

# IFEU Common Strategies and Strips

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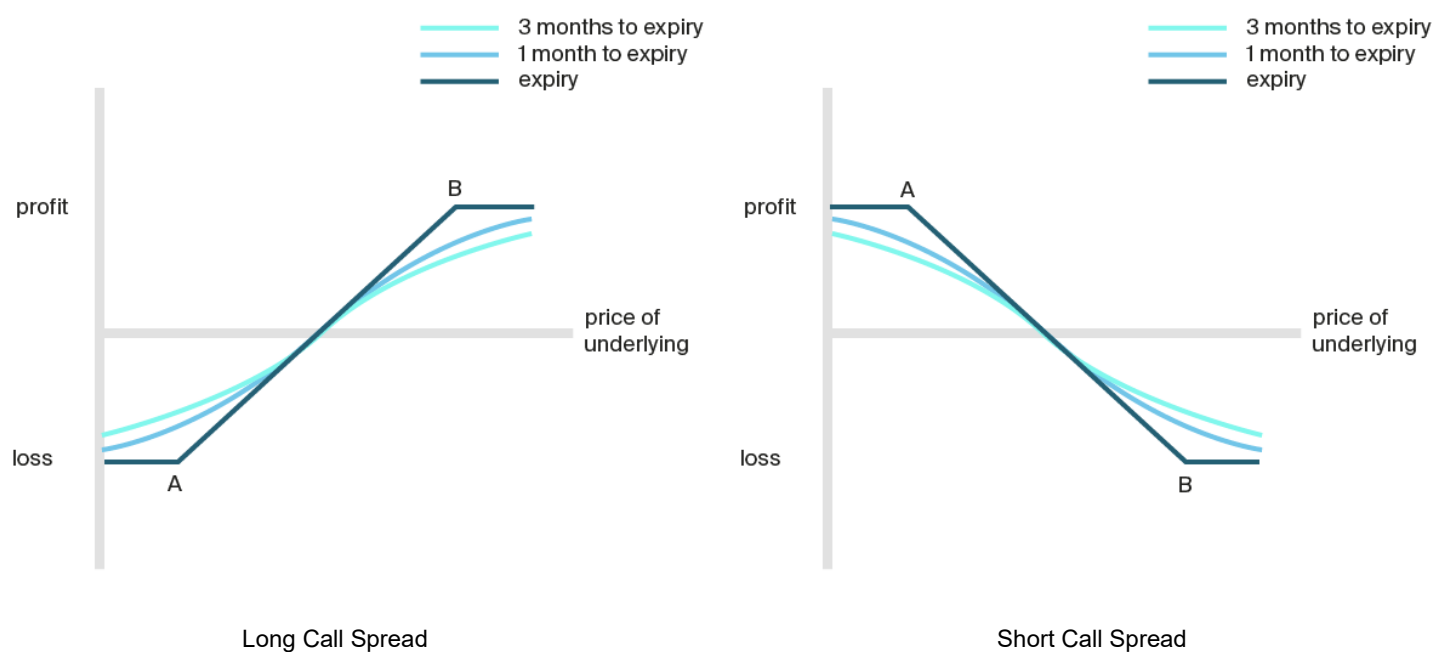
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This document is intended to cover the most common strategies and strips listed by ICE Futures Europe. However, a more comprehensive list can be found in the ICE Strategy Code Reference Manual [here](#).

Please note that unless otherwise stated, the strategies described in this document are from the perspective of the buyer (or long).

## 1. Options Strategies:

### 1.1. Call Spread

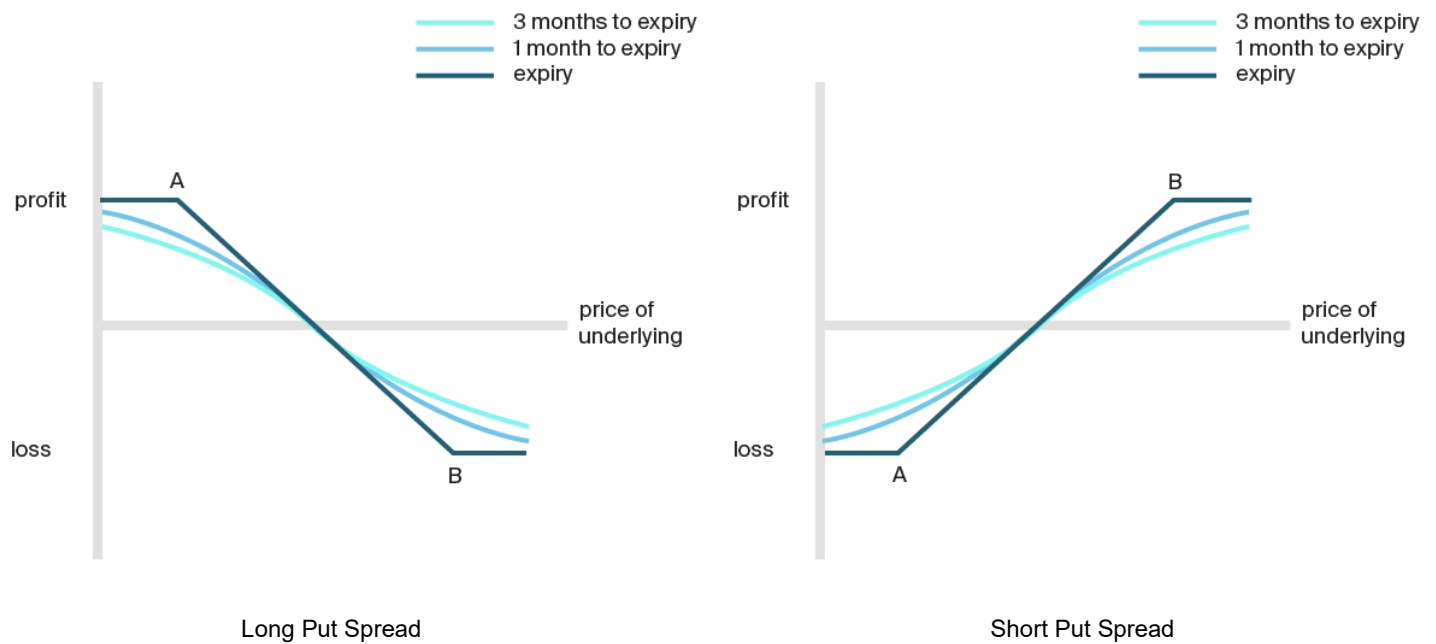


**Description:** *Long Call Spread* - Buy call (A), sell any call at a higher strike (B). *Short Call Spread* - Sell call (A), buy any call at a higher strike (B).

