

WHAT IS THE VOLATILITY INDEX?

GFT's volatility index CFD is a new derivative market, which is based on the VIX futures that are quoted on Chicago Board Options Exchange™. The VIX is a common measurement of implied volatilities for a wide range of S&P 500 index options. It attempts to show the expected volatility of the market over a 30-day period and is a widely used to measure traders' risk appetite.

The VIX is often referred to as the "fear index" or "fear gauge." It is purely an indicator of market sentiment and should not be relied upon as a signal to trade in its own right. It is quoted in percentage points. The higher the value, the more volatile the market. Index values of greater than 30 are generally associated with larger than average amounts of volatility.

WHAT ARE THE ADVANTAGES?

In addition to the many benefits of trading CFDs with GFT, our volatility index offers a number of advantages. Here are just a few:

- **Diversification.** Because the VIX (upon which GFT's volatility index CFDs are based) tends to have a negative correlation with the S&P 500 Index, it can offer a great way to diversify your portfolio against risk from market downturns. According to the CBOE's own website, the VIX moved opposite the S&P 500 88 per cent of the time.*
- **It tends to trade within a range.** According to information from the CBOE, the VIX typically bottoms out around 10 and peaks around 45.* A reading of zero is nearly impossible because it would mean that there is no expectation for movement in the S&P 500, while a consistently high reading is unlikely because it would mean that the expectation is for large market changes over a long period of time. Knowing the traditional range of an instrument may make it easier to speculate on where it may go in the future.
- **Volatility.** According to the CBOE, the VIX peaked at over 80 per cent in 2008, compared to about 10 per cent for the S&P 500 and 14 per cent for the Nasdaq.* More volatility may lead to more opportunities to speculate on market movements.

*Source: CBOE (<http://www.cboe.com/micro/vix/introduction.aspx>)

BASIS OF SETTLEMENT

Final settlement value is determined by the “special opening quotation” of the VIX on the Wednesday that is 30 days prior to the third Friday of the month following the contract month.

SPREAD

0.10 index points plus the underlying market spread

MIN / MAX SIZE

1/500

SAMPLE QUOTE

42.70 – 42.85

CURRENCY

USD

TRADE PER

0.01 of an index point

MARGIN

1 per cent

TRADING HOURS

08:30 – 15:15 ET-1

LAST DEALING DAY

The last dealing day is the day before the settlement value day described above.

CONTRACTS TRADED

Monthly