

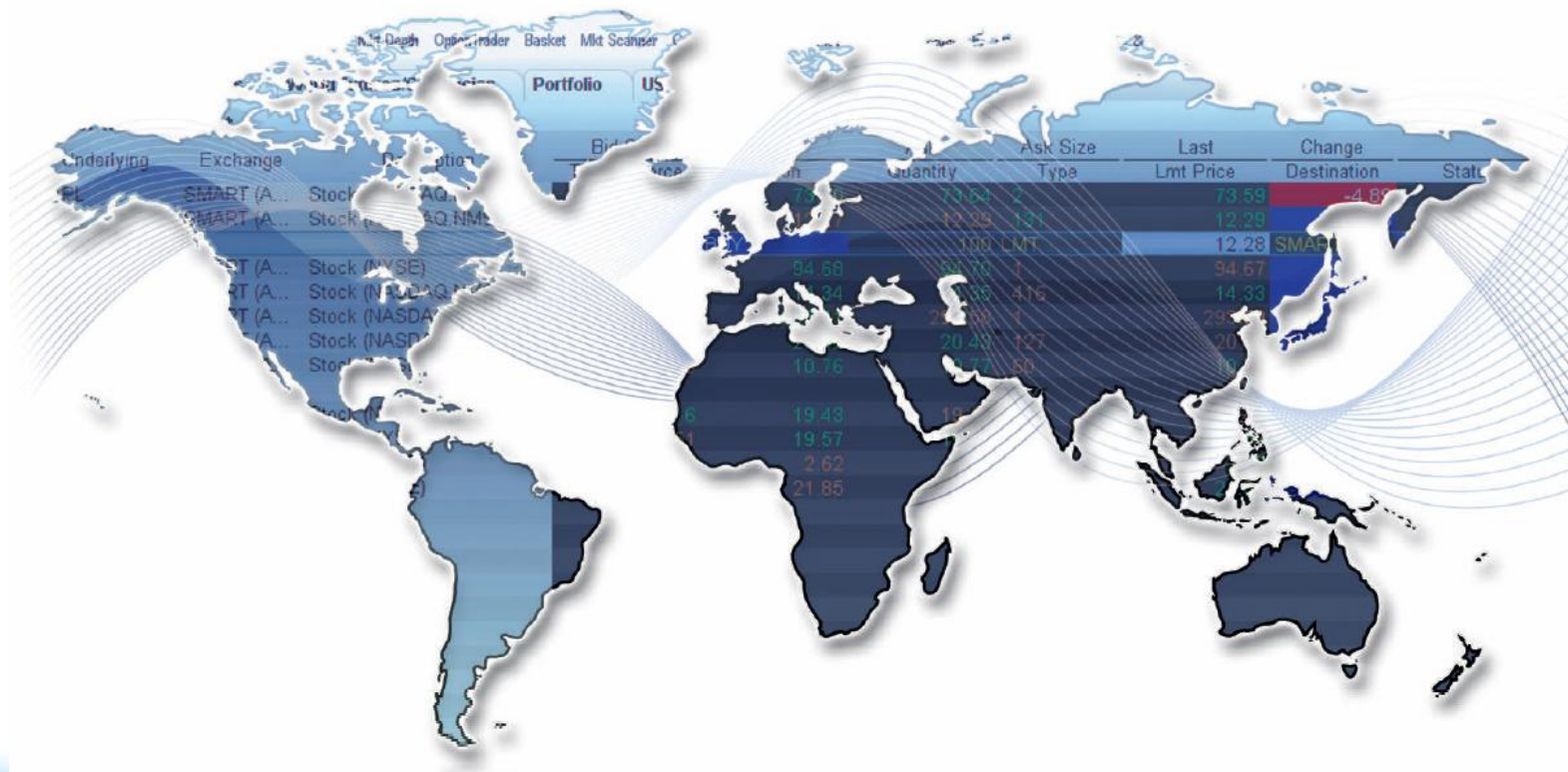
The Power of Pairs Spread Trading Stock Index Futures

David L. Johnson, CME Group

June 18, 2009

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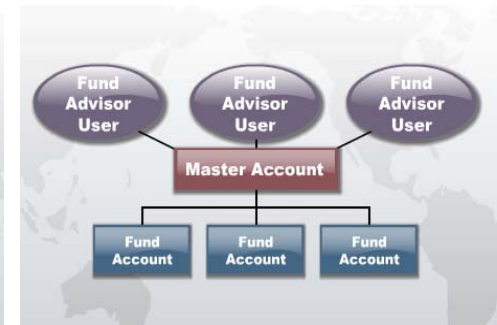
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- ❑ Interactive Brokers Group currently holds \$4.4 billion in equity capital
- ❑ Interactive Brokers has automated every aspect of the trade process in-house, enabling us to offer lower commissions, lower margin interest rates and higher interest paid.
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- Flexible & Customizable Trading System
- IB Risk Navigator (market risk)
- White Labeling