The Option expiry for all the legs of the call spread should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.2. Put Spread



**Description:** *Long Put Spread* - Buy put (B), sell any put at a lower strike (A). *Short Put Spread* - Sell put (B), buy any put at a lower strike (A).

The Option expiry for all the legs of the put spread should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

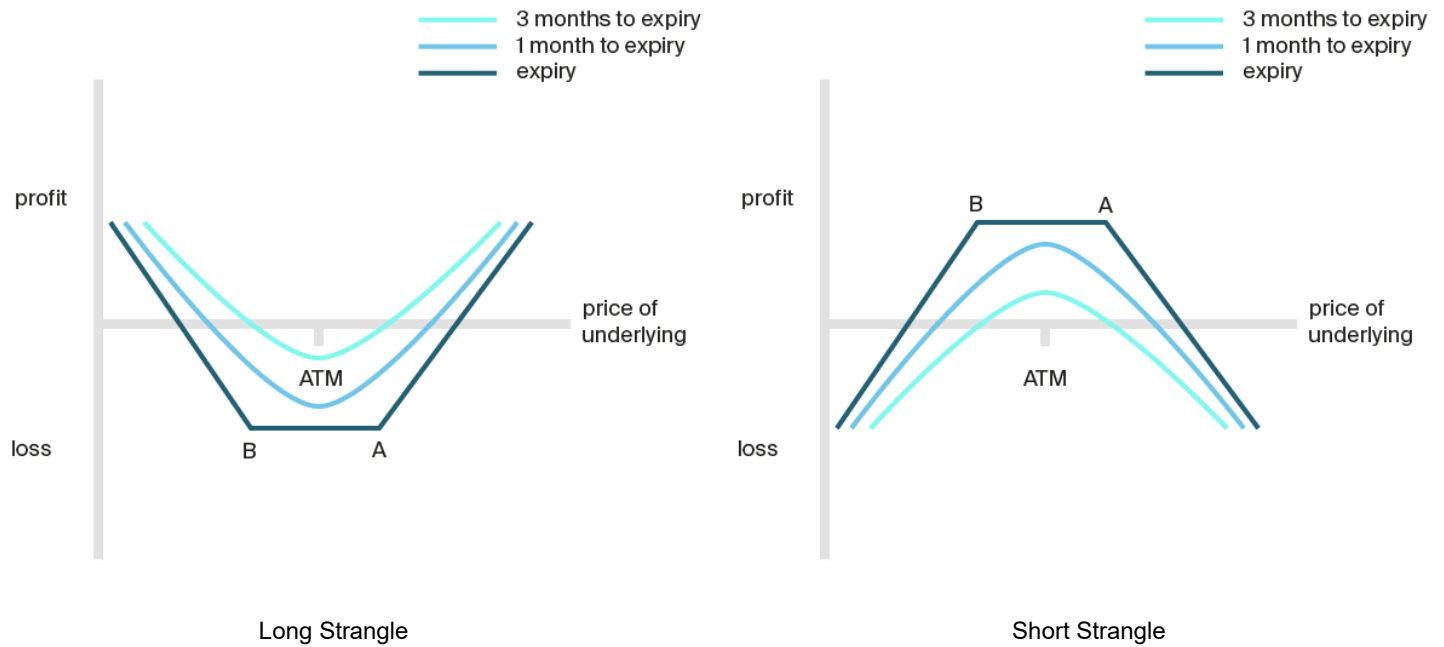
## 1.3. Calendar Spread

*It is not possible to produce a generic pay-off chart, as the maturities and strikes can vary for this strategy.*

**Description:** *Long Call Calendar Spread* - Sell near month call, buy far month call with the same strikes across the two months. *Long Put Calendar Spread* - Sell near month put, buy far month put with the same strikes across the two months. *Short Call Calendar Spread* - Buy near month call, sell far month call with the same strikes across the two months. *Short Put Calendar Spread* - Buy near month put, sell far month put with the same strikes across the two months.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.4. Strangle

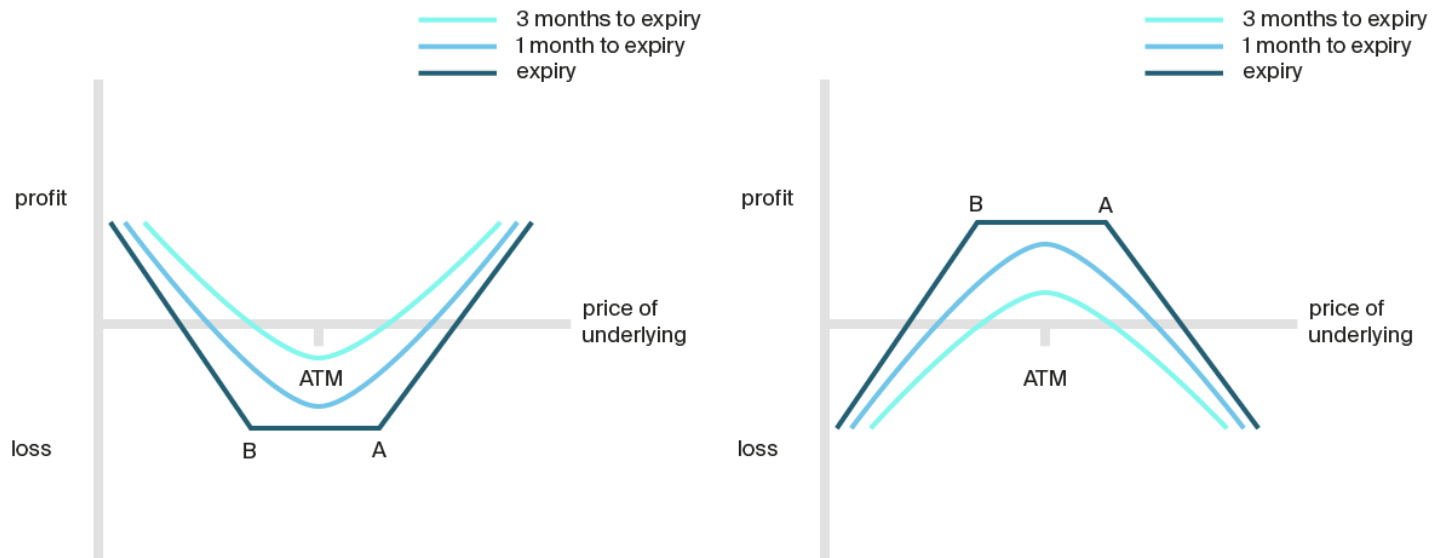


**Description:** *Long Strangle* - Buy put (B), buy call at a higher strike (A). *Short Strangle* - Sell put (B), sell call at a higher strike (A).

