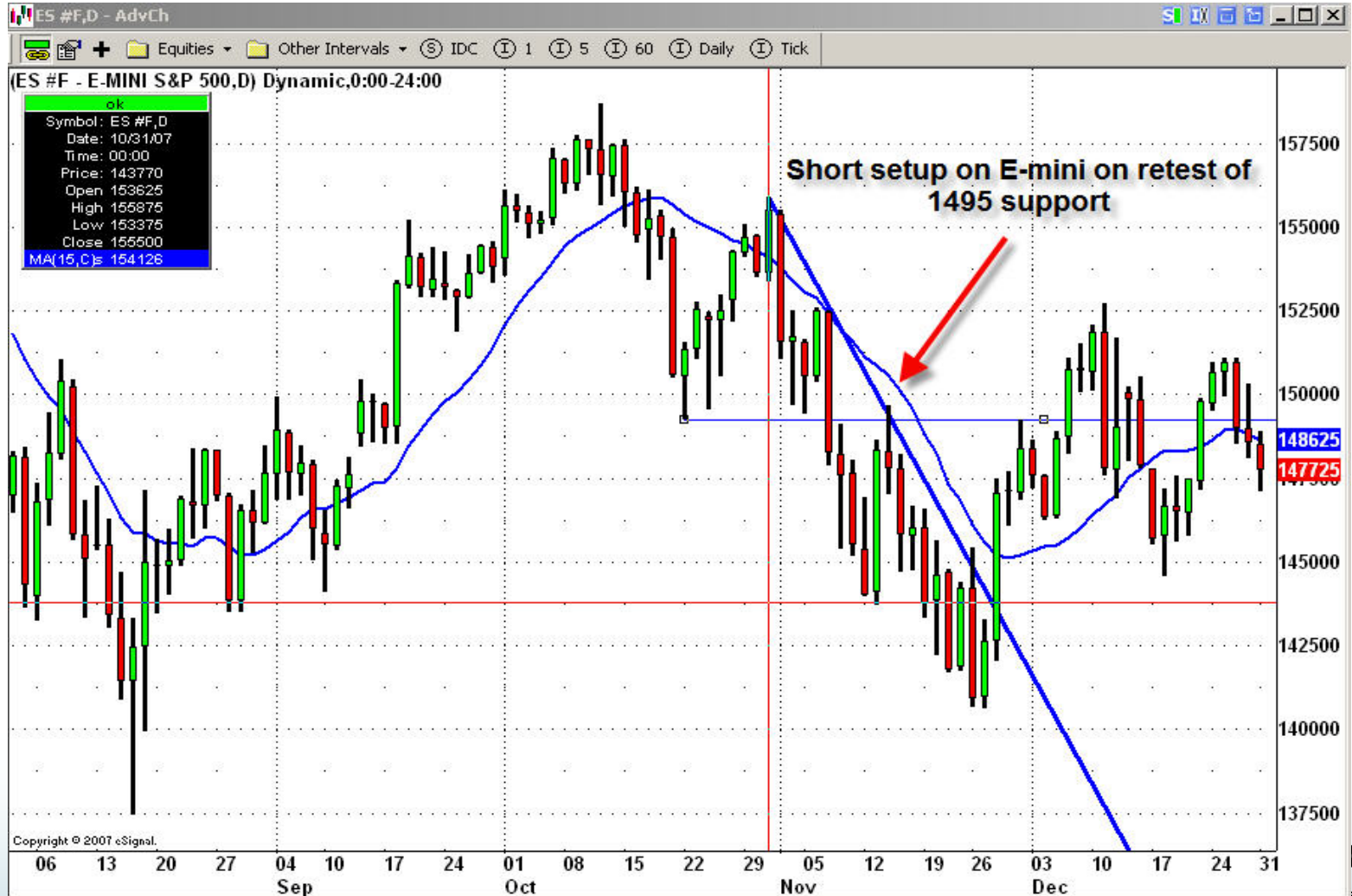
Providing Liquidity on the Side of the Trend

- Intuition
- Fibonacci Levels
- Key Pivot Highs and Lows
 - Support-Turned-To-Resistance (STTR)
 - Resistance-Turned-To-Support (RTTS)
- Moving Averages
- Trend Lines
- Indicators (\$TICK, \$TRIN, A/D Ratio(\$ADD), Vix (\$VIX), Open Int.)

