



Customer Advantage of trading CBOT® Dow Jones Industrial AverageSM and CBOT mini-sized DowSM Futures

CBOT Dow futures and mini-sized Dow futures offer traders flexible opportunities to trade and manage market risk. Electronic access, highly liquid markets, low margin requirements, and beneficial tax treatment have combined to establish CBOT Dow futures products as outstanding trading and hedging instruments for equities and futures traders alike.

Broad Market Appeal: Interest in U.S. equity indexes and the CBOT Dow and mini-sized Dow futures contracts has increased dramatically. The Dow is the world's most followed stock index, with combined volume in CBOT Dow and mini-sized Dow futures exceeding 100,000 contracts, or over \$6.4 billion trading daily.

Simplified Benchmarking: The Dow is a price-weighted index of 30 blue chip U.S. companies, representing nine economic sectors. The leadership position of the component Dow stocks results in an extremely high correlation of the DJIA to broader U.S. indexes, such as the S&P500® (currently a 95% 50-day rolling correlation). CBOT Dow and mini-sized Dow futures, therefore, provide opportunities for traders to gain market exposure and manage risk between correlated equity index futures, underlying stocks, stock baskets, and single stock futures.

Transparency, Speed & Efficiency: The introduction of the mini-sized Dow future (\$5 multiplier) has expanded the universe of equity index traders competing on a level playing field. The mini-sized Dow and mini-sized Dow options are 100% electronically traded, have continuous two-sided quotes, and are available nearly 24 hours a day (7:15pm – 4pm CST, Sunday-Friday). Competition has increased liquidity in the mini-sized Dow futures, with open interest exceeding 85,000 contracts. The smaller \$5 tick size allows for greater flexibility when managing portfolio risk.

The CBOT Dow future (\$10 multiplier) provides traders with twice as much dollar value exposure as the mini-sized Dow and e-mini S&P500 futures. The \$10 Dow futures and options add further execution flexibility as they are traded on a hybrid floor / electronic platform (open outcry 7:20am-3:15pm Monday-Friday; electronic 7:15pm-7am Sunday-Friday).

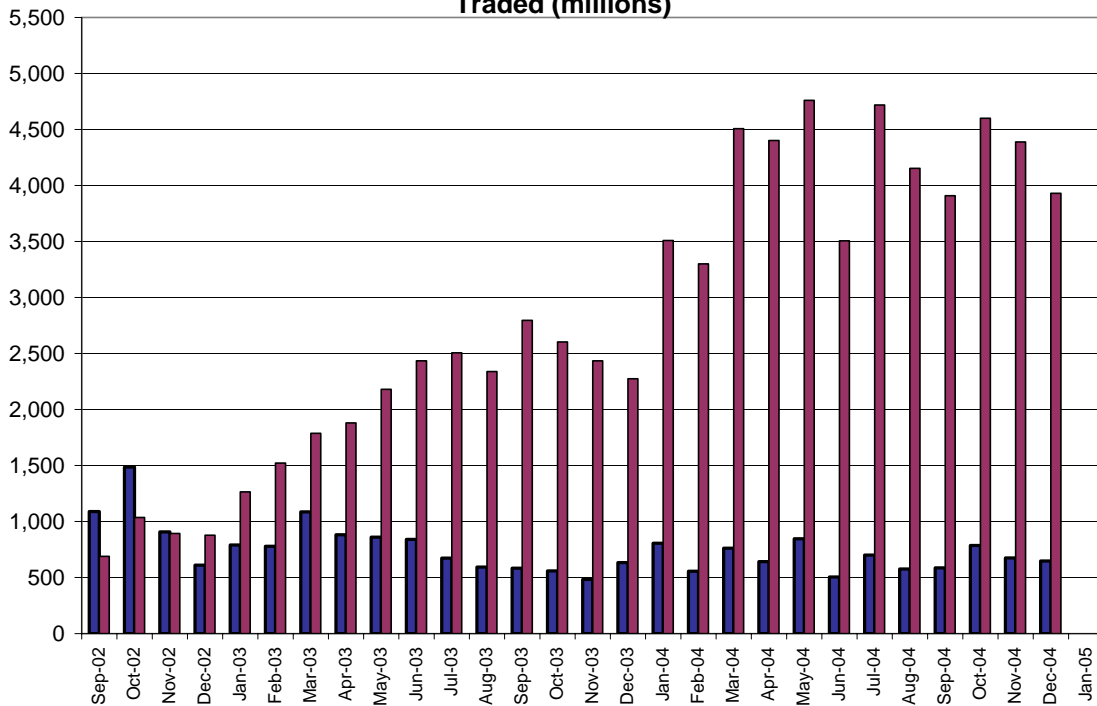
Favorable margin: The initial margin to carry a Dow and mini-sized Dow futures contract overnight is \$5,000/\$2,500 respectively, or 5% of the underlying contract value. Intraday margins can be significantly less. In contrast, exchange traded funds require margins of 50% of the underlying contract value (Dow \$10/\$5 contract equivalent DIAMONDS® ETF margin is \$52,500/\$26,250). Clearly, Dow index futures provide more leverage at lower cost than competitive offerings.

