

# Basis Trading in MSCI Futures

Trading a calendar spread between the daily and quarterly future replicates basis trading. Market on Close (MoC) T+X allows fully automated and operational efficient basis trading via a calendar spread between the daily expiring and standard target futures.

In a single trade, you can go short the daily and long the quarterly futures, meaning you have paid the basis and the index close – once the daily leg expires. Everything works using just one product and in the same manner as a quarterly roll.

The new solution is the first of its kind and adds flexibility, reduces operational efforts, increases the transparency of the basis and mitigates counterparty risk.

## KEY ARGUMENTS:

- Touch the trade only once on the trade date
- Trade entry time is at the time of execution, processed and reported immediately
- No counterparty risk. All legs are directly in the CCP risk framework
- Full flexibility of trading channels: on-screen, EnLight or TES.

## What are the key benefits?



### Flexibility

The new Market on Close (MoC) T+X functionality allows trading MSCI futures as a block trade or via the order book.



### Ease of execution

Just trade the calendar between the daily expiry (T, T+1 or T+2) and the standard quarterly futures you want to trade based on close and you're done. All this happens within the same product and not a separate trade for the basis. No clearing operations are needed to book from a basis product into the futures.



### Reduced operational efforts

There's no need for further price confirmations or additional tasks after the index close is available. This also means that each trade only needs to be considered once. This brings the positive side effect that the trade shows the correct trade date, namely when it was initially agreed.

## TRADING OF MSCI FUTURES

Especially for MSCI Futures (because of multiple time zones, -countries, -currencies), the ways to execute differ:



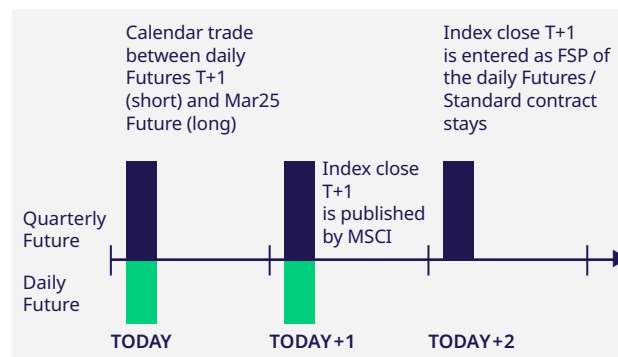
\* TES share: FESX ~20% / FDAX <2% / MSCI ~85% (10 February 2025)

## MSCI BASIS TRADING AT EUREX

Daily Futures are allowing a fully automated basis trade functionality

**Futures = Index + Basis**  
**Quarterly Futures = Daily Futures + Spread between Daily & Quarterly**

In order to replicate a basis trade, a calendar spread is traded between the daily futures and the standard quarterly future



### Example:

- An end client wants to build a long position in the March 25 MSCI World Index Future (FMWO)
- As Australia & Japan are already closed for the day, trade should be based on the T+1 index close
- A calendar trade between the Daily Future (T+1) and the Quarterly Future is traded (= basis). This can be done as a block trade or via the order book
- Once the index close of T+1 is available, it is entered by the exchange as Final Settlement Price for the Daily Future
- At the end, client has paid the basis + the index close for the standard future