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Boston Options Exchange (BOX)
Chicago Board Options Exchange (CBOE)
Chicago Board of Trade (CBOE)
Chicago Mercantile Exchange (CME)
CBOE Futures Exchange (CFE)
International Securities Exchange (ISE)
National Association of Securities Dealers (NASDAQ)
New York Stock Exchange (NYSE)
NYSE Arca, BTRADE, INET (ISLAND), DirectEdge
OneChicago (ONE)
Pacific Exchange (PCX)
Philadelphia Stock Exchange (PHLX)
New York Mercantile Exchange (NYMEX)
National Stock Exchange (NSX)
Montreal Exchange (ME)
Toronto Stock Exchange (TSX)
Toronto Venture Exchange (TSXV)

New:

Mexican Stocks and derivatives
Spanish Stocks
US Treasury Securities and Mutual Funds



Eurex Deutschland (formerly DTB)
Eurex Schweiz (formerly SOFFEX)
XETRA (formerly IBIS)
EDX London Limited (formerly OMLX, Sweden)
Euronext Amsterdam
Euronext Brussels
Euronext Liffe
Euronext Paris
Euronext LIFFE, London
Intercontinental Exchange, ICE (formerly IPE)
London Stock Exchange (LSE)
Stockholm Fondbors (SFB)
Swiss Exchange (SWX, VirtX)
Spanish Futures & Options Exchange (MEFF)
Italiana Borsa (IDEM division)



Hong Kong Futures Exchanges (HKFE)
Stock Exchange of Hong Kong (SEHK) (SEOCH)
Australian Stock Exchange (ASX)
Sydney Futures Exchange (SFE)
Singapore Exchange (SGX)
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Korea Stock Exchange (KSE)
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EUR DBK

Quote Panel

Underlying	Exch	Description	Position	Bid Size	Bid Price	Model	Ask Price	Ask Size	Last Price	Imp. Vol. (%)	Chg
DBK	IBIS	Stock (XE...)		2,040	82.570		82.660	600	82.600		
DBK	SBF	Stock (DBK)		2,000	82.55		82.70	2,000	82.60		

Check Margin Close Position View Account

Orders Log Execution Portfolio

Underlying	Descript	Time in Force	Action	Quantity	Type	Lmt. Price	Aux. Price	Cancel	Status	Order V.	Stock Ra	Stock R	Delta	Auc. Str
	DAY		BUY	0	Default									

Option Chains - DBK

Bid Price	Model	Ask Price	Call	Last Price	Change	Imp. Vol.	Delta	Description	Bid Price	Model	Ask Price	Put	Last Price	Change	Imp. Vol.	Delta	Gamm
8.48	82.62	8.88	C83.42			1.0000	JUL06 0.01...		0.00		C0.01			3.155%	0.0361	0.014	
6.54	6.77	6.93	C7.55			2.928%	0.9363	JUL06 74.0...	0.06	0.13	0.14	0.10	+0.02	2.984%	-0.0637	0.023	
4.76	4.88	4.96	C5.65			2.711%	0.8838	JUL06 78.0...	0.18	0.23	0.24	0.18	+0.01	2.674%	-0.1162	0.047	
3.01	3.09	3.18	C3.24			-2.430%	0.7821	JUL06 80.0...	0.42	0.43	0.48	0.38	+0.02	2.419%	-0.2179	0.082	
1.53	1.60	1.68	C1.37			-0.302	0.5943	JUL06 82.0...	0.97	1.03	1.01	1.00	+0.20	2.175%	-0.4157	0.114	
0.83	0.75	0.70	C0.83			-0.482	0.3486	JUL06 84.0...	1.97	2.11	2.05	1.87	+0.25	2.032%	-0.8514	0.112	
0.18	0.27	0.24	C0.31			-0.102	0.1592	JUL06 86.0...	3.48	3.63	3.25	3.25	+0.30	1.980%	-0.8408	0.074	
0.08	0.10	0.14	C0.20			-0.042	0.0959	JUL06 87.0...	4.35	4.51	4.55	C3.78		1.914%	-0.5041	0.052	
0.07	0.07	0.10	C0.00			-0.082	0.2479	JUL06 88.0...	5.26	5.46	5.57	5.25	+0.58	1.892%	-0.3349	0.001	
0.01	0.07	0.11	C0.07			2.394%	0.0465	JUL06 89.0...	5.24	6.44	6.54	6.40	+0.78	0.573%	-0.9535	0.027	
0.06	0.05	0.10	C0.07			+0.032	0.2714	JUL06 90.0...	7.20	7.42	7.58	C6.58		0.619%	-0.9681	0.015	
	0.04		C0.02			2.518%	0.0254	JUL06 91.0...	8.20	8.41	8.58	C7.57		0.689%	-0.9746	0.014	
	0.03		C0.01			2.509%	0.0194	JUL06 92.0...	9.19	9.40	9.59	9.40	+0.83	0.728%	-0.9806	0.014	