The Option expiry for all the legs of a strangle should be the same.

**Pricing convention:** Strategy price will be equal to the sum of the constituent legs.

## 1.5. Gut Strangle



Long Gut Strangle

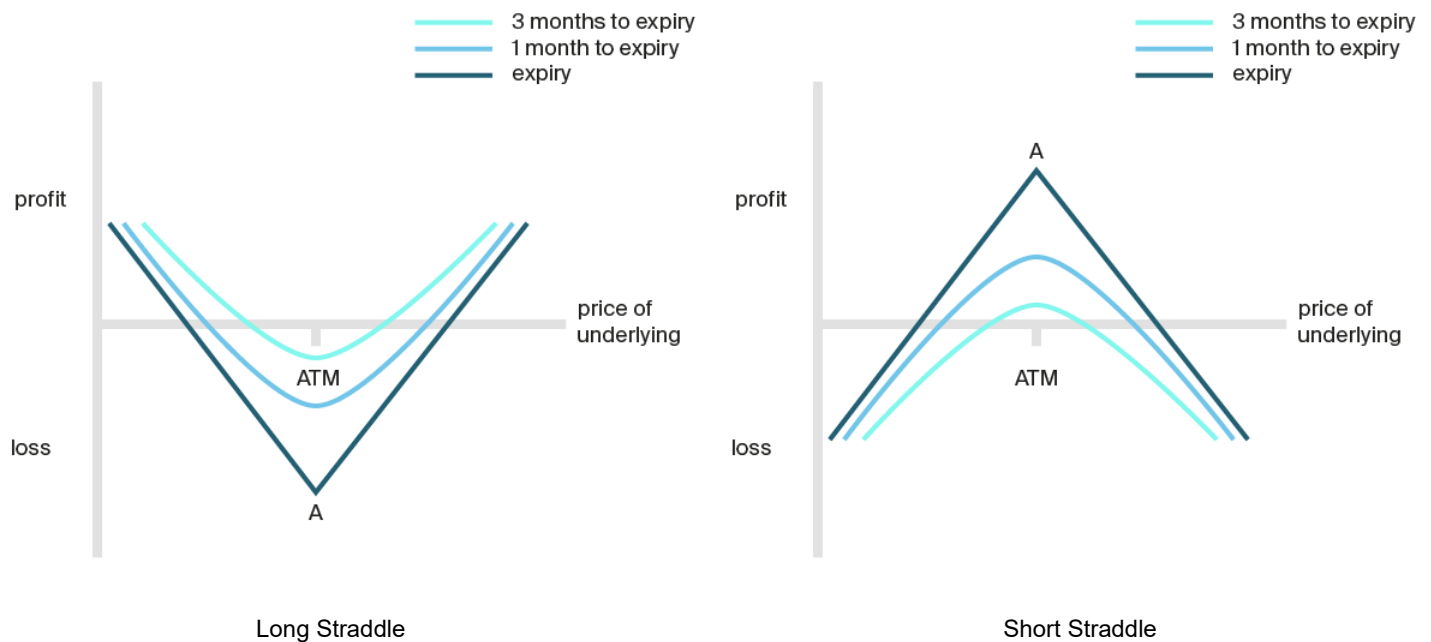
Short Gut Strangle

**Description:** *Long Guts* - Buy ITM call (B), buy ITM put at a higher strike (A). *Short Guts* - Sell ITM call (B), sell ITM put at a higher strike (A).

The Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the sum of the constituent legs.

## 1.6. Straddle



**Description:** *Long Straddle* - Buy call (A), buy put at the same strike (A). *Short Straddle* – Sell call (A), sell put at the same strike (A).

The Option expiry for all the legs of a Straddle should be the same.

