



# Montréal Exchange (MX) Fixed Income Futures

*Canadian Fixed Income Forum (CFIF)*

April 25, 2016



### Capital Formation

Toronto Stock Exchange  
TSX Venture Exchange  
TSX Private Markets  
TMX Equity Transfer Services

### Derivatives

Montréal Exchange  
CDCC  
BOX

### Efficient Markets

Toronto Stock Exchange  
TSX Venture Exchange  
TSX Alpha Exchange  
CDS  
NGX  
Shorcan

### Market Insights

TMX Datalinx  
TMX Insights  
TMX Atrium  
eXplore

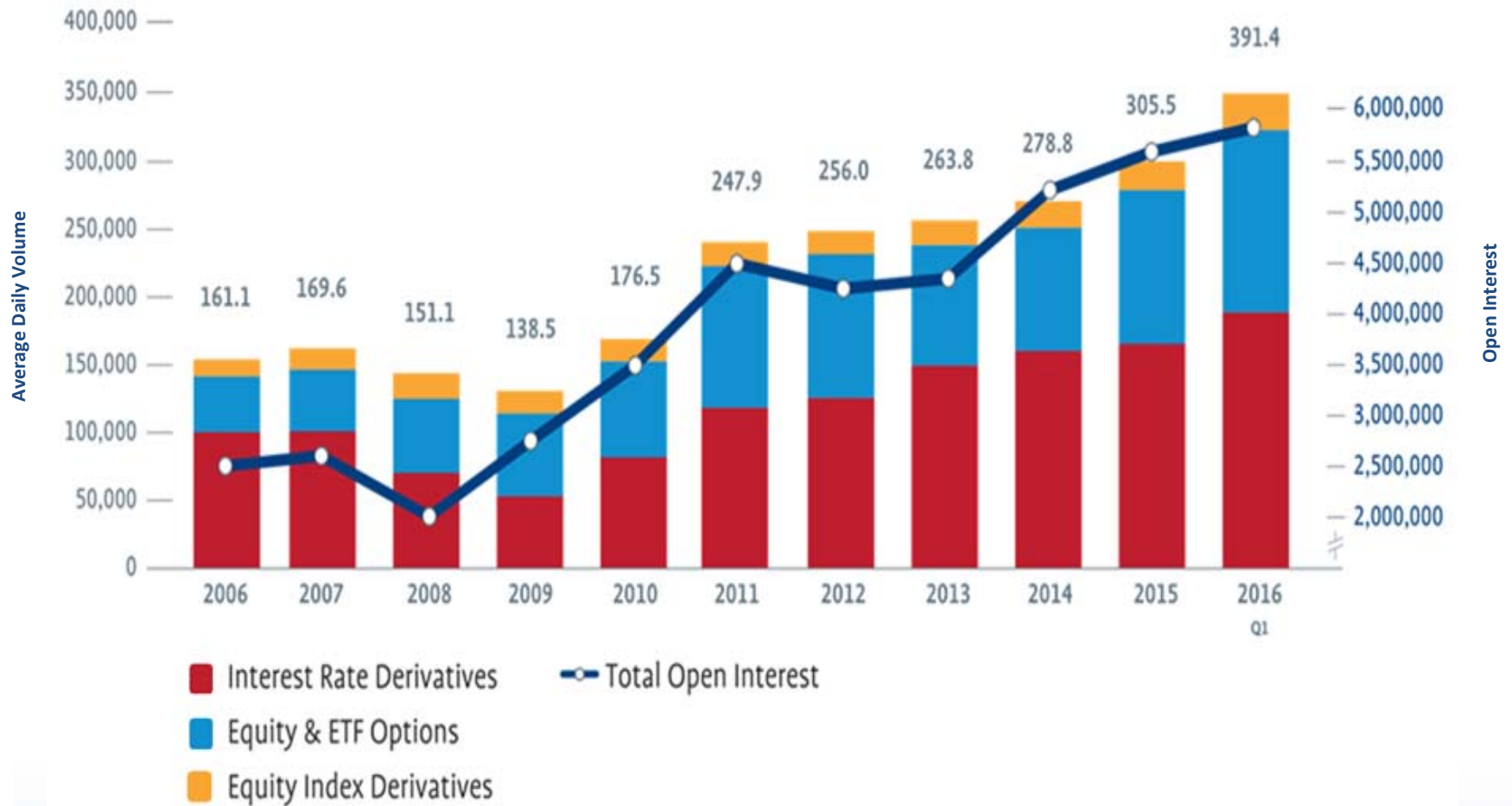
### Market Solutions

AgriClear

# Agenda

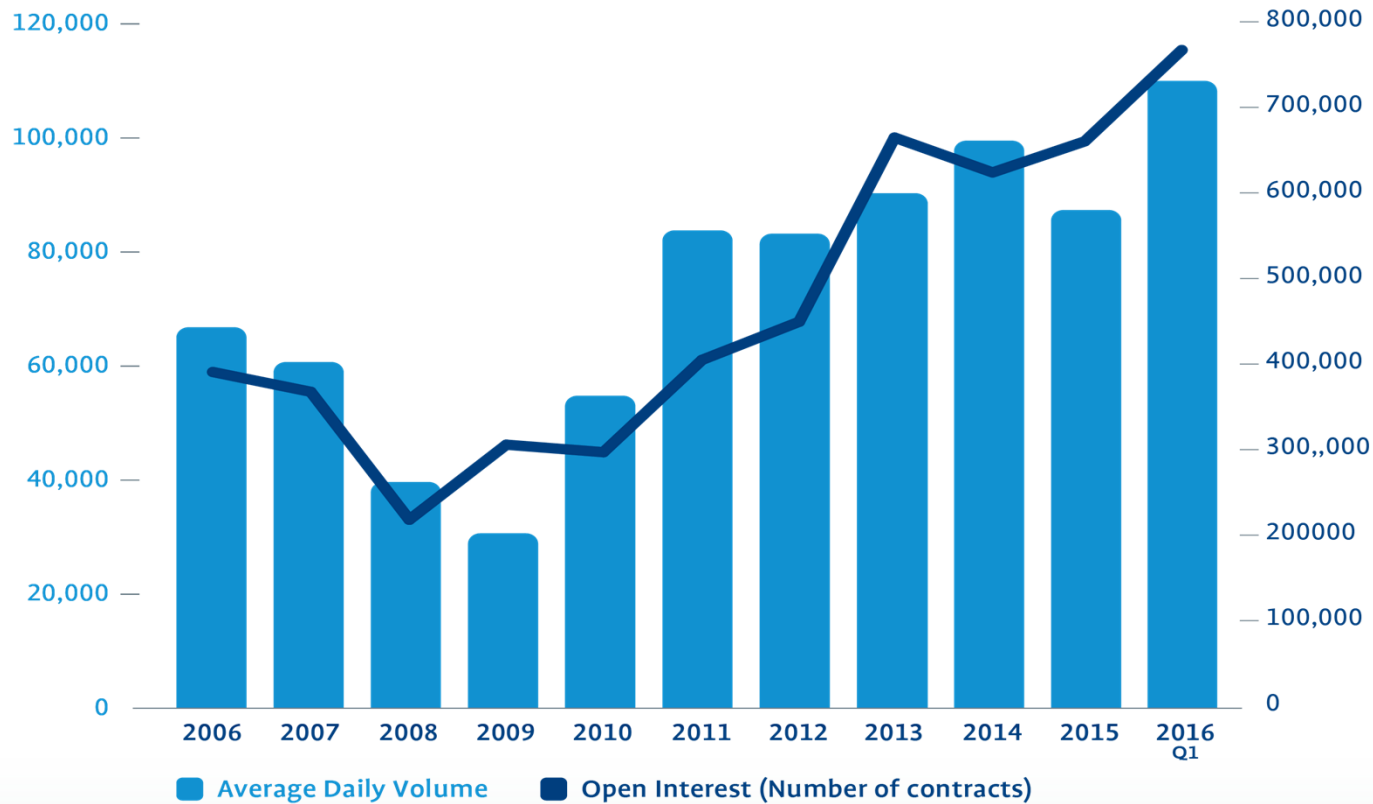
- Evolution of MX futures market
- Status report on the ten-year Government of Canada bond futures (CGB)
- Revitalization of key yield curve futures & options products
- Upcoming MX initiatives

