Hedging Equity Downside with Index & Single Stock Futures

The two-layer hedge

Equity portfolio
Holdings x, value V, measured β to ES and NQ

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1 · Single stock futures
Short names over 5% of V: shares ÷ 100, or ÷ 10 for micros

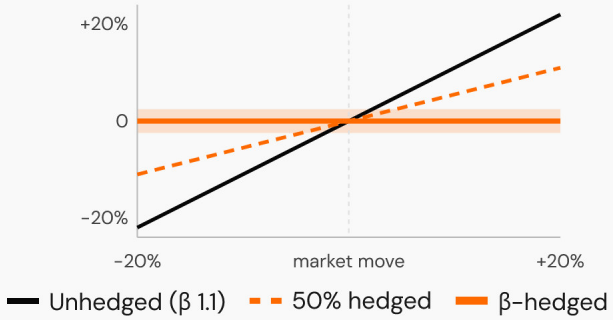
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2 · Index futures
Short ES / NQ on the residual β, then fine-tune with MES / MNQ

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Hedged result
Market risk offset; stock-specific risk and basis remain

What the hedge does to a market move



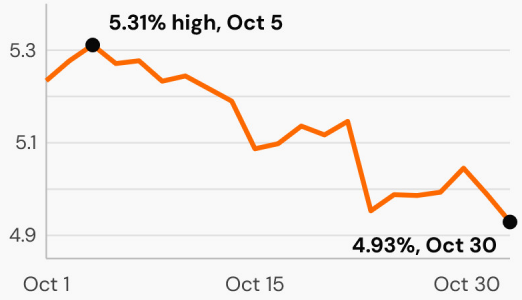
Illustrative math, not a forecast. Shaded band = leftover basis and stock-specific risk.

The contract toolkit

Contract	Size	Tick value	Role
ES	$50 × index	$12.50	Broad market
MES	$5 × index	$1.25	Fine-tune ES
NQ	$20 × index	$5.00	Tech / growth tilt
MNQ	$2 × index	$0.50	Fine-tune NQ
SSF	100 shares	$1.00	Single name
Micro SSF	10 shares	$0.10	Small positions

Index ticks are 0.25 points; stock futures tick $0.01 per share. CME lists 55 single stock futures and 22 micros, financially settled on a quarterly cycle; NinjaTrader has offered them since July 27, 2026.

10-year Treasury yield, October 2026



Daily closes, Investing.com. Treasury's official 10-year rate was 4.94% on Oct 30, down 35 bp from Sept 30.

Why current levels favor shorting Treasury futures

→ **Better entry.** After October's rally, Dec ZN closed at 106-20½ (106.64), up from about 104.7 on Oct 13, so a short sells near the month's high.

→ **Rate-shock payoff.** ZN moved about $80 per contract per basis point in October; a return to the 5.31% high is worth about $3,000 per short contract.

→ **Covers rate-driven sell-offs**, when stocks and bonds fall together and index shorts alone leave rate risk open.

Trade-offs

– **Carry cost.** The 10-year yields about 4.94% vs 4.06% for 1-month bills, so a short gives up roughly 0.9% a year as futures converge to cash.

– **Flight to quality.** On Oct 30 a tech sell-off pushed yields to a seven-week low, so a Treasury short lost while stocks fell.

CME Group references

E-mini S&P 500 (ES)	https://www.cmegroup.com/markets/equities/sp/e-mini-sandp500.html
Micro E-mini S&P (MES)	https://www.cmegroup.com/markets/equities/sp/micro-e-mini-sandp-500.html
E-mini Nasdaq-100 (NQ)	https://www.cmegroup.com/markets/equities/nasdaq/e-mini-nasdaq-100.html