

OCTOBER 2007

Trading the Mighty Mini

Mini-sized futures contracts aren't new. In fact they date back to the 1880's when the Open Board of Trade (later re-named the MidAmerica Commodity Exchange) offered 1,000 bushel grain futures against the Chicago Board of Trade's 5,000 bushel contracts.

Back when trading was all open-outcry, most attempts at mini versions of the regular contracts fared poorly – there was just too little volume and open interest. But electronic trading changed all of that and today the electronic (or "E") mini futures have exploded with record-breaking volume and open interest. Unprecedented liquidity coupled with near 24-hour trading hours and easy self-directed order entry (via front-end platforms) have brought a whole new wave of traders into the futures marketplace.

Today, U.S. futures exchanges offer 16 mini contracts. Daily volume ranges from the millions (E-mini S&P 500) to just single digits (mini-Gasoline and mini-Silver). **In fact, the CME's five E-mini stock index contracts far and away surpass the trading volume in the regular sized stock index futures.** [see table 1]

Mini contracts offer these five trading advantages for both Scalpers and Position-Traders

- 100% electronic trading means efficient and swift order entry and instantaneous execution reporting.
- Electronic markets offer full transparency – the ability to see the range of bids and offers.
- Trading is open around the clock, around the world.
- The ability to place and hold trades based on forecasted price movement rather than price risk alone.
- Lower margins (1)

Mini contracts can also help the long-term trader build and hold a position.

One of the great attractions of futures trading is the high leverage. But leverage is a double-edged sword which sometimes prevents traders with limited risk capital (or a personally risk-adverse trading profile) from building and holding long-term positions.

Imagine a trader last April forecasting a 5% rally in the S&P 500 by mid-Summer. With one regular-size contract requiring almost \$20,000 in margin, it would be difficult for most people to build and hold a position of more than one contract. There's just no room for flexibility – you're either long 1 contract or sitting on the sidelines. The risk/reward is a \$250 profit or loss per point! But with e-mini's your margin requirements as well as your risk/reward is just one-fifth of

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the regular contract. This creates an environment where it is easier to trade with your convictions (in this example, a 5% move in the S&P). In fact, the S&P did rally 5% from April 2007 into mid-July. But given the day-to-day volatility, many traders will prefer to trade their convictions knowing that each 1 point movement has only a \$50 valuation (as opposed to \$250). Scaling in, building a position, reducing a position – these are all advantages the minis hold over their larger-sized counterpart contracts.

Trading E-mini Futures in your Futures Account with the Zaner Group

Whether you are a self-directed trader or follow the broker-assisted path, Zaner can readily service your mini-futures trading at competitive commissions and margins (1).

Self-directed traders will be especially interested in our *ZanerDayTrader* platform, which was developed expressly for trading electronic markets – especially the “mini’s.’ Open a mock account and demo the *Zaner Dayrader* platform without obligation for 30 days. Register for a simulated trading account at <http://www.zaner.com/futures/DayTrader/index.asp>

Learn More at the Zaner Website

Zaner offers a series of online videos, produced by the Chicago Mercantile Exchange and presented by Daniel Gramza. These can be viewed and studied at your convenience by logging on to:

http://www.zaner.com/futures/emini_seminars.asp#

Video 1: Learn About Trading CME E-mini Futures

- How E-mini futures work
- Reasons to consider trading E-mini futures

Video 2: Migrating to CME E-mini Futures

- Key differences between trading e-mini futures vs stocks vs ETFs
- What type of trader uses E-mini futures and why

Video 3: Building Your E-mini Futures Trading Strategy

- Creating your trading strategy
- Implementing the strategy
- Measuring the effectiveness of your strategy

http://www.zaner.com/futures/emini_seminars.asp#



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Table 1: An Overview of Mini Futures Contracts

Contract	Subjective Opinion on the Mini Contracts' Volume and Liquidity	Mini-contract Volume and Open Interest GREATER than the Regular-sized Contract
S&P 500	High	Yes
NASDAQ-100	High	Yes
Russell 2000	High	Yes
S&P Midcap 400	High	Yes
Dow	High	Yes
EuroFX	Moderate	No
Gold	Moderate	No
Crude Oil	Moderate	No
Natural Gas	Moderate	No
Soybeans	Moderate	No
Japanese Yen	Low	No
Gasoline	Low	No
Heating Oil	Low	No
Silver (CBOT)	Low	No
Wheat	Low	No
Corn	Low	No
MSCI Emerging Markets	Trading begins Oct. 22, '07	There is no corresponding regular-sized contract

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Table 2: We have selected the nine most actively traded mini contracts to present their contract specifications and relevant information in greater detail: (2)