<http://www.cftc.gov/marketreports/commitmentsoftraders/index.htm>

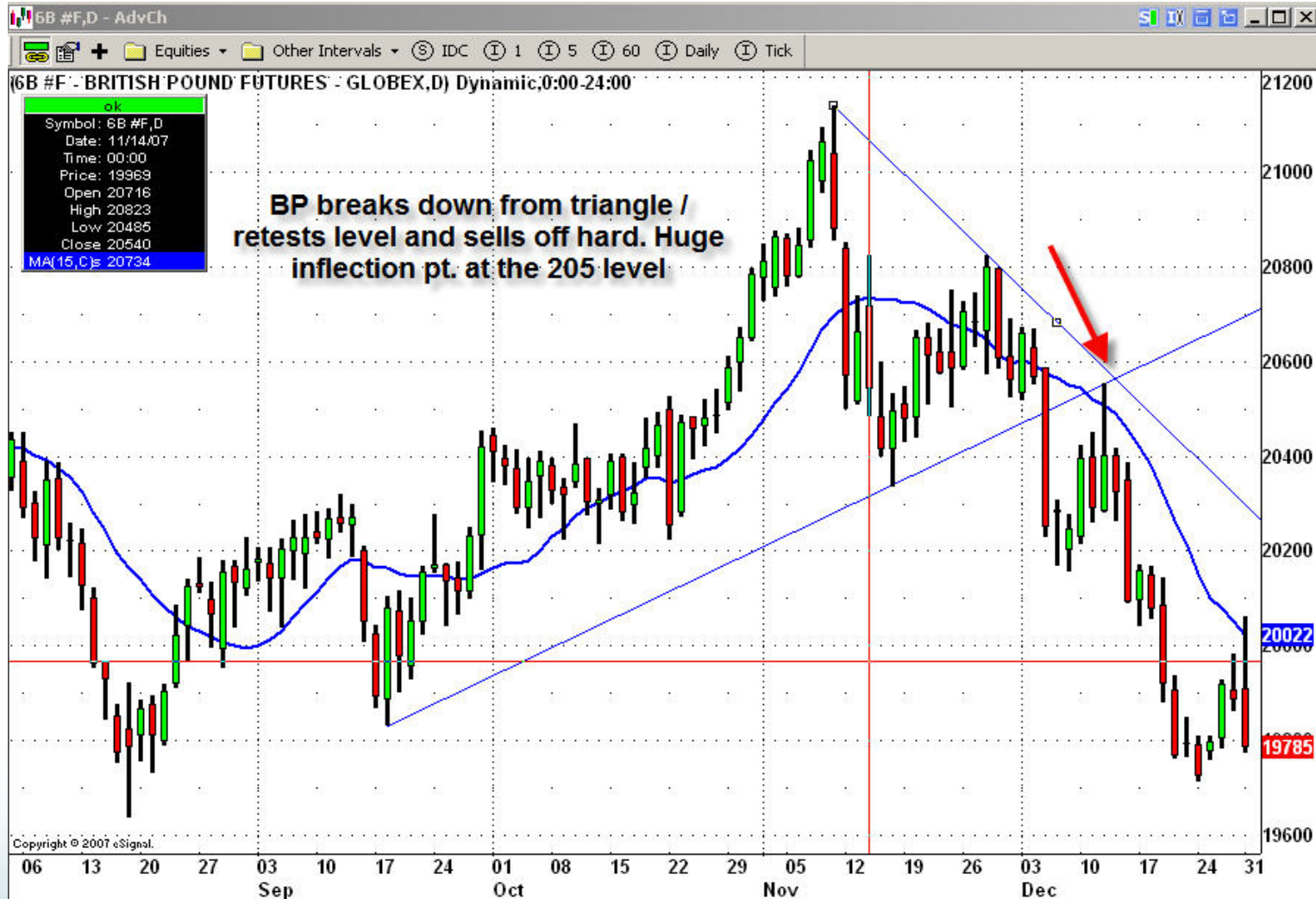
Trade Setups

E-mini S & P 500



Trade Setups

British Pound



Trade Setups



Additional Issues

- **Spreads on futures/options**
- **Dynamic stop placement through recent volatility**
- **Money flow analysis**
- **Scaling into and out of positions**
- **Sequence trading**

Trading Computer Setup



Questions & Answers

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