CME® E-MINI™ STOCK INDEX FUTURES AND OPTIONS

Product Overview

cme
Chicago Mercantile Exchange

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Innovative CME® E-mini™ futures track the most popular broad-based stock index benchmarks in the financial world. The CME E-mini futures complex consists of the following five key products:

- E-mini S&P 500® futures
  Created to track the Standard & Poor's 500 Index, the key benchmark for large-capitalization U.S. stocks

- E-mini NASDAQ-100® futures
  Created to track the NASDAQ-100 Index, a key benchmark of technology, telecom and biotechnology issues

- E-mini Russell 2000® futures
  Created to track the Russell 2000 Index, one of the major benchmarks for small-capitalization U.S. stocks

- E-mini S&P MidCap 400™ futures
  Created to track the Standard & Poor's MidCap 400 Index, the key benchmark for mid-size U.S. companies

- E-mini Russell 1000® futures
  Created to track the 1000 largest cap companies in the U.S. based on total market capitalization.

Pioneered by CME and sequentially launched between 1997 and 2003, all CME E-mini futures are traded completely electronically via electronic order management software on a PC or through a registered commodity futures broker over the telephone. In addition to offering unique opportunities for risk management and market exposure, CME E-mini stock index futures are appealing because of their excellent liquidity and around-the-clock availability. At one-fifth the size of their standard counterparts, these contracts have found an audience among professional and individual investors alike.

The products in the CME E-mini complex are among the fastest growing products CME has ever launched. The success of the CME E-mini complex overall has established CME as the "Index Exchange," with more than a 92% market share of all domestically traded stock index futures and options on futures. The CME Equity Index quadrant as a whole is also known as one of the world's most liquid trading environments for stock index products, when measured in terms of volume and open interest.

The strategies/opportunities available to the trader make CME E-mini stock index futures well worth considering. Please note, however, that futures trading is not suitable for all investors, and involves the risk of loss, including the possibility of loss greater than your original investment.

1 THE BASICS

What Are Stock Index Futures?

Stock index futures are contracts to buy or sell the value of a specific stock index at a specific price on a specific date in the future. Businesses and individual traders trade stock index futures for different reasons, but primarily to try to profit from or protect themselves from changes in the price of the underlying indexes. Financial professionals, such as pension and mutual fund managers, typically use CME index futures for managing risk and hedging portfolios against adverse price moves. Others, such as day traders or position traders, trade these products to speculate on the price fluctuations of the stock market.

Stock index futures closely follow the price movement of their respective indexes, typically referred to as the "underlying" or "cash" indexes. Intraday, monthly and yearly correlations between cash indexes and futures are very close. On some occasions, the futures may diverge from the cash index for short periods of time, but market forces (such as arbitrage) usually work to bring these brief variances back into line.

If in trading futures you purchase an index futures contract, you hope to gain from future price increases when you offset your trade by selling the contract. Correspondingly, if you initially sell (i.e., selling short) an index futures contract, you hope to gain if the price of the contract declines. Remember though, if your forecast proves wrong, you risk loss. The rapid price changes associated with stock indexes and stock index futures create continuous trading opportunities. It can be more efficient, however, to trade stock index futures instead of equity securities. This is because a stock index futures trade involves just one transaction to get into the market and one to get out, while selling a basket of equity securities is likely to involve numerous transactions.