# NYMEX UxC Uranium U3O8 Futures

November 2018

# NYMEX UxC Uranium U308 – Contract Considerations

Here are some things to think about when using the NYMEX Uranium Futures contract for hedging

1. Prices are quoted in US dollars / pound

2. The contract size is 250 pounds

3. The minimum price movement is 0.05 cents per pound
   - This is equal to $12.50 per contract

4. Contracts are available for monthly delivery
   - All 60 months are listed

CME Group

# NYMEX Uranium Futures: Contract Specifications

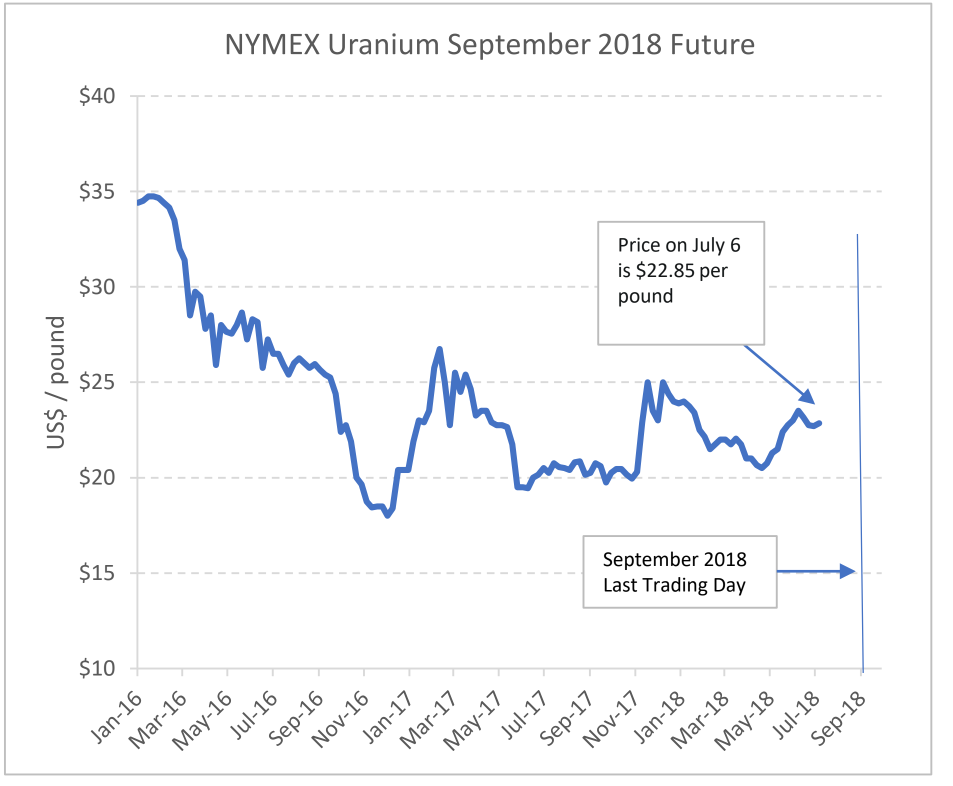
| **Product** | **NYMEX Uranium Futures** |
|---|---|
| Commodity Code | UX |
| Contract Size | 250 Pounds |
| Price Quotation | U.S. Dollars and cents per pound |
| Minimum Tick Size | $0.05 per pound - $12.50 per lot |
| Contract Listings | Monthly contracts listed for 60 consecutive months |
| Trading Hours | Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT) |
| Termination of trading | Last Monday of the contract Month. If the last Monday in the contract month is not a business day, trading terminates the prior business day |
| Settlement Type | Financially Settled |
| Floating Price | The Floating Price for each contract month will be the month-end spot U3O8 price published in Ux Weekly for the contract month by Ux Consulting Company, LLC (UxC). For settlement of this contract, the month-end spot price provided by UxC will be considered final on the payment date stated in Rule 970.08 and will not be subject to any further adjustment. |

CME Group recently increased the spot month position limit for UxC Uranium U3O8 Futures: Read More

# Example 1: Hedging a Physical Purchase

## Page 1 of 3

- On July 6 2018, a nuclear utility firm agrees to buy 100,000 pounds of uranium U3O8 from a uranium producer for September 2018 delivery and the purchase price is linked to the final September 2018 UxC settlement price.
- As the transaction is not at a fixed price, both the producer and utility firm are exposed to a change in price between agreeing the transaction and its future delivery date.
- Given the utility firm's internal practices and approach to risk management they want to hedge their purchase price against any price changes between the beginning of July when the physical purchase is agreed until the September 2018 price is known.