# MX Average Daily Volume & Open Interest: All Products



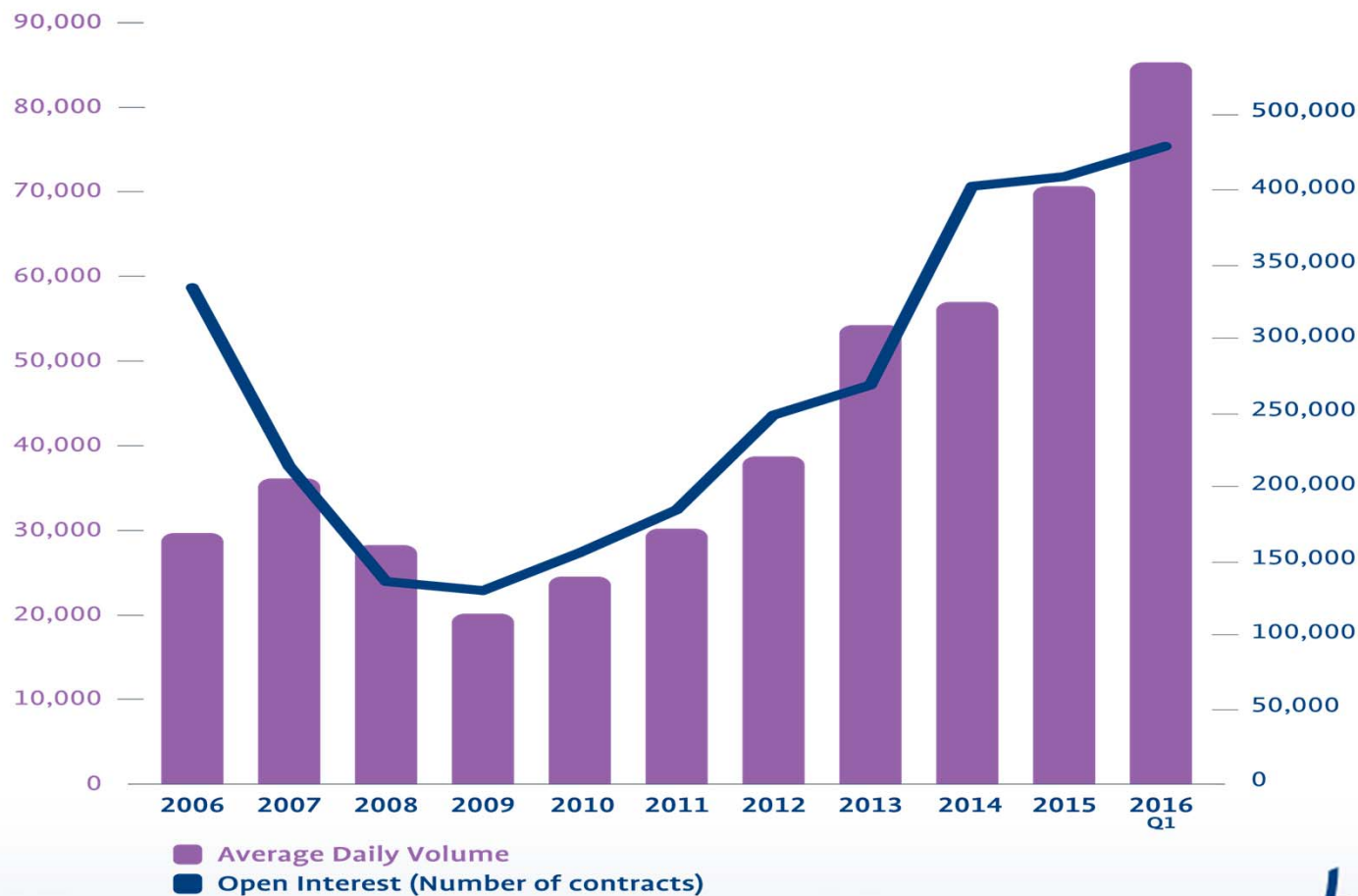
# MX Average Daily Volume & Open Interest: Three-Month Bankers' Acceptance Futures (BAX)

