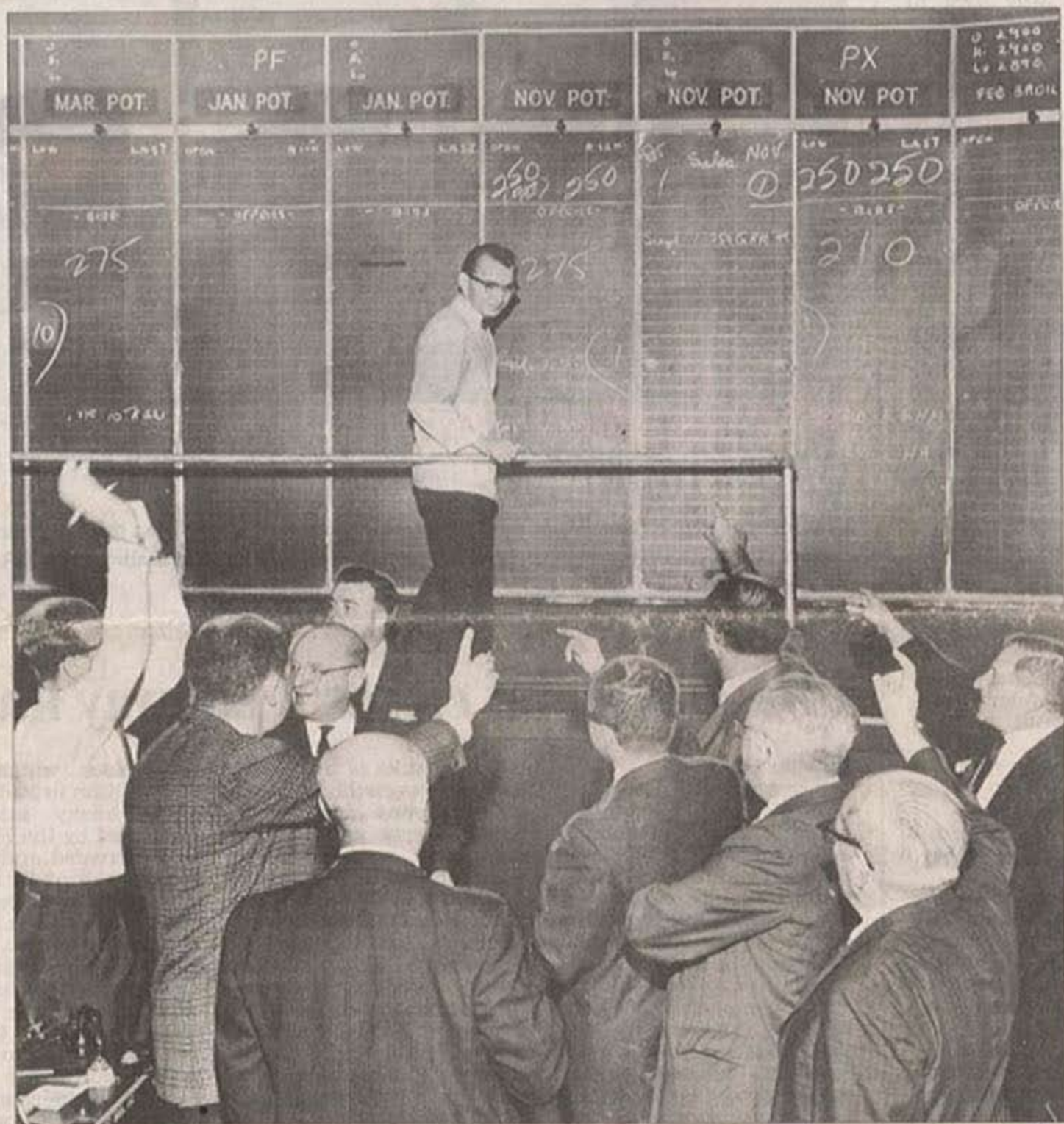


Chicago Tribune

# BUSINESS

FRIDAY, MAY 16, 2008 | SECTION 3

'It's certainly bittersweet. We're witnessing the consequences of our own success.' —Leo Melamed, chairman emeritus of the Merc



Tribune file photos

Dealers at the Chicago Mercantile Exchange trade in Idaho potato futures on Sept. 17, 1962. The dealers make hand signals to the board marker after they watch the quotes he has chalked up.

## A farewell to arms waving at the Merc

Continued



As of April, the Globex computer system accounted for average daily volume of 8.22 million contracts, up 40 percent from the same month a year ago, while open-outcry trading of 1.84 million contracts inched up only 1 percent.

The speed at which computer servers can match buyers and sellers has created the deep, liquid markets wanted by much of the trading community. "Our perspective is pretty simple," said Perry Iverson, a managing director of consultant Commodity & Ingredient Hedging LLC. "Our clients want liquid markets. The exchange is going to do what they need to do to provide that."

The consolidation of trading floors has been planned since last summer, and the first equities, interest rate and foreign exchange pits began moving in April. On Monday, livestock, lumber and dairy will travel five blocks to the art deco Board of Trade Building at the foot of LaSalle Street. CME Group headquarters will remain at its present location.

"Everything is going the way we expected it to go," said James Allen Smith, a documentary filmmaker chronicling the decline of open-outcry. "People realize they may need to get on computers pretty soon, but there are markets that are doing well on the trading floor, so I think it's business as usual."

Crowding the Board of Trade with Merc traders should restore some of the energy that animated the exchange floors of yore. "It's packed in there. It's busy," said Smith, who has titled his movie "Floored."

