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September 12, 2024

Interactive Brokers

Understanding and Trading Interactive Brokers' ForecastEx Event Contracts

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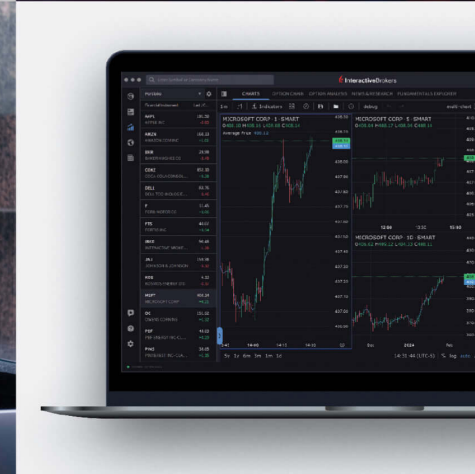
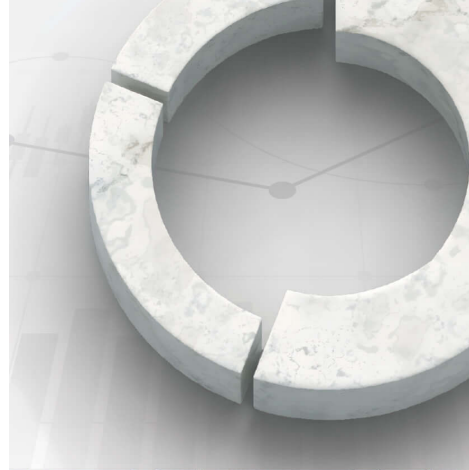
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ForecastEx Forecast Contracts

Andrew Wilkinson & Jeff Praisman

September 2024



ForecastEx Forecast Contracts

Offers investors a way to speculate on the outcome of economic data:

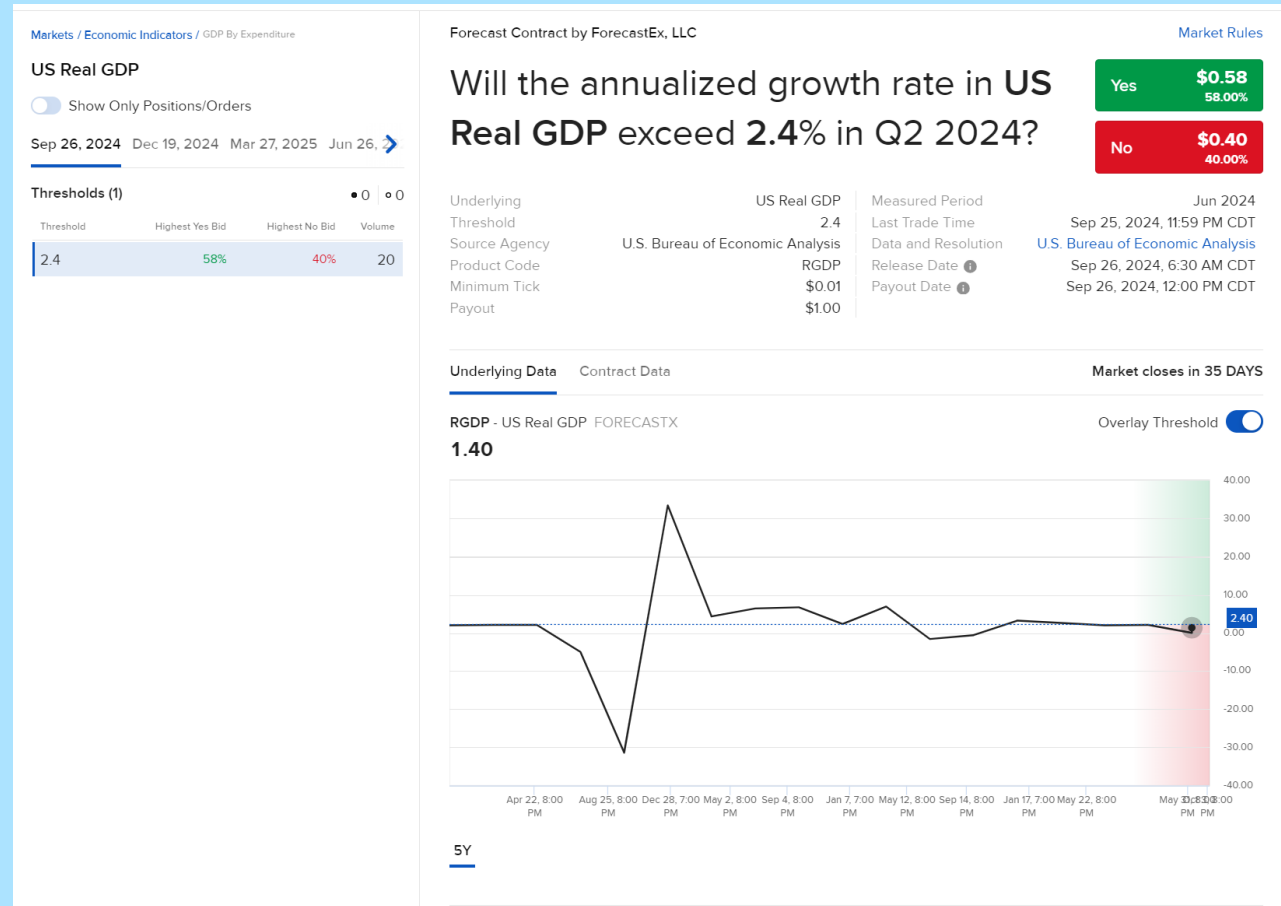
- Retail Sales
- Inflation
- Unemployment
- Corporate Profits
- Climate Events