## MSCI BASIS TRADING

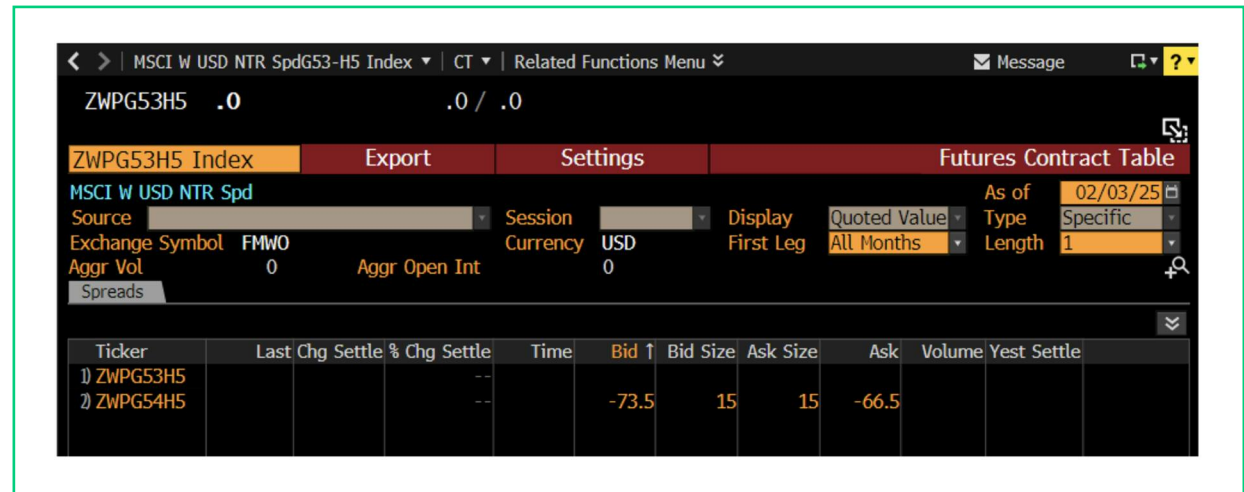
### Eurex T7 GUI

Market												
fmwo		Product	Edit	Up to:	Expiry	Strike	+/-	Version	<input checked="" type="checkbox"/> S <input checked="" type="checkbox"/> C <input type="checkbox"/> M	=	Type	* Las
CPhase	Contract	Curr	CPrevSetPrc	CNetChg	CVol	CBAcc	CBQty	CBid	CAsk	CAQty	CAAcc	CLst
Cont	FMWO T+0	USD	12,262.19900									
Cont	FMWO T+1	USD	12,263.69000									
Cont	FMWO T+2	USD										
Cont	FMWO Mar25	USD	12,336.00000	-187.00000	7,370		4	12,014.000	12,016.000	117		12,015.000
Cont	FMWO Jun25	USD	12,474.00000									
Cont	FMWO Sep25	USD	12,610.00000									
Cont	FMWO Dec25	USD	12,747.00000									
Cont	FMWO Mar26	USD	12,882.00000									
Cont	FMWO Jun26	USD	13,016.00000									
Cont	FMWO Sep26	USD	13,152.00000									
Cont	FMWO Dec26	USD	13,291.00000									
Cont	FMWO Mar27	USD	13,431.00000									
Cont	FMWO Jun27	USD	13,573.00000									
Cont	FMWO Sep27	USD	13,716.00000									
Cont	FMWO Dec27	USD	13,860.00000									
Cont	FMWO Mar28	USD	14,006.00000									
Cont	FMWO Jun28	USD	14,156.00000									
Cont	FMWO Sep28	USD	14,307.00000									
Cont	FMWO Dec28	USD	14,460.00000									
Cont	FMWO Mar29	USD	14,613.00000									
Cont	FMWO Jun29	USD	14,769.00000									
Cont	FMWO Sep29	USD	14,939.00000									
Cont	FMWO Dec29	USD	15,104.00000									
Cont	FMWO BSPD T+0 Mar25	USD										
Cont	FMWO BSPD T+1 Mar25	USD					15	-73.500	-66.500	15		

- Basis Trading works exactly like the quarterly rolls. It can be done by trading the **basis spread (BSPD)** instrument
- It would give you the March Futures, for which you pay initially the Basis (as shown in the **red box**) and later the T+1 index close (once that index is known)
- In the example, you would e.g. buy the Basis at mid price (-70.0). This would give you a long position in FMWO MAR25 and a short position in FMWO T+1, for which you pay the difference of 70
- If the T+1 leg expires, you need to pay it, let's assume at 12.260. At that point, you only have the FMWO MAR25 long position for which you paid in total  $70 + 12.260 = 12.330$

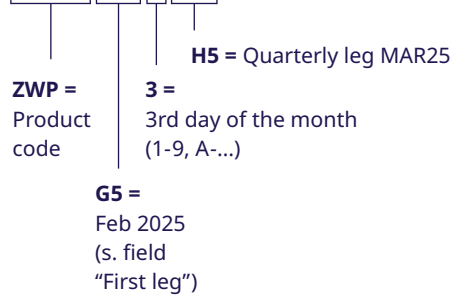
# MSCI BASIS TRADING ON BLOOMBERG

## Bloomberg Terminal



The logic of the individual tickers is like this:

**ZWPG53H5**



- On BBG, one just need to know the product code. For MSCI World (NTR, USD) Futures that code is **ZWP**
- By using that code twice followed by a «D» for Daily, you would enter **ZWPZWPD Index**
- When you type CT, you see the available Basis Spreads
- By choosing one and go the **DES**, you can confirm which index close will be delivered on the daily leg

For a full list of all Basis Spread codes, see this [link](#) (please refer to column "AD")



## BASIS TRADING FOR MSCI FUTURES

### Old version versus new version

	Old Trading Process	New Trading Process
<b>Description</b>	Trade is bilaterally agreed, thereafter you need to wait for index close, do a reconfirmation and a trade entry (1 or 2 days later)	Trade is done (in the orderbook) or entered (via TES) in the Calendar instrument (BSPD)
<b>Operational</b>	Trade needs to be handled twice	Trade needs to be handled only once
<b>Trade date</b>	Recorded Trade date 1 or 2 days after trade	Trade date matches the day when trade was agreed
<b>Trade entry times</b>	Counterparties need to assure regulatory compliance (15min rule) when trade details are known	Trade is entered and processed immediately
<b>Counterparty Risk</b>	Trade is outside CCP until it is entered. Until then, default risk of the counterparty	Trade is in the CCP straight away
<b>Brokerage fee</b>	Brokerage commission needs to be paid	No Brokerage commission if traded via order book
<b>Exchange fee</b>	One leg (block trade) is charged / typically 0.90 USD	Two legs are charged, but at a reduced fee of 0.15 USD (order book) or 0.30 USD (block)*

\* For the daily leg a cash settlement fee (0.60 USD) would come on top, but in total same exchange fees if traded via order book

## BASIS TRADING

### Different exchanges, different solutions

#	Alternative	Description	Examples	Trade to be handled	Right trade date?	Counterparty Risk?	Rebooking necessary?
1	<b>Separate product for the basis</b>	Trade the basis as a separate product and re-book it / transfer position into the standard future after close is known	<ul style="list-style-type: none"> <li>MOC for Euro STOXX 50 (Eurex)</li> <li>BTIC (CME)</li> <li>TIC+ (ICE US)</li> </ul>	once 	no* 	no 	yes 
2	<b>Book transaction only after close</b>	Wait until the index close is known and only enter the Basis trade thereafter in the standard future	<ul style="list-style-type: none"> <li>BIC (ICE US)</li> <li>Block trade / TAIC (Eurex)</li> </ul>	twice 	no* 	yes 	no 
3	<b>Trade basis via Calendar instrument</b>	Trade the calendar of a daily & standard future (or two individual legs)	<ul style="list-style-type: none"> <li>MSCI Futures (Eurex)</li> </ul>	once 	yes 	no 	no 

\* Not if Index is only available a day or more later

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