BAX 3-month STIR Futures

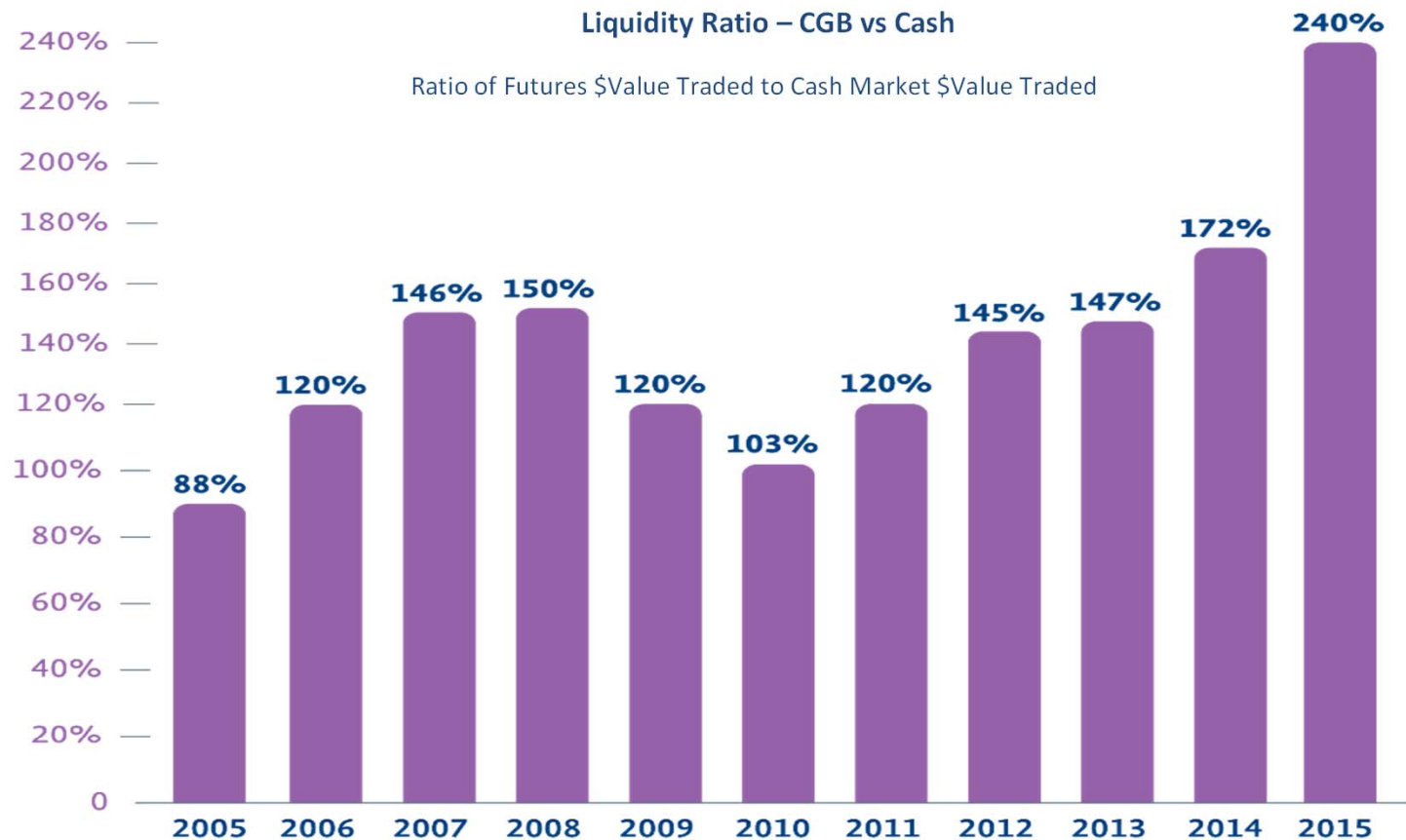


# MX Average Daily Volume & Open Interest: Ten-Year Government of Canada Bond Futures (CGB)

CGB 10-year GoC Bond Futures



# CGB Benefits From Futurization Trend



Note: Cash market data is based on the trading activity of Government of Canada bonds (3-10 years) as reported by IIROC  
[http://www.iroc.ca/industry/marketmonitoringanalysis/Documents/BondMarketSecondaryTrading\\_en.pdf](http://www.iroc.ca/industry/marketmonitoringanalysis/Documents/BondMarketSecondaryTrading_en.pdf)