**Pricing convention:** Strategy price will be equal to the sum of the constituent legs.

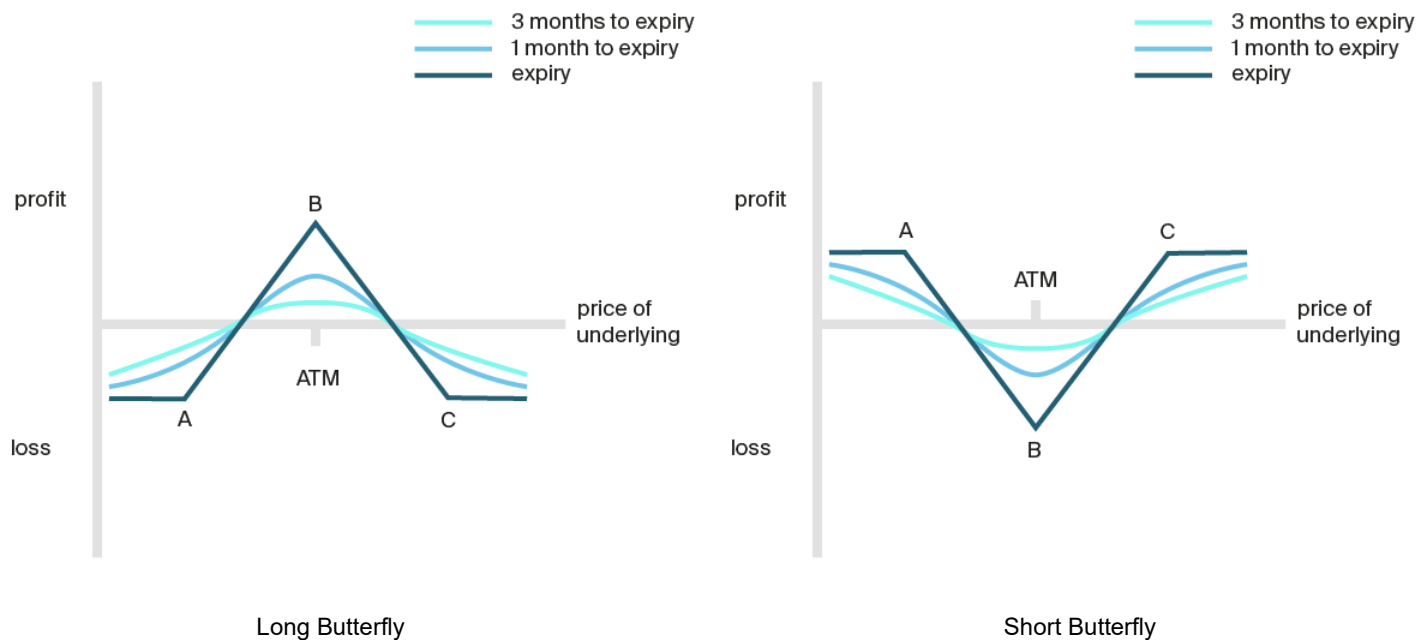
## 1.7. Straddle Spread

*It is not possible to produce a generic pay-off chart, as the maturities and strikes can vary for this strategy.*

**Description:** *Long Straddle Spread* - Sell a Straddle in the near month, buy a Straddle in the far month at any strike. *Short Straddle Spread* – Buy a Straddle in the near month, sell a Straddle in the far month at any strike. Strike price doesn't need to be the same between tenors.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.8. Butterfly



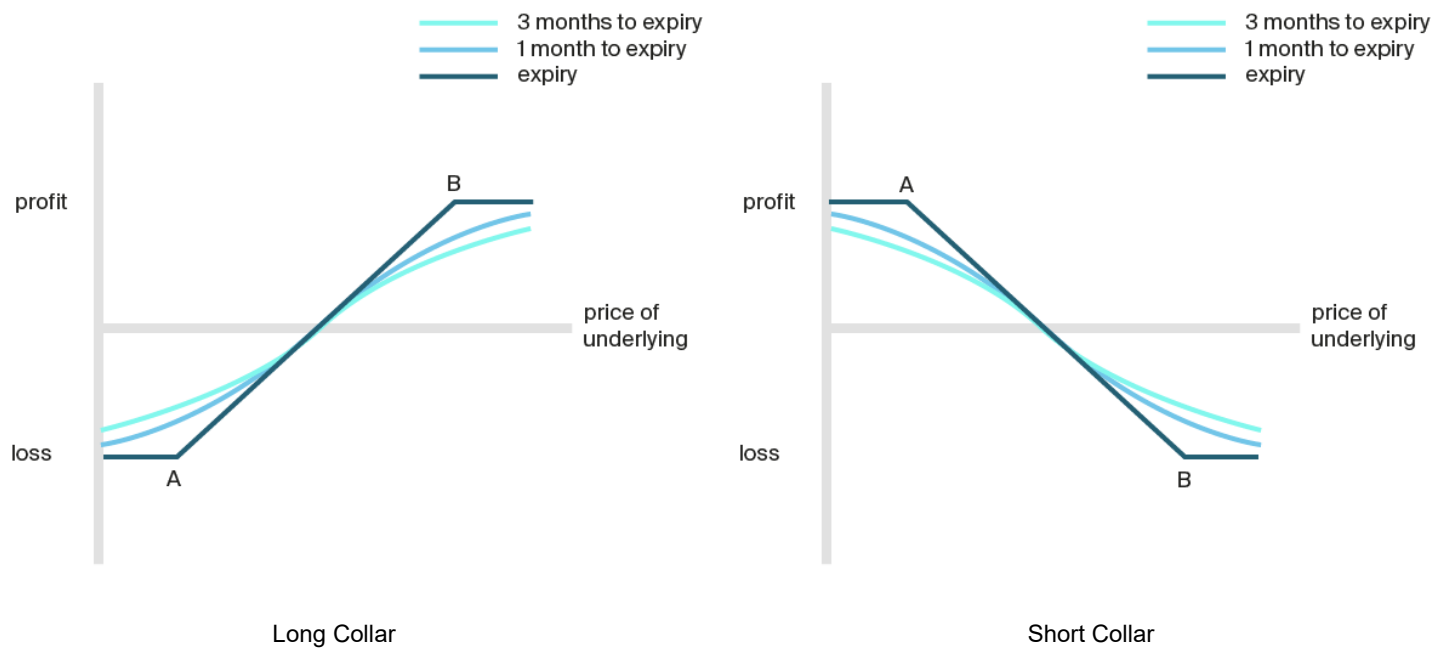
**Description:** *Long Call (Put) Butterfly* - Buy call (or put at A), sell two calls (puts) at higher strike (B), buy call (put) at an even higher strike (C). *Short Call (Put) Butterfly* - Sell call (or put at A), buy two calls (puts) at higher strike (B), buy call (put) at an even higher strike (C).

Option expiry for all the legs should be the same. The strikes do not have to be consecutive but the gaps between them do have to be equal.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.9. Collar (Fence)

N.B. Fence is a hedging strategy traded against an underlying position (physical, forward or future) – hence associated underlying position is included in the pay-off charts below.



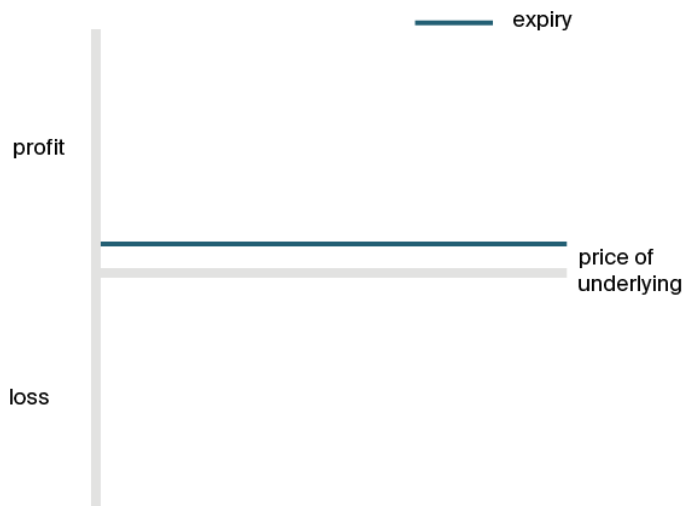
**Description:** *Long Collar (Fence to the put)* – Long Underlying, Buy OTM put (A), Sell OTM call (B). *Short Collar (Fence to the call)* – Short Underlying, Buy OTM call (A), sell OTM put (B).

Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the two option legs.

**Market convention:** A long collar protects a long underlying position. A short collar protects a short underlying position.

## 1.10. Reversal/Conversion

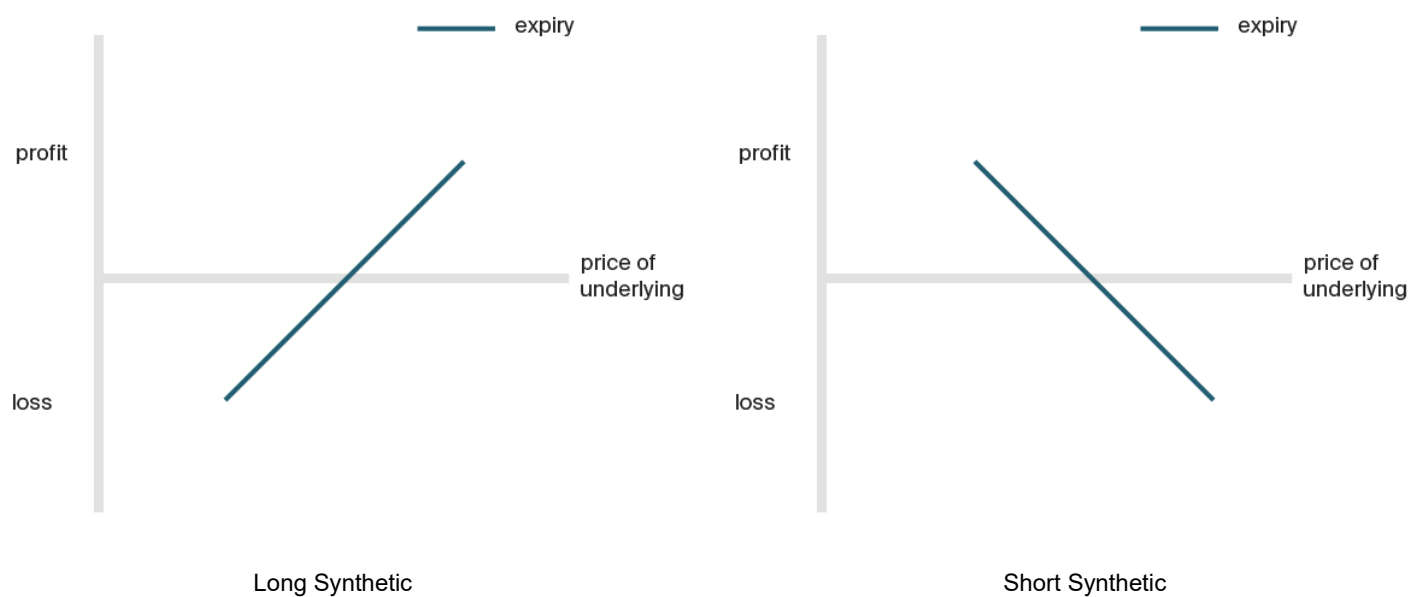


**Description:** *Conversion (Conversion to the put)* - Sell call, buy put at the same strike, buy Underlying. The strike prices of the call and put must be the same price as the Underlying. Option expiry for all the legs should be the same and the Delta must be 100.

*Reversal (Conversion to the call)* - Buy call, sell put at the same strike, sell Underlying. The strike prices of the call and put must be the same price as the Underlying. Option expiry for all the legs should be the same and the Delta must be 100.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

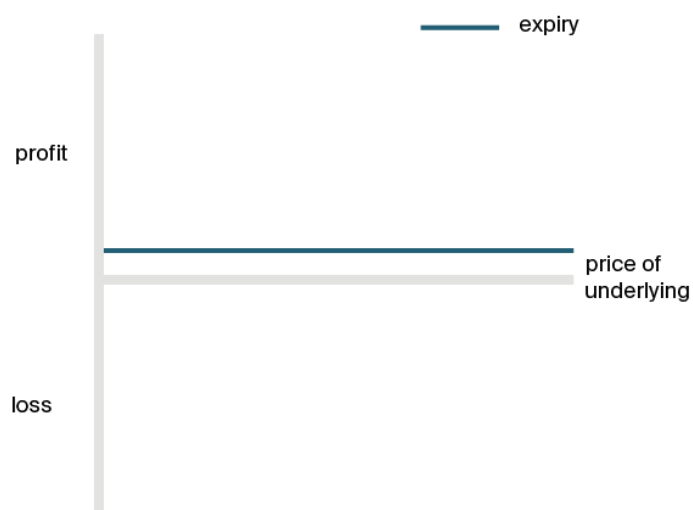
## 1.11. Synthetic



**Description:** *Long Synthetic* - Buy a call and sell a put at the same strike and expiry. *Short Synthetic* - Sell a call and buy a put at the same strike and expiry