Universal Account US7013 - Interactive Brokers Trader Workstation

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Commodities US options Stocks worldwide FX S&P Global options Top Options Imp Vol % Gainers Pending Order

Underlying	Exch	Description	Stock	Change	%	High % Volume	Change	%	High % Volume	Change	%	High % Volume
MIRSI	SMART	(ISUPER)S&P500	42.99	-1.31%		2.51%	-41.19%		0.001			
CFR	SMART	(INYS)ISLAND	8.84	-0.23%		0.80%	-35.29%		0.006			
FEI	SMART	(INYS)ISLAND	10.92	-0.84%		0.80%	-32.17%		0.009			
CMVIR	SMART	(ISUPER)S&P500	8.88	0.27%		0.80%	-29.56%		0.008			
COE	SMART	(INYS)ISLAND	22.14	0.50%		0.80%	-28.01%		0.009			
ACLS	SMART	(ISUPER)S&P500	5.78	-2.28%		0.80%	-27.92%		0.004			
VCOS	SMART	(INYS)ISLAND	12.03	-0.33%		0.80%	-27.64%		0.009			
NFT	SMART	(INYS)ISLAND	6.59	0.00%		0.80%	-26.98%		0.008			
TRG	SMART	(INYS)ISLAND	18.20	-0.45%		0.80%	-26.92%		0.009			
QSP	SMART	(INYS)ISLAND	20.33	0.07%		0.80%	-26.85%		0.009			
FBA	SMART	(INYS)ISLAND	6.22	-2.41%		0.80%	-26.72%		0.008			
NKQD	SMART	(ISUPER)S&P500	20.52	-0.40%		0.80%	-26.59%		0.009			
ACR	SMART	(INYS)ISLAND	5.19	-0.77%		0.80%	-26.53%		0.009			
ALD	SMART	(INYS)ISLAND	20.09	0.40%		0.80%	-26.47%		0.009			
BEI	SMART	(INYS)ISLAND	12.78	0.00%		0.80%	-26.41%		0.009			
COV	SMART	(ISUPER)S&P500	8.15	0.85%		0.80%	-26.35%		0.009			
DIRN	SMART	(INYS)ISLAND	5.17	0.19%		0.80%	-26.29%		0.009			
LEI	SMART	(INYS)ISLAND	15.14	-0.39%		0.80%	-26.23%		0.009			
COV	SMART	(ISUPER)S&P500	2.82	0.31%		0.80%	-26.17%		0.009			
HCQ	SMART	(INYS)ISLAND	26.83	-0.45%		0.80%	-26.11%		0.009			
INTO	SMART	(AMER)ISLAND	4.81	-2.30%		0.80%	-26.05%		0.009			
BSOP	SMART	(ISUPER)S&P500	18.51	-0.28%		0.80%	-26.00%		0.009			
CLB	SMART	(INYS)ISLAND	21.54	0.20%		0.80%	-25.94%		0.009			
NAT	SMART	(INYS)ISLAND	35.55	0.28%		0.80%	-25.88%		0.009			
SNBS	SMART	(ISUPER)S&P500	4.79	-0.20%		0.80%	-25.82%		0.009			
ADPT	SMART	(ISUPER)S&P500	4.24	-1.41%		0.80%	-25.76%		0.009			
GTOP	SMART	(ISUPER)S&P500	4.38	-0.79%		0.80%	-25.70%		0.009			
LT	SMART	(INYS)ISLAND	15.84	-0.29%		0.80%	-25.64%		0.009			
HIIT	SMART	(ISUPER)S&P500	4.16	-1.20%		0.80%	-25.58%		0.009			
COMB	SMART	(INYS)ISLAND	10.97	-0.39%		0.80%	-25.52%		0.009			
FNRS	SMART	(INYS)ISLAND	3.29	-0.30%		0.80%	-25.46%		0.009			
FRNT	SMART	(ISUPER)S&P500	18.27	-0.29%		0.80%	-25.40%		0.009			
LEIS	SMART	(INYS)ISLAND	16.83	-0.23%		0.80%	-25.34%		0.009			
SE	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-25.28%		0.009			
LEI	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-25.22%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-25.16%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-25.10%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-25.04%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.98%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.92%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.86%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.80%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.74%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.68%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.62%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.56%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.50%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.44%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.38%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.32%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.26%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.20%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.14%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-24.08%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-24.02%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.96%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.90%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.84%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.78%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.72%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.66%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.60%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.54%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.48%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.42%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.36%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.30%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.24%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.18%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.12%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-23.06%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-23.00%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-22.94%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-22.88%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-22.82%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-22.76%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-22.70%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%		0.80%	-22.64%		0.009			
LEIS	SMART	(INYS)ISLAND	16.73	-0.12%		0.80%	-22.58%		0.009			
LEIS	SMART	(INYS)ISLAND	47.08	-0.14%								

