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Research Article

Clustering in the futures market: Evidence from S&P 500 futures contracts

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Abstract

We document trade price clustering in the futures markets. We find clustering at prices of x.00 and x.50 for S&P 500 futures contracts. While trade price clustering is evident throughout time to maturity of these contracts, there is a dramatic change when the S&P 500 futures contract is designated a front-month contract (decrease in clustering) and a back-month contract (increase in clustering). We find that trade price clustering is a positive function of volatility and a negative function of volume or open interest. In addition, we find a high degree of clustering in the daily opening and closing prices, but a lower degree of clustering in the settlement prices. © 2004 Wiley Periodicals, Inc. Jrl Fut Mark 24:413–428, 2004

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