E-mini S&P 500

Exchange	CME
Platform / Trading Hours	GLOBEX; 3:30 pm-3:15 pm, with a Shutdown period from 4:30 pm – 5:00 pm (CT). Sunday opening time is 5:00 pm
Settle Method	Cash Settled
Contract Size	\$50 multiplier (1/5 th the size of the Regular)
Tick Size	0.25 (25 basis points), = \$12.50
Margin (as of 8/30/07)	\$3,938
Symbol	ES

E-mini NASDAQ-100

Exchange	CME
Platform / Trading Hours	GLOBEX; 3:30 pm-3:15 pm, with a Shutdown period from 4:30 pm – 5:00 pm (CT). Sunday opening time is 5:00 pm
Settle method	Cash Settled
Contract Size	\$20 multiplier (1/5 th the size of the Regular)
Tick Size	0.25 (25 basis points), = \$5.00
Margin (as of 8/30/07)	\$3,250
Symbol	NQ

E-mini Russell 2000

Exchange	CME (3)
Platform / Trading Hours	GLOBEX; 3:30 pm-3:15 pm, with a Shutdown period from 4:30 pm – 5:00 pm (CT). Sunday opening time is 5:00 pm
Settle Method	Cash Settled
Contract Size	\$100 multiplier (1/5 th the size of the Regular)
Tick Size	0.10 (10 basis points), = \$10.00
Margin (as of 8/30/07)	\$4,250
Symbol	ER2

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E-mini S&P Midcap 400

Exchange	CME
Platform / Trading Hours	GLOBEX; 3:30 pm-3:15 pm, with a Shutdown period from 4:30 pm – 5:00 pm (CT). Sunday opening time is 5:00 pm
Settle Method	Cash Settled
Contract Size	\$100 multiplier (1/5 th the size of the Regular)
Tick Size	0.10 (10 basis points), = \$10.00
Margin (as of 8/30/07)	\$4,000
Symbol	EMD

Mini-Sized Dow

Exchange	CBOT
Platform / Trading Hours	Ecbot 6:15 pm – 4:00 pm (CT) (4)
Settle Method	Cash Settled
Contract Size	\$5 multiplier (1/2 the size of the Regular)
Tick Size	1 index point (= \$5.00)
Margin (as of 8/30/07)	\$2,813
Symbol	YM

E-mini EuroFX

Exchange	CME
Platform / Trading Hours	GLOBEX 5:00 pm-4:00 pm (CT)
Settle Method	Physical Delivery
Contract Size	62,500 euros (1/2 the size of the Regular)
Tick Size	\$.0001 (\$6.25)
Margin (as of 8/30/07)	\$1,013
Symbol	E7

Gold

Exchange	CBOT
Platform / Trading Hours	ecbot; 6:16 PM – 4:00 PM, CT (4)
Settle Method	Physical Delivery
Contract Size	33.2 troy ounces (1/3 rd the size of the Regular)
Tick Size	\$.10/oz. (\$3.32)
Margin (as of 8/30/07)	\$675
Symbol	YG

miNY Crude Oil

Exchange	NYMEX
Platform / Trading Hours	GLOBEX, 5:00 PM – 4:15 PM, CT
Physical Delivery or Cash-Settled	Cash Settled
Contract Size	500 barrels (1/2 the size of the Regular)
Tick Size	\$.025/barrel (\$12.50)
Margin (as of 8/30/07)	\$2,025
Symbol	QM

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miNY Natural Gas

Exchange	NYMEX
Platform / Trading Hours	GLOBEX, 5:00 PM – 4:15 PM, CT
Physical Delivery or Cash-Settled	Cash Settled
Contract Size	2,500 million BTUs (1/4 the size of the Regular)
Tick Size	\$.005 (\$12.50)
Margin (as of 8/30/07)	\$2,700
Symbol	QG

FOOTNOTES

1. Qualified clients using the Zaner DayTrader platform may be entitled to day-trade margin requirements lower than the overnight Initial requirements.
2. Globex and E-mini are registered trademarks of CME Group.
3. The CME will delist their Russell 2000 contracts in September 2008 and replace it with a similar index. Trading in a mini-Russell 2000 Index futures will start at the ICE in 2008.
4. It is anticipated that the mini CBOT contracts will move from the ecbot platform to the Globex platform in January, 2008.
5. CBOT mini Grains trade by open outcry during the day, and electronically during the evening.

CONTACTING THE ZANER GROUP

Zaner Group has been the brokerage firm of choice for futures traders since 1980.

You can find us on the internet at www.zaner.com.

For information on trading or opening an account, call toll-free at 800.621.1414

or by email at: sales@zaner.com

Transactions in futures, options and forex carry a high degree of risk. Traders can and do, lose money.

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