The Power of Pairs Spread Trading Stock Index Futures

David L. Johnson, CME Group

June 18, 2009

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Strategies: Spreading Stock Index Futures

Many traders are content to just trade from the long or short side of the market. However, spreads are unique strategies because:

- They add flexibility
- Allow traders to take advantage of price disparities without having to pick the overall direction of the market
- And have many other advantages

Strategies: Spreading Stock Index Futures

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Strategies: Spreading Stock Index Futures

As most market sectors headed south during the 2000-2002 bear market, mid-cap and small-cap stocks outperformed by a wide margin. Even during the up-rise since March 2003, smaller issues have mostly outperformed.

Note the interesting performance of the Nasdaq 100 index...

Year	S&P 500	S & P Mid Cap 400	S & P Sml Cap 600	Nasdaq 100
2009*	- 1.1	+4.4	- 3.4	+15.7
2008	- 38.5	- 37.3	- 31.9	
2007	+ 4.2	+ 7.3	- 0.5	
2006	+13.6	+ 8.9	+14.1	
2005	+ 3.0	+11.3	+ 6.7	
2004	+ 8.9	+15.2	+21.6	
2003	+26.4	+34.0	+37.5	
2002	-23.9	- 15.5	- 15.5	
2001	-13.0	- 1.6	na	
2000	-10.1	+16.2	na	

* 2009 YTD 5/27/09

Strategies: Spreading Stock Index Futures TARP vs. TECH Spread

Its June 2009...A trader believes that technology will continue to outperform the broader market as financials continue to weigh heavily against S&P 500.

Strategy:

Go long E-mini Nasdaq-100 and simultaneously short E-mini S&P 500 futures

<i>Go long...</i>	2 Sep 09 E-mini Nasdaq-100	1400.00
<i>Go short...</i>	1 Sep 09 E-mini S&P 500	930.00

One could also spread the Nasdaq 100 vs the Dow futures as well

Strategies: Spreading Stock Index Futures

Its early in 2009...A trader believes that large caps will outperform small and midcaps for the rest of 2009.

Strategy:

Go long large cap issues and simultaneously short small cap issues or (mid cap)

<i>Go long...</i>	1 Sep 09 E-mini S&P 500	930.00
<i>Go short...</i>	2 Sep 09 E-mini S&P Small Cap 600	300.00
<i>Go long...</i>	1 Se 09 E-mini S&P 500	930.00
<i>Go short...</i>	1 Mar 09 E-mini S&P Mid Cap 400	550.00

Strategies: Spreading Stock Index Futures

Considerations:

Are all spreads done in a 1:1 ratio?

Are they dollar neutral?

Are there margin implications ?

Other Types of Stock Index Spreads/combos

Spreading Large cap issues against mid or small cap issues is only one way to profit from the discrepancies that appear in the market. One could spread other stock index futures to take advantage of a more “worldly” view.

Example 1....A trader believes that Emerging Markets are overpriced relative to the United States. He could conceivably go long the Dow or S&P 500 futures and simultaneously short the MSCI Emerging Markets futures.

Example 2...Another trader believes overseas markets will outperform the United States. He or she could go long MSCI EAFE futures and short S&P 500 futures

Many excellent spread trading opportunities exist in the commodities markets as well. Platinum vs. Gold. July Soybeans vs. November Soybeans. Bonds vs. Notes.....

Advantages of Spreading Stock Index Futures

There are many advantages to spreading stock index futures which include:

- In general, lower risk with spreads than with out-rights
- Divorce yourself from having to correctly predict market direction
- Ability to profit in up and down market
- In general, lower performance bond margins (for spreads recognized by Clearing House)
- Roll cost consideration for longer term position
- Cheaper than doing strategy with baskets of stocks or ETFs
- You can do reverse of this spread if opinion warrants
- Liquidity good enough to do short term trades
- Commodities are excellent spreading vehicles (metals, grains, energy)

Question & Answer Period

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