

## CME Alternative Investment Products

# CME Weather Futures and Options

**OVERVIEW** It is estimated that nearly 30% of the U.S. economy is directly affected by the weather. To enable businesses to hedge the risk they face from atypical weather conditions – summers and winters that are hotter or colder than normal – CME has developed Weather futures and options. These products are financial tools that provide a means of transferring risk associated with adverse weather events. They are index-based products geared to average seasonal and monthly weather in 29 cities around the world – 18 in the U.S., nine in Europe and two in Japan. CME also offers a select number of frost and snowfall products.

### HOW WEATHER IS TRADED AT CME

CME Weather products quantify weather in terms of how much temperatures, frost or snowfall deviate from the monthly or seasonal average in a particular city. The variations are geared to specific indexes, with a dollar amount attached to each index point. Quantifying weather in this way makes it a tradable commodity comparable to trading the varying values of stock indexes, currencies, interest rates and agricultural commodities. For example, summer weather is measured in terms of temperatures that exceed a base of 65 degrees Fahrenheit (18 degrees Celsius in Europe) and referenced to a Cooling Degree Day (CDD) Index. Winter weather is measured in terms of how much temperatures are below 65 degrees and referenced to a Heating Degree Day (HDD) Index. Frost and snowfall are similarly geared to CME Frost and CME Snowfall Indexes.

### BENEFITS OF TRADING CME WEATHER

- » Access to unique tools for managing price risk due to weather
- » Stabilized cash flow for hedgers participating in these markets
- » Opportunity to profit from the uncertainty of weather
- » Centralized clearing and counterparty credit guaranteed by CME Clearing
- » Transparent prices on the electronic futures products

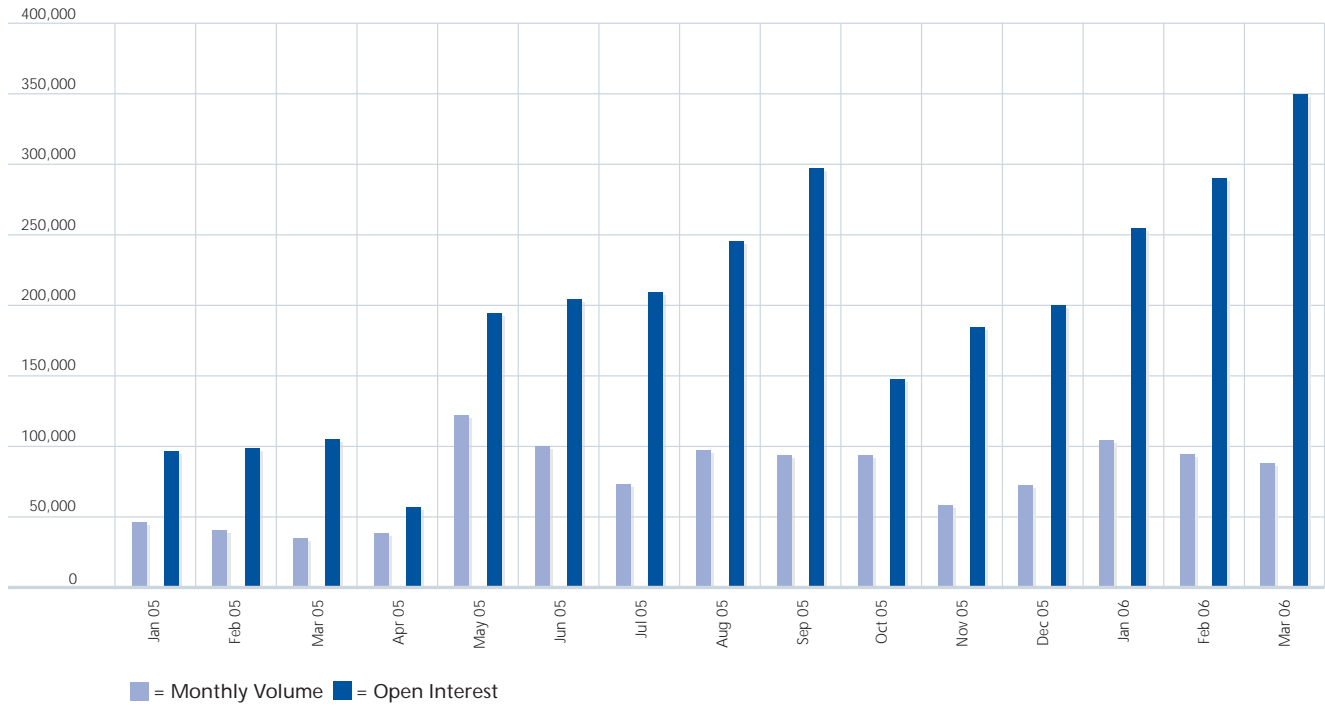
### MARKET PARTICIPANTS

*Hedgers* in these markets include companies in a wide range of industries, whose profits or budgets can be adversely affected by unseasonal weather, including:

- » Energy companies
- » Construction firms
- » Hotels, travel, sports and entertainment companies
- » Governments and governmental agencies

*Speculators* in weather include hedge funds and others interested in capitalizing on these volatile markets.

## CME Weather Volume & Open Interest



### CME WEATHER FUTURES AND OPTIONS

All CME Weather futures trade electronically on the CME Globex platform. All options are traded on the CME trading floor. Block trading is offered on CME Weather products. For more information on weather block trading visit [www.cme.com/weatherblock](http://www.cme.com/weatherblock).

- » CME US Monthly Weather Heating Degree Day
- » CME US Seasonal Strip Weather Heating Degree Day
- » CME US Monthly Weather Cooling Degree Day
- » CME European Monthly Weather Heating Degree Day
- » CME US Seasonal Strip Weather Cooling Degree Day
- » CME European Monthly Weather CAT
- » CME European Seasonal Strip Weather Heating Degree Day
- » CME European Seasonal Strip Weather CAT
- » CME Asia-Pacific Monthly Weather
- » CME Asia-Pacific Seasonal Weather
- » CME Monthly Frost Days
- » CME Seasonal Frost Days
- » CME Snowfall

For more information on CME Weather futures and options, please visit [www.cme.com/weather](http://www.cme.com/weather).

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