

Rates Recap August 2017



Classic Bond Futures Soar the Gap

Our latest whitepaper analyzes the performance of Classic Bond futures during the first two-and-a-half-year period of its jump across the 5-year gap on the Treasury bond curve.

- Since June 2015 (first delivery quarter on the other side of the gap) two nearby bonds have competed for CTD. The 5s of May 37 have been considered CTD 33% of the time, the 4-1/2s of Feb 36 the remainder.
- With \$691B in size, the Classic Bond has the third largest delivery basket of all U.S. Treasury futures.
- Over the last 10 years, the average percentage of the deliverable basket taken to physical delivery is only 0.23%.
- Since Q2 2015, ADV has increased 7% while average daily open interest has grown 44%.
- The number of large open interest holders has risen 50% since March 2015.
- Classic Bond futures continue to serve as the pricing benchmark for the 15-25 year portion of the curve.

Read the full whitepaper at cmegroup.com/classicbond

Webinar: Futures & Options on the broad Treasuries repo financing rate

- We are excited to announce that we will launch futures and options on the broad Treasuries repo financing rate after the Federal Reserve Bank of New York and the U.S. Treasury Office of Financial Research begin daily publication of the rate, expected in H1 of 2018.
- We have spent the past several years exploring products based on similar Treasury repo rates, which would be complementary to Fed Fund futures and Eurodollar futures.
- **Webinar scheduled for October 4 at 10 am ET.** Official invitation to follow in the coming weeks.

View press release at cmegroup.com/repo-press-release

Liquidity Enhancements Take Ultra 10 Open Interest to New Records

- Top of book grew from ~90 in Q1 to ~150 in Jun-Jul.
- Ultra 10 ADV as percentage of TY ADV grew from 4.8% in 2016 to 7.7% in Jun-Jul 2017.
- **Open Interest eclipsed 400K contracts on June 25.**

View product details at cmegroup.com/ultra10

Data through July 31, 2017 unless otherwise specified.

View the current version and an archive of the Rates Recap online at cmegroup.com/ratesrecap

Large UST Options Trade Gets the Street's Attention

On July 12, Bloomberg published a report highlighting a very large option strangle traded in 10-Year Note options.

As discussed in our follow-up [video](#), the trade underscores the depth of our UST options market, offers a useful case study on the benefits of a strangle for defining risk limits and generating alpha, and calls attention to the increasingly popular Open Interest Heatmap tool.

Identify Large Swings in OI with the Heatmap Tool

Easily track the concentration of put and call positions across expirations and strikes, and view how each has changed over the last day, week, or month.

In this case, a quick look at the Aug Monthly 10-Year Treasury options shows very large open positions in the 124 puts and 126 calls, confirming the large trade reported by Bloomberg.

Strikes	TYQ7 7 DTE		TYU7 42 DTE	
	Call	Put	Call	Put
123.75	65	11,468		
124.00	351	135,215	4,802	72,936
124.25	166	19,207		
124.50	3,263	62,264	4,371	58,066
124.75	1,407	20,769		
125.00	26,347	58,308	24,083	57,394
125.25	13,348	15,847		
125.50	55,404	63,510	63,435	36,529
125.75	17,973	11,795		
126.00	104,363	50,194	71,485	34,817
126.25	11,904	5,622		
126.50	69,574	33,267	45,382	26,976

cmegroup.com/oiheatmap



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