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

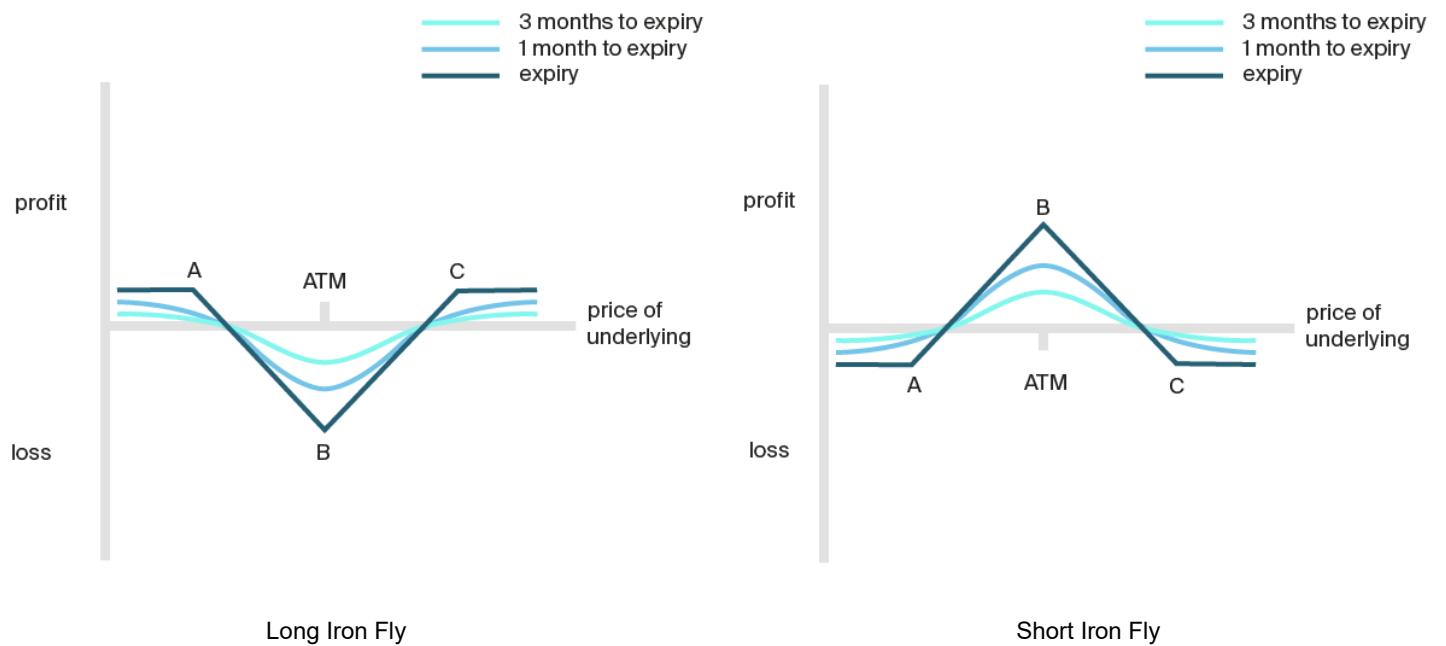
## 1.12. Box



**Description:** Buy call and sell put, buy put and sell call at higher strike. The Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

### 1.13. Iron Butterfly

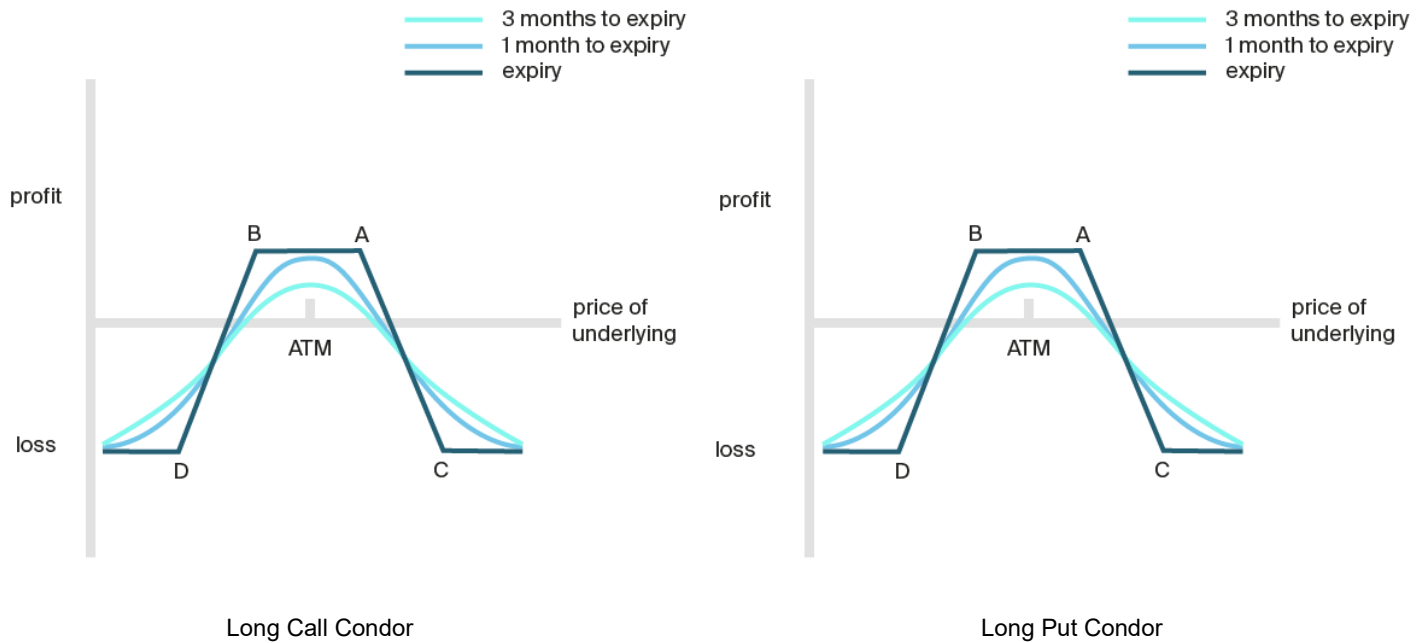


**Description:** *Long Iron Fly* - Buy the straddle (B), sell the strangle (A & C). *Short Iron Fly* - Sell the straddle (B), buy the strangle (A & C).

Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

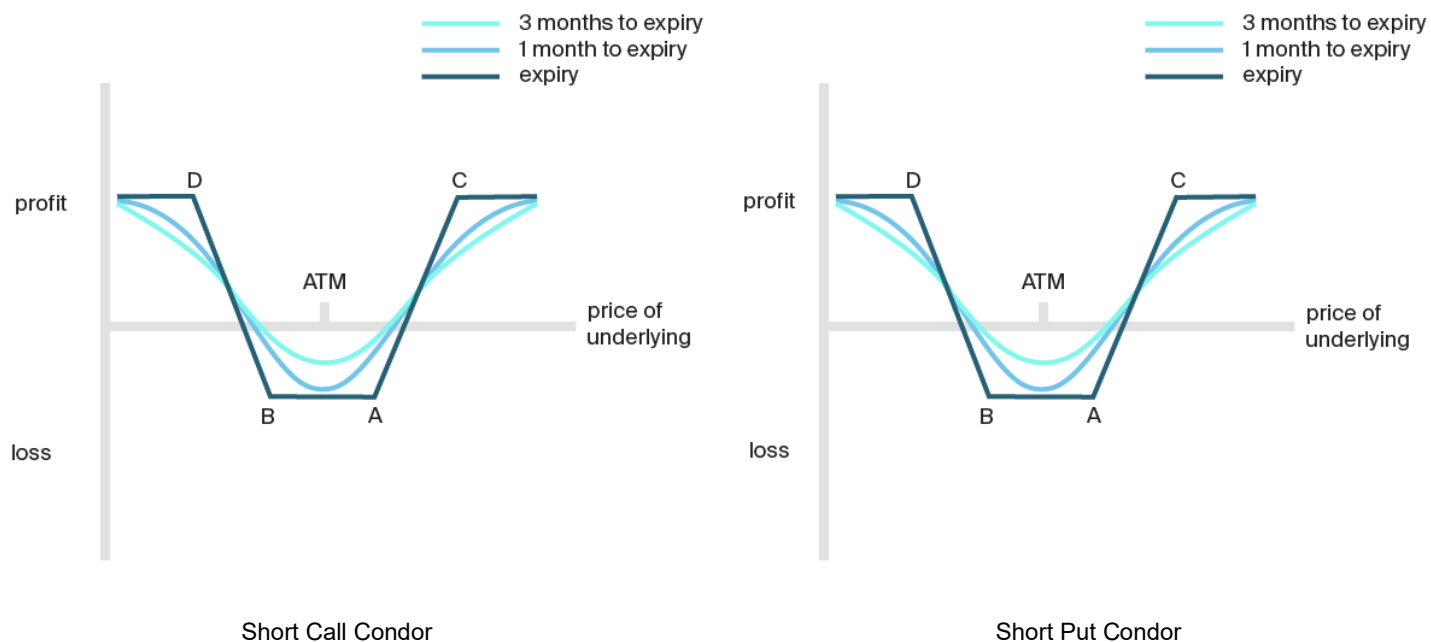
## 1.14. Condor



**Description:** *Long Call Condor* - Buy call (D), sell call at higher strike (B), sell call at even higher strike (A), buy call at even higher strike (C). *Long Put Condor* - Buy put (C), sell put at lower strike (A), sell put at even lower strike (B), buy put at even lower strike (D).

The strikes do not have to be consecutive and the gaps between them do not have to be equal. Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

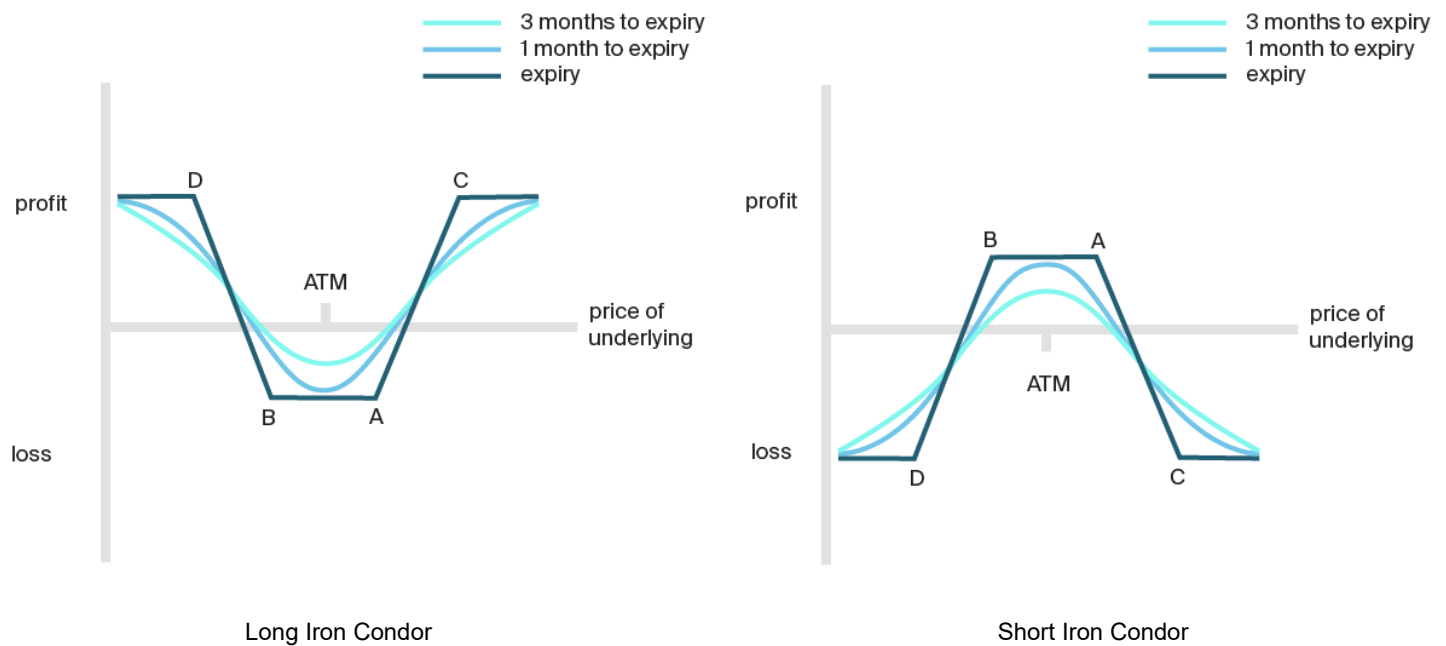


**Description:** *Short Call Condor* - Sell call (D), buy call at higher strike (B), buy call at even higher strike (A), sell call at even higher strike (C). *Short Put Condor* - Sell put (C), buy put at lower strike (A), buy put at even lower strike (B), sell put at even lower strike (D).

The gap between the successive call strikes should be equal. Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.15. Iron Condor



**Description:** *Long Iron Condor* – Buy Strangle (with strikes A & B), sell wider Strangle (with strikes C & D).  
*Short Iron Condor* - Sell Strangle (with strikes A & B), buy wider Strangle (with strikes C & D).

Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.16. Diagonal Call Spread

*The payoff profile of a Diagonal Call Spread depends upon the precise options involved. It is therefore not possible to produce a generic pay-off chart for this strategy.*

**Description:** Buy call, sell call in a different month with different strike.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 1.17. Diagonal Put Spread

*The payoff profile of a Diagonal Put Spread depends upon the precise options involved. It is therefore not possible to produce a generic pay-off chart for this strategy.*

**Description:** Buy put, sell put in a different month with different strike.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

### 1.18. Ladder (Tree)

The payoff profile of a Ladder depends upon the precise options involved. It is therefore not possible to produce a generic pay-off chart for this strategy.

**Description:** *Long Call Ladder* - Buy call, sell call at a higher strike, sell call at even higher strike. *Long Put Ladder* - Buy put, sell put at a lower strike, sell put at even lower strike. The strikes do not have to be consecutive and the gaps between them do not have to be equal. Option expiry for all the legs should be the same.

*Short Call Ladder* - Sell call, buy call at a higher strike, buy call at even higher strike. *Short Put Ladder* - Sell put, buy put at a lower strike, buy put at even lower strike. The strikes do not have to be consecutive and the gaps between them do not have to be equal. Option expiry for all the legs should be the same.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

### 1.19. Jelly Roll

*The payoff profile of a jelly roll depends upon the precise options and underlying asset involved. It is therefore not possible to produce a generic pay-off chart for this strategy.*

**Description:** Sell call, buy put at the same strike in one month, buy call, sell put at the same strike in a different month.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

### 1.20. Ratio Strategies

**Description:** ICE allows participants to trade ratio strategies where a defined ratio is applied to the constituent legs. For example, buying a 1x2 Call spread (to the 1) consists of buying one call and then selling two calls in the same series but at a higher strike. Users can define strategy ratios not listed as exchange strategies via user-defined-strategies.

## 2. Futures Strategies:

### 2.1. Consecutive Spread

**Description:** A two-legged spread between consecutive strips within the same product.

**Pricing convention:** Near month price - Far month price

### 2.2. Non-Consecutive Spread

**Description:** A two-legged spread between non-consecutive strips within the same product.

**Pricing convention:** Near month price - Far month price

### 2.3. Crack

**Description:** A two-legged spread between two products where buying the strategy means buying the first leg, and selling the second leg, where one leg is a refined product, and the other is an unrefined product. Unit conversions may be necessary where applicable.

**Pricing convention:** First product price - Second product price

### 2.4. Arb (or Inter-Product Spread)

**Description:** A two-legged spread between two products where buying the strategy means buying the front leg and selling the back leg (with the exception of the Brent/WTI Arb). Both legs of an arb are different products, but from the same product group (e.g. Crude Oils).

**Pricing convention:**  $\text{Brent/WTI Arb Price} = \text{Second product price (WTI)} - \text{First product price (Brent)}$

$\text{Arbs (Generic Convention)} = \text{First product price} - \text{Second product price}$

### 2.5. Futures Fly

**Description:** Buy near contract month, sell two further-dated months, buy one even further-dated month. The gaps between the delivery months do not have to be equal.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

### 2.6. Futures Box

**Description:** Four-legged strategy that represents buying and selling an inter-product spread across two strips. For example, buying the Nov/Dec futures box strategy means buying Nov and selling Dec for the first product, then selling Nov and buying Dec for the second product.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 2.7. Futures Condor

**Description:** Four-legged strategy that represents buying and selling two consecutive spreads. For example, buying the Mar/Jun/Sep/Dec futures condor strategy means buying Mar and selling Jun, then selling Sep and buying Dec.

**Pricing convention:** Strategy price will be equal to the net value of the constituent legs.

## 2.8. Packs and Bundles

Packs and Bundles are available for trading on ICE Short-Term Interest Rate (STIR) Euribor, ESTR, SONIA, and SOFR products.

Details regarding Packs and Bundles can be found on the ICE Website [here](#).

**Pricing convention:** Average price across the constituent months

### 3. Strips:

#### 3.1. Daily

**Description:** Contract period spanning a singular calendar day.

**Pricing convention:** n/a.

#### 3.2. Weekly

**Description:** Buy all the daily contracts for a single week period.

**Pricing convention:** Average price across the constituent pricing days within the week period.

#### 3.3. Monthly

**Description:** Contract period spanning a singular calendar month.

**Pricing convention:** n/a.

#### 3.4. Quarter

**Description:** Buy all the monthly contracts for the selected quarter.

**Pricing convention:** Average price across its constituent months.

#### 3.5. Season

**Description:** Buy all the monthly contracts for the selected Season. Winter strips are Oct-Mar and Summer strips are Apr-Sep.

**Pricing convention:** Average price across its constituent months.

#### 3.6. Calendar year (or Cal)

**Description:** Buy all the monthly contracts for the selected calendar year.

**Pricing convention:** Average price across its constituent months.

#### 3.7. Custom Monthly/Daily

**Description:** Buy all the consecutive monthly or daily contracts for a variable length period.

**Pricing convention:** Price will be equal to the average of the constituent legs.

## 4. Average Priced Contracts:

### 4.1. 1st Line

**Description:** A monthly cash settled future based on the arithmetic average of the daily settlement prices for the corresponding front month futures contract over the course of the pricing period. For those days in the determination period that have not yet been priced, the most recently available settlement price will be used for the purpose of calculating the average.

Please note that a roll adjust provision is present for some IFEU 1st Line contracts. 1st Line pricing days and roll adjust provisions for select products can be found [here](#).

**Pricing convention:** Average of the relevant daily settlement prices across the applicable pricing days in the calendar month.

### 4.2. Balmo

**Description:** Buy all the daily contracts for a single balance of month period.

Balmo strips will price from the designated start date up until the end of the calendar month.

Please note that in the ICE system for custom Balmo strips, the strip begin and end date will be the same. However, the Balmo product will, by design, price from the chosen first pricing day up until the end the designated Balmo period.

**Pricing convention:** Average price across its constituent daily strips

### 4.3. Weekly CFD

**Description:** Buy all the daily contracts for a single Monday to Friday weekly period.

Please note that the trade quantity is divided by the number of calendar days within the begin and end date range, and as such, should be divisible equally by the number of calendar days in the period.

**Pricing convention:** CFD price is equal to the average price across its constituent daily strips. No holidays are observed, and thus for daily strips on which holiday and publication interruptions fall, with regard to final settlement, the average price of the remaining applicable daily prints within the relevant week will be used.