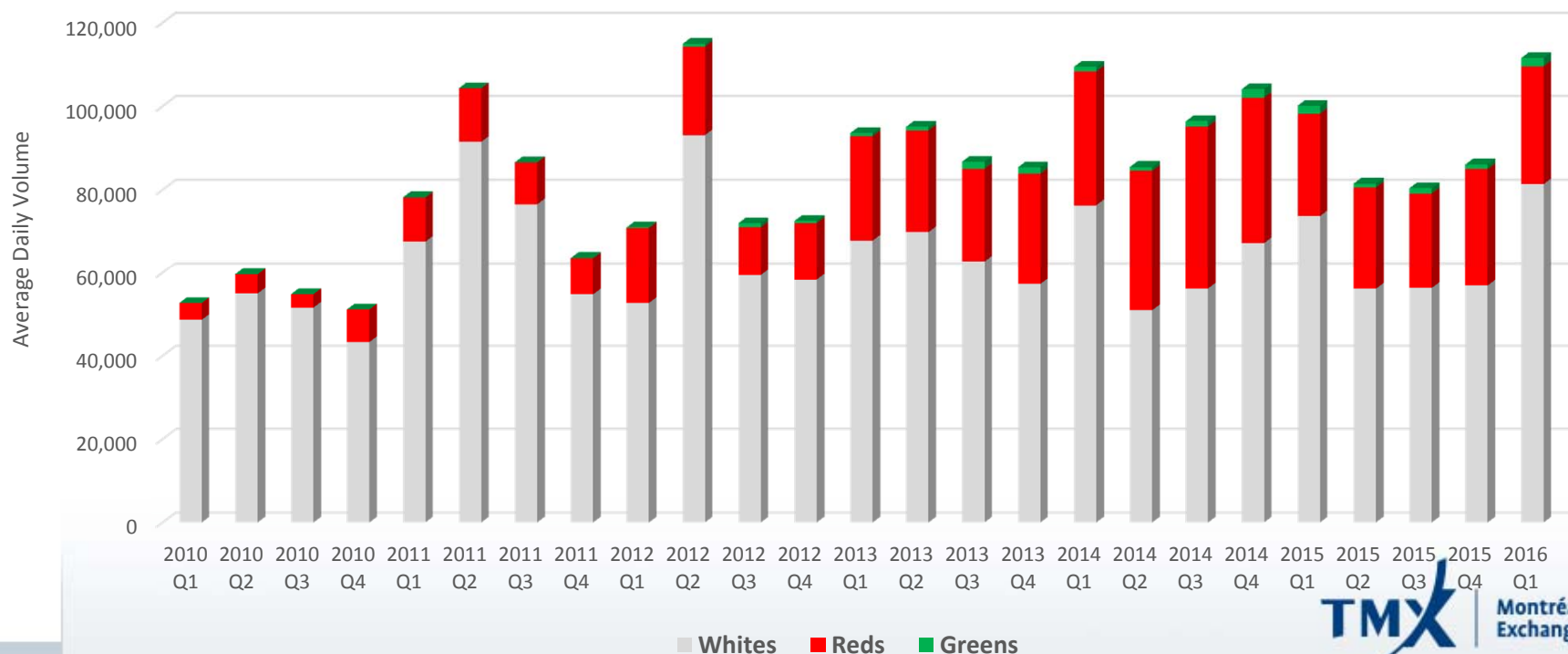
# Revitalization of Key Yield Curve Products

- Launched July 2011, the Yield Curve Project, has a long-term goal of offering participants a full Canadian sovereign futures yield curve.
- “Yield Curve” introduced mandated market makers and incentive programs to provide liquidity in the early stages of a product’s development.
- As part of the project, the MX invested in:
  - BAX Reds & Greens (contracts 5 to 12)
    - Now represent approximately 30% of total BAX volume
  - Five-Year Government of Canada Bond Futures (CGF)
    - A liquid CGF would allow participants to express views on the yield curve
  - Options on BAX (OBX)
    - Trading records for monthly volume and open interest were set in 2015

# Revitalization of Key Yield Curve Products: BAX Reds and Greens

- Since the inception of the market making program, overall BAX volumes have increased 105% from an average daily volume of 55K contracts in 2010 to 112K contracts in Q1 2016
  - Volumes in the Reds and Greens have increased significantly, and have grown to represent 30% of BAX volumes, up from less than 10% in 2010 prior to the start of the program.
  - Liquidity in the 2-year segment of the futures curve has gravitated towards the BAX Reds.