To further enhance margin efficiencies, the CBOT and CME have established a common clearing link, whereby intermarket spread trades across the two exchanges are given significant reductions in performance bond requirements. For example, the popular 1:1 e-mini S&P vs. mini-sized Dow futures spread enjoys a 95% spread credit from \$6,500 to \$325.

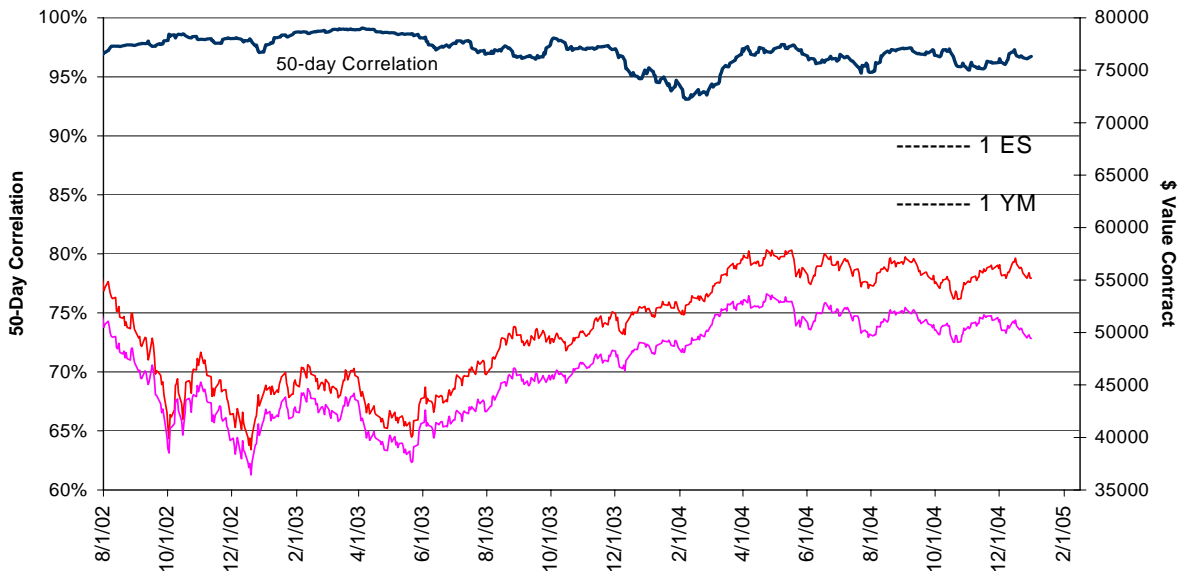
The information in this publication is taken from sources believed to be reliable. However, it is intended for purposes of information and education only and is not guaranteed by the Chicago Board of Trade as to accuracy, completeness, nor any trading result, and does not constitute trading advice or constitute a solicitation of the purchase or sale of any futures or options. Margin requirements are subject to change. The Rules and Regulations of the Chicago Board of Trade should be consulted as the authoritative source on all current contract specifications.

"Dow Jones," "The Dow," "Dow Jones Industrial Average," and "DJIA" are service marks of Dow Jones & Company, Inc and have been licensed for use for certain purposes by The Board of Trade and the City of Chicago (CBOT). The CBOT's futures and futures-options contracts based on the Dow Jones Industrial Average are not sponsored, endorsed, sold, or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of trading in such products.

CBOT mini-sized Dow Futures v.s. Diamond ETF : Daily \$volume Traded (millions)



CBOT mini-sized Dow vs. E-mini S&P 500



Fair Value Calculation

Fair Value is the theoretical futures price given the current underlying index level, dividends, days to expiration, and interest rates. Price discrepancies above or below fair value vs. the cash index price represent arbitrage opportunities to return the market to fair value.

Calculation (Dec): $FV = \text{Cash index} [1+r * (\text{dtx}/365)] - \text{Dividends}$
 As of 11/2/2004 $FV = 10113.75 [1+.0205 * (45/365)] - 43.82$
 $FV = 10,095.50$ or -18.25

To learn more about CBOT Dow Complex products, please visit www.cbot.com/dow.