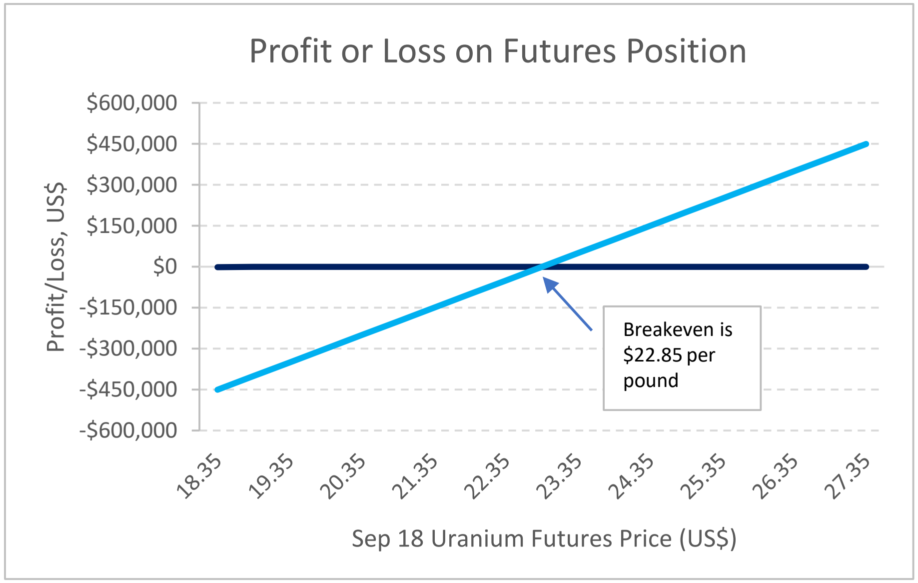



Source: CME Group

# Example 1: Hedging a Physical Purchase

## Page 2 of 3

- The contract size for NYMEX Uranium is 250 pounds.
- Hedging 100,000 pounds therefore requires a transaction of 400 contracts.
- An increase in the uranium price will adversely affect the utility - this can be hedged by buying futures.
- On 6 July, the September 2018 futures price is $22.85 per pound. The price of uranium for immediate delivery is $22.70 per pound.



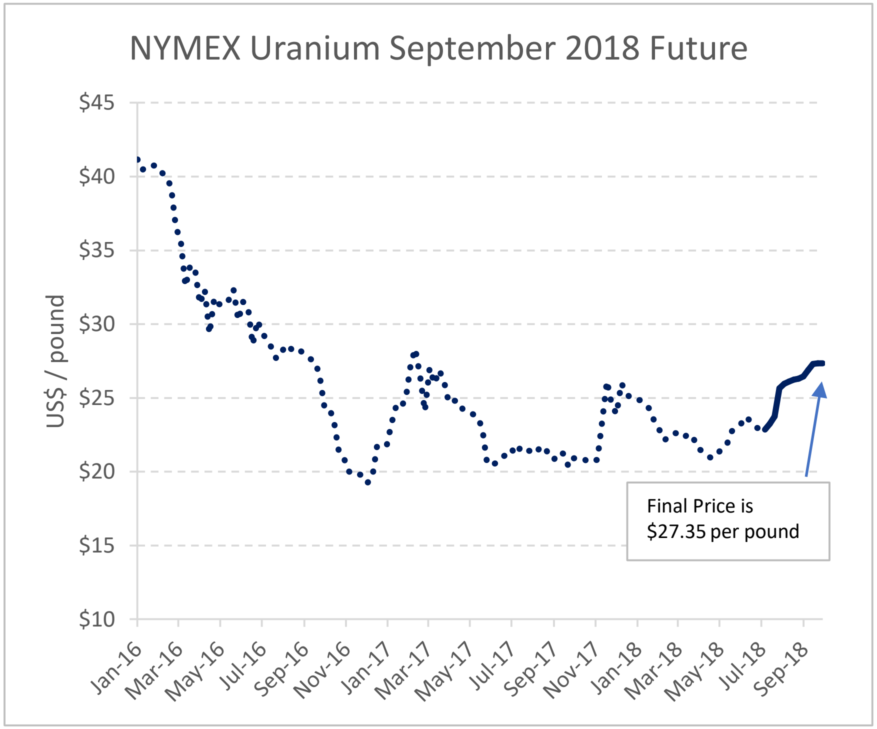

Source: CME Group

- To hedge the purchase, the utility buys 400 contracts of the Sep 2018 NYMEX Uranium futures at a price of $22.85 per pound.

# Example 1: Hedging a Physical Purchase

## Page 3 of 3

- The final settlement price of the September 2018 futures was set on 28 September at $27.35 per pound, an increase of 20% on the price since the beginning of July.
- The utility pays this price for their physical purchase, and therefore pays a total of $2,735,000 for the uranium.
- The utility closes out their futures hedge:
  - Selling 400 contracts of Sep 2018 Uranium at a price of $27.35 per pound generates a gain of $450,000.
- The gain on futures offsets the increased cost of the uranium.
- Alternatively, if the Sep 2018 futures price had fallen instead of risen then the utility would have experienced a benefit from a lower physical purchasing price offset by the loss on the long futures position




Source: CME Group

Notes: Futures prices used in this example are settlement prices on the dates quoted. For ease of explanation, this example does not reference factors such as bid-offer spread, brokerage fees or margin requirements.

# Thank you

# Disclaimer

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