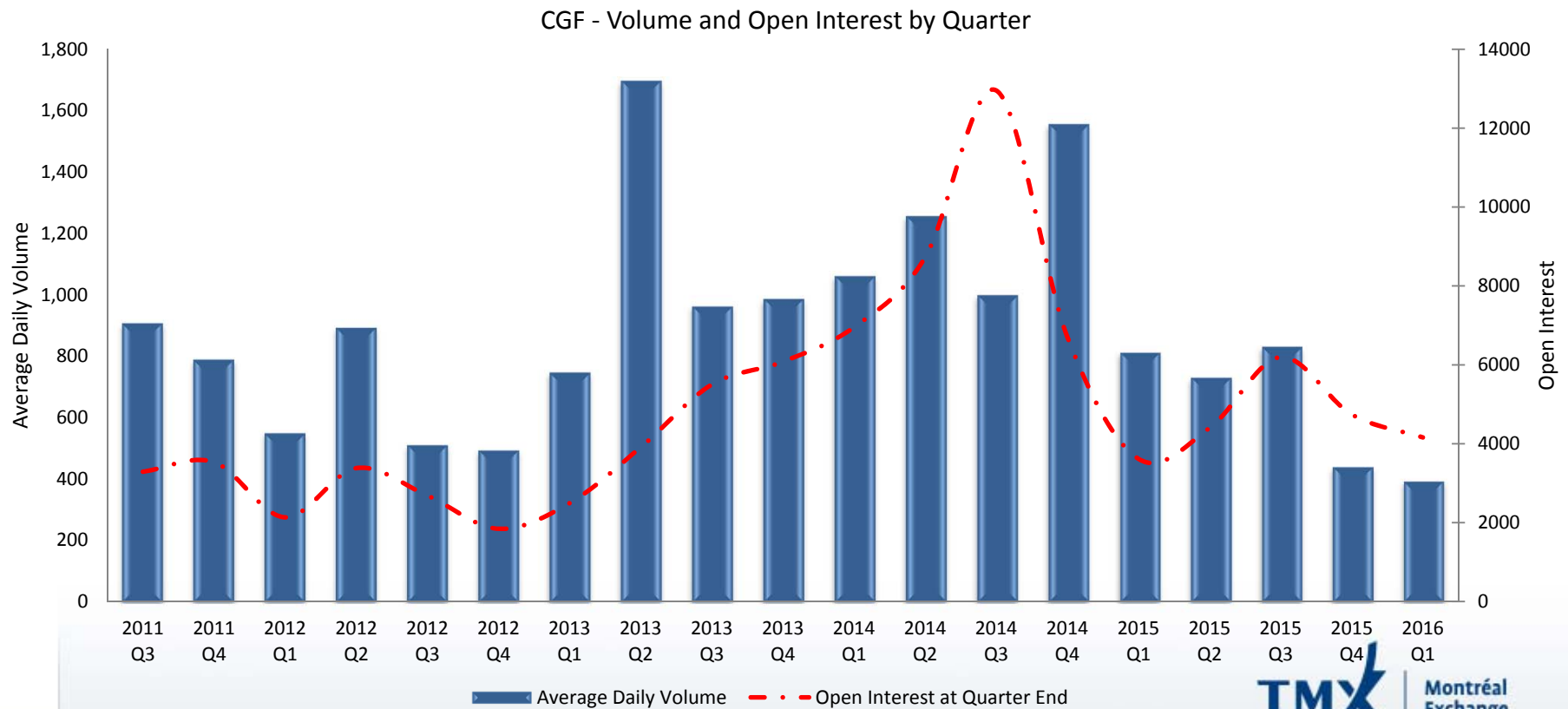
BAX - Average Daily Volume





# Revitalization of Key Yield Curve Products: Five-Year Government of Canada Bond Futures (CGF)

- At the request of participants, the MX invested in the re-launch of the CGF through market making and incentive programs to help generate liquidity
- The basket of eligible deliverables and position limits have been modified (Aggregate Position Limit: 28,800 contracts, and the Spot Position Limit (at the last roll): 17,200 contracts)
- Incentive program targeting buy-side clients has been implemented



# Upcoming MX Initiatives

- **Products**
  - Extending the MX fixed income derivatives product suite with the launch of Eris-based Canadian Dollar Interest Rate Swap Futures (September 2016), subject to regulatory approval
  - Evaluating a re-launch of the 30-Year Government of Canada Bond Futures (LGB)
    - Asset managers have suggested that a significant mismatch between supply and demand for long bonds in Canada could be alleviated
  - Evaluating the launch of BAX Blues & Golds
- **Extending Market Making programs**
- **Trading Hours**
  - Extension of the trading day to 4:30 pm
  - Evaluation of a 22-hour trading day
- **Enhancing Technology**
  - New RFQ functionality