The screenshot displays the IBKR ForecastTrader interface. At the top, there are navigation links for Markets, Portfolio, and Learn, along with a search bar and account information (Orders / Trades: 0 / 0, Available to Trade: \$4,414.91). The main content area features a 'Featured Markets' section with a large image of a dartboard and a \$100 bill. The featured contract is 'FF Sep18'24 4.875 FORECASTX' with the question: 'Will The US Fed Funds Target Rate Be Set Above 4.875% At The FOMC Meeting Ending...'. The contract shows 84% 'Yes' and 15% 'No' interest. To the right, a 'Closing Soon' section lists other contracts: Silver > \$29.55 (25% Yes, 72% No), Gold > \$2,545.00 (81% Yes, 16% No), Oil > \$72.00 (42% Yes, 55% No), Natural Gas > \$2.15 (28% Yes, 67% No), and EUR/USD > \$1.12 (61% Yes, 36% No). Below this, there are tabs for 'Forecast Contracts by ForecastEx, LLC' and 'Event Contracts by CME'. A grid of six forecast contracts is shown, each with a question, a bar chart, and 'Yes/No' percentages.

Contract	Question	Yes %	No %
FF Sep18'24 4.875 FORECASTX	Will the US Fed Funds Target Rate be set above 4.875% at the FOMC meeting ending September 18, 2024?	84%	15%
	Will the year-over-year change in the US Consumer Price Index exceed 2.5% in August 2024?	48%	50%
	Will the US Unemployment Rate exceed 4% in August 2024?	91%	7%
	Will the US National Debt exceed \$35 Trillion by the end of FY 2024?	95%	3%
	Will the annualized growth rate in US Real GDP exceed 2.4% in Q2 2024?	58%	40%
	Will the average Global Temperature in 2024 be greater than 1.33 C (2.39 F) above the 20th century average?	25%	75%

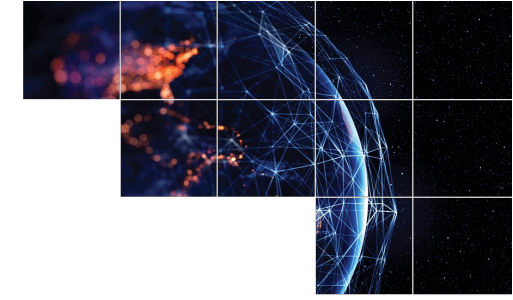
ForecastEx Forecast Contracts

- The investor may buy either Yes or No contracts relating to a question
- The Event Contract is priced in cents. Sum of Yes plus No Contracts = \$1.01
- Correct Contracts pay out \$1.00 at settlement
- Incorrect Contracts settle at \$0.00



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ForecastEx Forecast Contracts



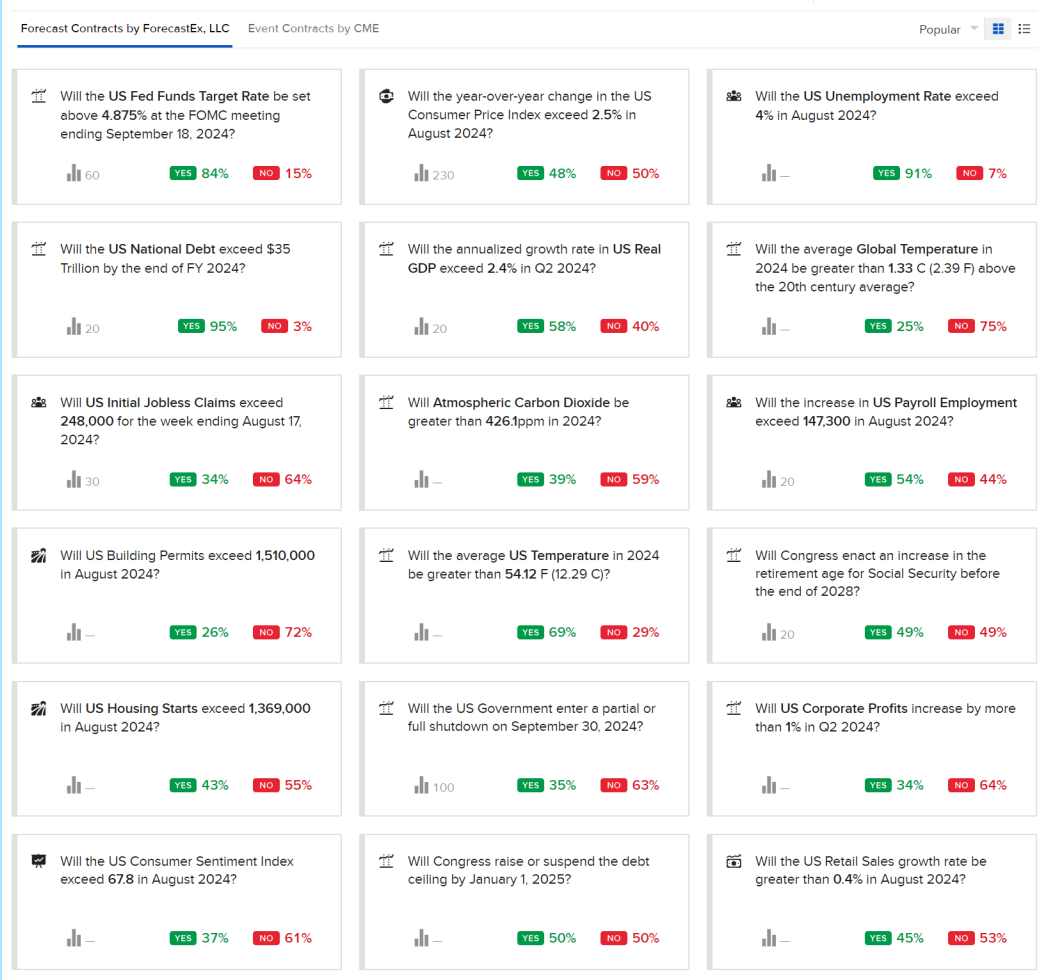
How to Access:

- Access at ForecastTrader.InteractiveBrokers.com
- Alternatively, via Client Portal>Trade>ForecastTrader
- Request Trading Permission via Client Portal
- Note – clients with Futures Trading Permission/Existing Event Contract permissions do not need additional Trading Permission

ForecastEx Forecast Contracts



- Investors can view all available questions
- Each question is specific to a date in time tied to the release of a report
- Additional “thresholds” are available
- Aim is to create several thresholds through time to provide clarity and current thinking about how the economy might develop



ForecastEx Forecast Contracts



- Investors may only **buy** Forecast Contracts – not sell them
- To close a long Yes contract, they must buy the offsetting No contract
- There can be multiple Thresholds available for each Underlying event
- Questions may be set several months before economists have agreed on a current consensus, latest market thinking may not agree with the value of the question
- The historical data is displayed in an interactive chart
- A correct Yes contract would payout \$1.00 if the event data that was *greater* than the ForecastEx threshold
- A correct No would pay out \$1.00 only if the outcome was *below* the ForecastEx data.

ForecastEx Forecast Contracts

Entering an Order:

- Click on the desired question
- Click on Yes or No outcome as desired
- Choose the Order Price
- Enter # of contracts and see Potential Profit & Max Loss populate
- Time in Force is Day or Immediate or Cancel
- Preview, then Transmit

✕ ORDER TICKET Forecast Contract by ForecastEx, LLC

RGDP Sep26'24 2.4 FORECASTX

Will the annualized growth rate in US Real GDP exceed 2.4% in Q2 2024?

Highest Bid ⓘ **\$0.58** x 10 Buy Yes Now at ⓘ **\$0.61** x 10

Your Account ▾ Market closes in 35 DAYS

Order Type: Limit

Limit Price ⓘ 0.59 USD

Quantity: 10 - +

5 10 25

Amount: 5.90 USD

Time-in-force: Day

Potential Profit	Maximum Loss	Est. Total
4.00	5.90	5.90

Preview

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ForecastEx Forecast Contracts



Trade Example – Closing for a Profit

- ForecastEx Contract: “Will the annualized growth rate in US Real GDP exceed 2.4% in Q2 2024?”
- Market is \$0.55 for a Yes contract and \$0.46 for a No contract
- Investor pays \$0.55 for a 100 Yes contracts
- Four days later the mood has shifted, and the market is now \$0.90 for a Yes contract and \$0.11 for a No contract”
- The investor buys 100 No contracts for \$0.11 to close out the position
- Overall profit is \$0.34 ($\$1.00 - \$0.55 - \0.11) per contract or \$34.00

ForecastEx Forecast Contracts



Trade Example – Closing for a Loss

- ForecastEx Contract: Will the annualized growth rate in US Real GDP exceed 2.4% in Q2 2024?
- Market is \$0.55 for a Yes contract and \$0.46 for a No contract
- Investor pays \$0.55 for a 100 Yes contracts
- Four days later the mood has shifted, and the market is now \$0.20 for a Yes contract and \$0.81 for a No contract
- The investor buys 100 No contracts for \$0.81 to close out the position
- Overall loss is \$0.36 ($\$1.00 - \$0.55 - \0.81) per contract or \$36.00

Questions & Information



- Contact us - Webinars@interactivebrokers.com
- Podcast Edition - [A Behind the Scenes Look at ForecastEx Events Contracts](#)
- Traders' Academy Course - [Economic Forecast Contracts from ForecastEx](#)

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