### SPXFP Mentor Chat QA Guide

#### **Q1: What is SPXFP?**

*It’s the S&P 500 Futures Excess Return Index. It continuously holds the front-month E-mini S&P 500 futures and rolls to the next contract before expiry. It reflects the futures price movement plus the roll yield, but it doesn’t include cash collateral interest or dividends.*

#### **Q2: Why is it called “Excess Return”?**

*Because it only measures the return from the futures itself, excluding the risk-free interest you would earn on the cash collateral. If you add that cash yield back, you get the Total Return version, SPXFTR.*

#### **Q3: How often does it roll?**

*It rolls quarterly—in March, June, September, and December—five business days before the contract’s last trading day. So it never actually goes to physical delivery.*

#### **Q4: What’s the impact of Contango or Backwardation?**

*In Contango, you roll into a more expensive contract, so you have a negative roll yield and SPXFP underperforms the spot. In Backwardation, you roll into a cheaper contract, so you have a positive roll yield and it slightly outperforms.*

#### **Q5: How is SPXFP different from the S&P 500 spot index?**

*The spot index reflects the actual equity prices plus dividends. SPXFP reflects futures prices, excludes dividends, and adds the roll yield effect. Over the long term, they’re close but not identical because of dividends and roll costs.*

#### **Q6: Why do structured products or derivatives often use the Excess Return version?**

*Because it’s a cleaner way to isolate the futures performance without mixing in cash yield. The financing yield can vary across currencies and markets, so ER is more standardized for derivative structuring.*

#### **Q7: What’s the Total Return version then?**

*It’s SPXFTR. It takes SPXFP and adds the interest you’d earn on the collateral, usually based on 3‑month T‑bill or Fed Funds rate.*

#### **Q8: Is it investable?**

*You can’t directly buy the index, but you can replicate it by maintaining a rolling futures position on the E-mini S&P 500 plus managing the collateral cash.*

### ✅ Proactive questions you can ask mentor

* *So in practice, when we use SPXFP for structured products, do we mostly care about the roll yield dynamics, or do we also model the Total Return version for pricing?*
* *When Contango is steep, does it significantly affect how we hedge SPXFP exposure compared to the spot?*