Vivid memories persist of the days when thousands of traders packed Chicago's pits. Hanging in Melamed's office is a 2006 painting of the Merc floor, an abstract flurry of color that portrays the trading pits as halos of light.

But Chicago's future depends on the flicker of a computer screen, a prospect that provokes nostalgia for the past and hope for the future.

"We're surprised how quickly some of the livestock volume has moved over to the electronic [platform]," said Daniel Bluntzer, director of research at Frontier Risk Management in Chicago. Open-outcry pits "will get smaller and ... more than likely go away."

Bluntzer, who launched his career as a runner in the Merc livestock pits in 1991, said the pits were in at least one way superior to the computer screen because more could be discerned about who was buying and selling in the marketplace, which is important data for speculators.

The anonymity of electronic trading encourages fund managers, day traders and others outside the walls of the exchange to trade, however, and also reveals to a greater degree "the depth of the market," Bluntzer said.

## Open-outcry trading shifts to CBOT floor

By Joshua Boak  
and Greg Burns  
TRIBUNE REPORTERS

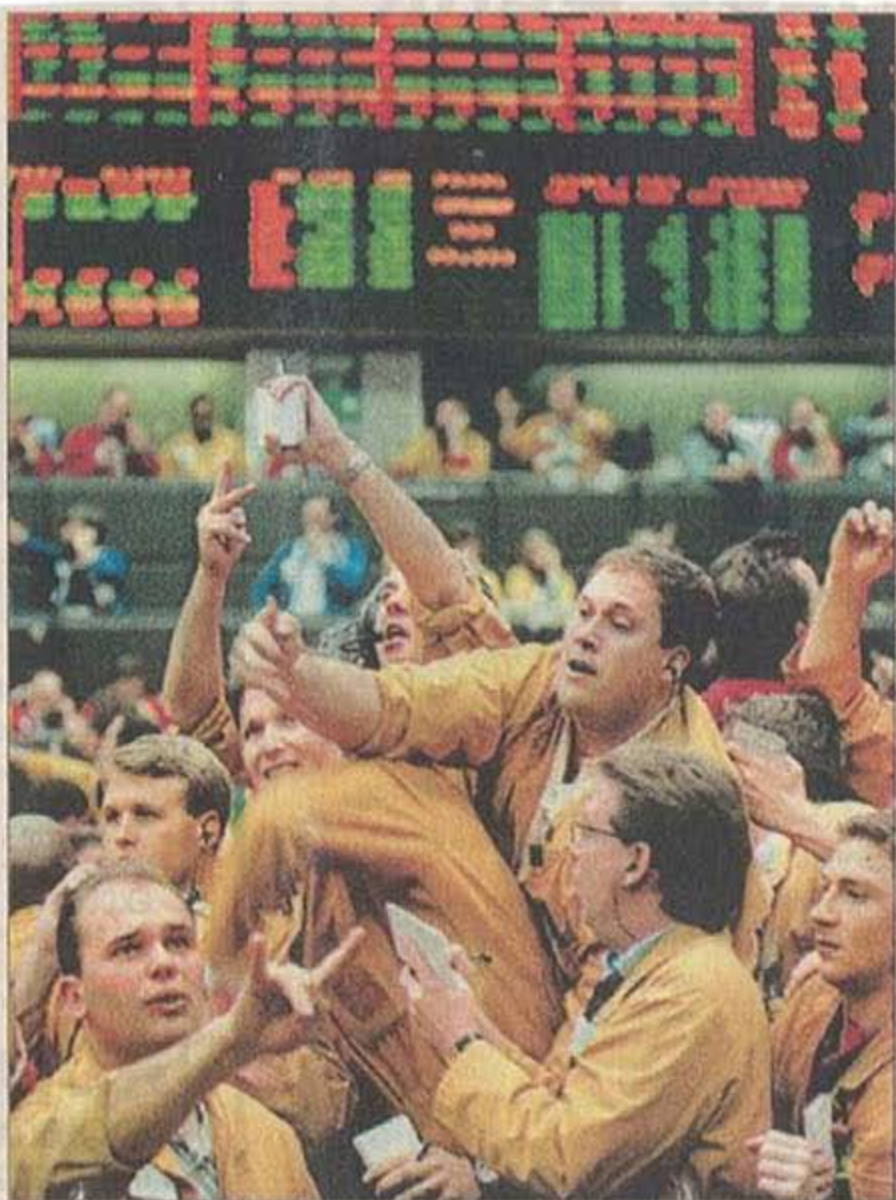
The closing bell will ring one last time Friday at the Chicago Mercantile Exchange, which will move the last of its open-outcry trading over the weekend to new quarters at the Chicago Board of Trade.

Electronic trading via computer has largely replaced the traditional shouting and arm-waving that once personified Chicago's business community, though exchange leaders say the remaining old-fashioned pits will have an open-ended lease on life in their new home.

Still, the lights going out for good at the Merc's once-vibrant Wacker Drive trading facility prompted thoughts of bygone days among veterans such as Leo Melamed, chairman emeritus of the Merc.

"It's certainly bittersweet," he said. "We're witnessing the consequences of our own success."

The boom in electronic trading generated enough wealth for the Merc to buy the Board of Trade last year, forming the CME Group, and business has continued growing since then.



Merc traders react to the Federal Reserve's decision to lower interest rates on Nov. 17, 1998, piling on top of each other as they frantically make their transactions.

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