EUREX Architects of trusted markets

FES1:
Capturing the EURO STOXX 50® Close Before the Close

How EURO STOXX 50® Market-on-Close Futures Work and Why Options Traders Should Care

What is FES1?

FES1 is the product code for Eurex's Market-on-Close (MOC) Futures that clear as EURO STOXX 50® Index Futures. FES1 is an exchange-listed contract that allows market participants to buy or sell EURO STOXX 50® futures (FESX) at a price tied to the official cash index close, in advance of the close. The purpose of these contracts is simple. Nobody knows the closing index level in advance, but the market does have a view on the futures basis (the difference between where futures trade and where the cash index sits). FES1 makes that basis itself a tradable instrument. When you trade FES1 futures you trade the basis intraday and the FES1 position converts into a standard FESX position at the closing index level plus your traded basis. FESX (EURO STOXX 50® Index futures) is the most liquid equity index futures in Europe.

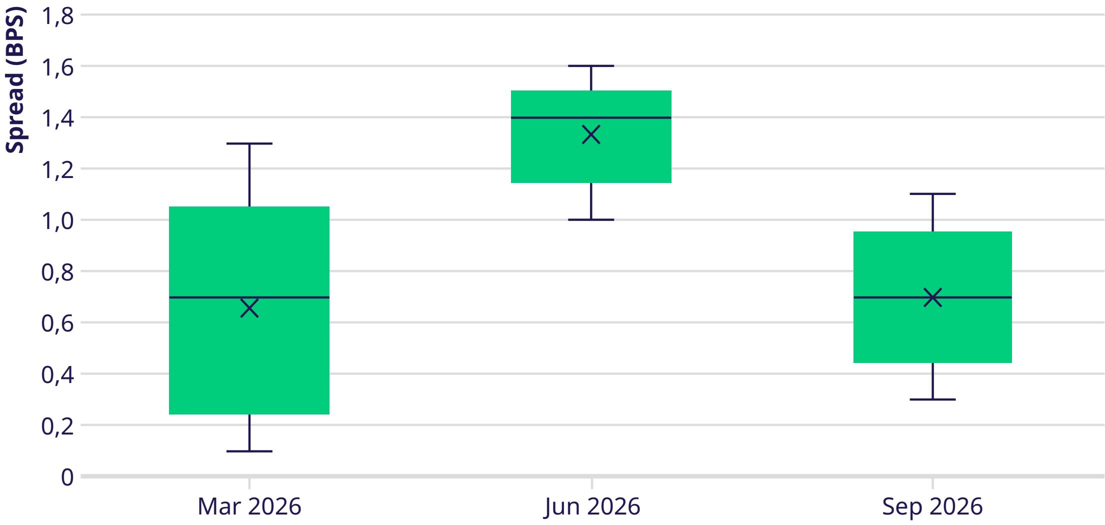
Key Features

- Eurex Product Code: FES1
- Underlying: EURO STOXX 50® Index Futures (FESX)
- Maturities: The three nearest quarterly months (March/June/September/December cycle), covering up to nine months and matching the front FESX maturities
- Settlement: Central order book from 9:00 to 17:25 CET, including the closing auction, in increments of a single contract; or off-book via TES Block Trade until 17:35 CET, with a minimum block size of 100 contracts
- Vendor codes: Bloomberg FUBA Index; Refinitiv 0#FES1
- CFTC approval: Yes

Pricing Mechanics

FES1 is not quoted in terms of a futures price. It is quoted in terms of the FESX futures basis, in index points, which can be positive or negative. The minimum price increment is 0.10 index points, worth EUR 1 per contract. Through July 2026, the average time-weighted absolute bid/ask spread in the order book, excluding the roll week, was 2.2 ticks with only about 3% of observed spreads being wider than 3 ticks. Typically, the best quote on each side of the market was 25 contracts deep.

Execution Quality in Basis Points



A FES1 Trade Works as Follows

As a hypothetical example, say you determine that you'll need exposure to one long EURO STOXX 50® Index Futures contract (FESX) at that day's EURO STOXX 50® cash close.

Step 1: Trading the Basis

During the trading session, FES1 allows you to buy or sell this exposure at an agreed basis in advance of the close. In the hypothetical example, you could buy one September FES1 contract at a basis of +14.6. You now have a binding trade that will clear as one September FESX contract at that day's official index close plus 14.6 points.

Step 2: The Close Prints

At the end of the day, the official closing value of the EURO STOXX 50® Index is calculated from the closing auction prices of the constituent stocks.

Step 3: Conversion into Futures

The price at which your new FESX trade will clear is determined as the official index close plus your traded basis. If the index closes at 6,400.00, your futures price is 6,414.60 using the trade details above. Your FES1 position then clears into a September FESX position at exactly that price. From a risk perspective, even though the closing index price has not yet been determined, Eurex's Clearing systems already know your account is long one September FESX contract.

There are three mechanical properties of this trade that matter. First, there is no slippage by construction. Because the futures price is derived from the close rather than executed against it, there is no tracking error versus the closing benchmark (excluding any need to cross the bid/ask spread in FES1). Second, FES1 encodes the market's live price of funding, dividends and, to a certain extent, the supply-demand balance for exposure into the close. Finally, these futures provide immediate risk management. The moment the basis trade executes, it sits with Eurex Clearing. This eliminates the window that exists in OTC markets where an agreed-upon trade exists but could still in theory be broken before completion. FES1 also eliminates any cash adjustments that may be required in OTC markets to compensate for adjustments to the closing index price.

What FES1 Solves for Options Traders

Options traders are among the most natural users of FES1 because so much of what they trade settles against, or is benchmarked to, a closing index level. At Eurex, this is particularly relevant for OEXP traders, trading Eurex's end-of-day-settled EURO STOXX 50® index options.

1. Hedging Close-Referenced Expiries

Many OTC index options and a large share of structured products settle against the official EURO STOXX 50® Index close. Eurex's rapidly growing OEXP contracts (end-of-day-settled EURO STOXX 50® index options) also expire against the close.

As expiry approaches, desks typically need to hedge or unwind delta. Usually, this hedging is done using FESX contracts. Any gap between the hedge price and the settlement price is pure, unrecoverable tracking error. Executing FESX in the order book into the close means fighting closing volatility and paying the spread at the day's busiest moments.

Trading the delta via FES1 during the day locks in the closing level by construction and eliminates this risk. Given that FESX is the benchmark and most liquid index future in Europe, FES1 further allows index traders to aggregate their hedge positioning into a single contract.

2. Managing Expiry-Driven Delta Jumps

When options expire in-the-money, exposure converts into (or cash settles against) index delta, and the futures hedge must be adjusted at the settlement print. For any book of options settling on the close, FES1 lets the desk pre-position the hedge adjustment as a basis trade.

3. Pin Risk and Rebalancing Around Large Expiries

Expiration days commonly push enormous flow into the close as dealers rebalance their positions across the street. Trading the basis intraday spreads that execution over the session rather than stacking it into closing auctions, reducing both market impact and the operational intensity of expiry afternoons.

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Published by
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65760 Eschborn
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ARBN Number
Eurex Frankfurt AG ARBN 100 999 764

Find out more online at
www.eurex.com