



Lead/Lag (“Rainbow”) Futures

Own Leaders. Hedge Laggards. Trade Dispersion.

Institutional Derivatives | Q4 2025

A New Way to Trade Market Leadership

Lead/Lag Futures are futures products that Cboe plans to offer for trading on Cboe Futures Exchange, LLC (CFE), subject to regulatory review.

Lead/Lag Futures transform the market’s internal dynamics into two standardized contracts. Built on the Cboe U.S. Large-Mid Cap 100 (CEQX), constituents are continuously re-ranked by performance and split into:

- Lead 50 Future – top 50 performers (the “leaders”).
- Lag 50 Future – bottom 50 performers (the “laggards”).

Together, these contracts enable three trading use cases:

- Own the leaders (Lead)
- Hedge the laggards (Lag)
- Trade the spread between leaders and laggards (Lead-Lag Spread1)

This structure makes it simple to implement momentum, hedging, or dispersion views—all in a single trade, exchange-listed, and cash-settled.

Why They Matter

Traditional momentum, dispersion, and correlation trades require complex multi-leg structures, constant rebalancing, or option overlays. Lead/Lag Futures deliver the same themes in two clean contracts:

- Transparent rules – terminal rank defines Lead vs. Lag.
- Cash-settled – no borrow, no assignment, no rebalancing.
- Futures benefits – regulated market, margin efficiency, standardized clearing.

Key Potential Benefits

For Traders & Portfolio Managers:

- Express momentum with one futures contract.
- Hedge by shorting underperformers.
- Trade the leaders-laggards spread as a dispersion proxy.

For Quants & Strategists:

- Linear exposure to dispersion and correlation regimes.
- Transparent payoff function, tractable pricing, closed-form approximations.
- Beta-neutral spread, long dispersion, negative theta — clear risk factors.

For Wealth & Retail Investors:

- Simple, rules-based way to own market leadership.
- Turnkey momentum exposure without ETF fees or rebalancing lag.

Use Cases & Next Steps

When They Shine

- Trending Markets: Long Lead captures compounding momentum.
- High Dispersion: Long Spread monetizes widening gaps between leaders and laggards.
- Risk-Off Correlation Spikes: Short Spread or long Lag provide hedges.

Case Studies

- Election Quarter 2024: Lead outperformed as sector leadership rotated, Spread widened ahead of policy uncertainty.
- Liberation Day 2025: Dispersion surged on April 2nd, collapsed on April 8th. Tactical long-short Spread positions delivered outsized returns.

Key Takeaways

- Premium & Discount: Lead Futures tend to trade rich, Lag Futures tend to trade cheap — two sides of the same coin.
- Exposures: Spread is beta-neutral, long dispersion, short correlation, and negative theta.
- Efficiency: A single futures trade replaces complex baskets or option overlays.

Lead/Lag Futures turn “own leaders, hedge laggards, trade dispersion” into standardized futures, purpose-built for momentum and correlation views, without the complexity of singlename legwork.



To learn more, contact us at Cboelabs@cboe.com

This information is a high-level overview of what is currently contemplated. The information included is subject to change and to more detailed provisions that would be put in place in connection with the planned launch of Cboe U.S. Lead 50 (LD) futures and Cboe U.S. Lag 50 (LG) futures. Additionally, the planned launch of LD and LG futures remains subject to regulatory review. This information is provided for general education and information purposes only. No statement provided should be construed as a recommendation to buy or sell a security, future, option on a future, security future, digital asset, financial instrument, investment fund, or other investment product (collectively, a “financial product”), or to provide investment advice. Trading in futures and options on futures is not suitable for all market participants and involves the risk of loss, which can be substantial and can exceed the amount of money deposited for a futures or options on futures position. You should, therefore, carefully consider whether trading in futures and options on futures is suitable for you in light of your circumstances and financial resources. You should put at risk only funds that you can afford to lose without affecting your lifestyle. For additional information regarding the risks associated with trading futures and options on futures and with trading security futures, see respectively the [Risk Disclosure Statement Referenced in CFTC Letter 16-82](#) and the [Risk Disclosure Statement for Security Futures Contracts](#). Certain risks associated with options, futures, and options on futures and certain disclosures relating to information provided regarding these products are also highlighted at <https://www.cboe.com/global-disclaimers>. Hypothetical scenarios are provided for illustrative purposes only. The actual performance of financial products can differ significantly from the performance of a hypothetical scenario due to execution timing, market disruptions, lack of liquidity, brokerage expenses, transaction costs, tax consequences, and other considerations that may not be applicable to the hypothetical scenario.