

MONTREAL EXCHANGE



Q1 2024

Derivatives Highlights



MX delivered a resilient first quarter thanks to a diversified business model

TOTAL ADV of 706k CONTRACTS

In Q1 2024, down **1.3%** vs 2023

Total open interest of nearly **15.7M contracts**, up **16.6%** vs 2023

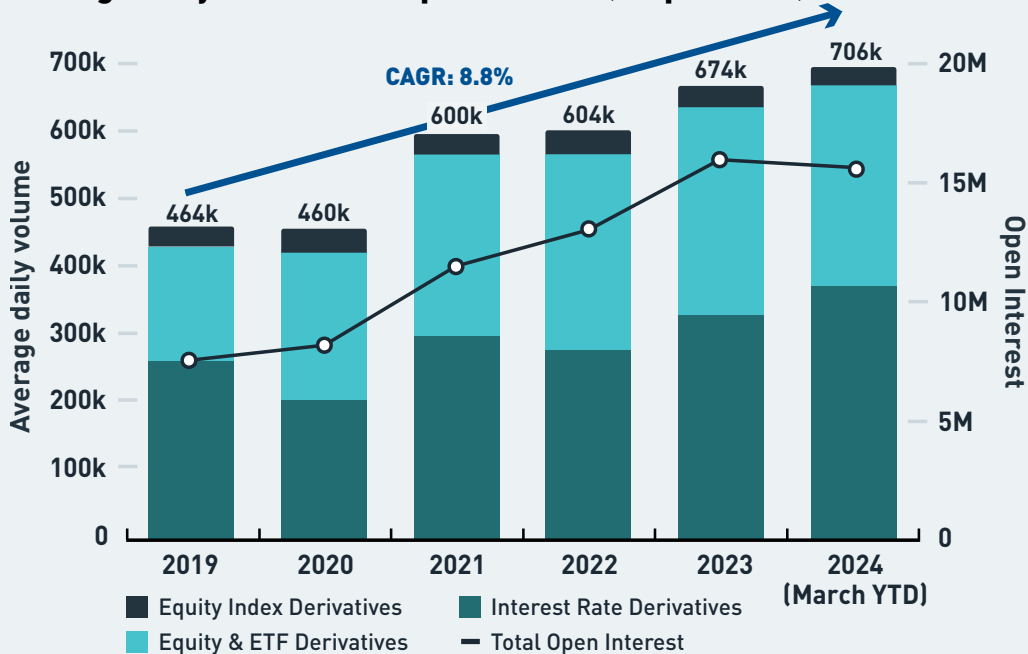
Final quarter before the conversion of BAX™ to CRA™

Well-positioned growth among short-term bond futures

Another solid quarter for short-term interest rate products:

- 3M CORRA Futures (CRA): **93k** contracts ADV
- 2Y GoC Bond Futures (CGZ™): **61k** contracts ADV
- 5Y GoC Bond Futures (CGF™): **60k** contracts ADV

Average Daily Volume and Open Interest (all products)



Segment	Product	2024 YTD ADV	YoY CHG (%)
IRD	3M CORRA CRA™	93k	+817%
	2Y CGZ	61k	+68%
	5Y CGF	60k	+26%
	10Y CGB™	144k	-9%
	All IRD Products	378k	+5%
EQD	Index Futures	28k	-25%
	Share Futures	76k	+14%
	ETF Options	77k	-10%
	Equity Options	145k	-17%
All EQD Products		328k	-10%

Market Observations

- Interest rates:** The Bank of Canada's March decision fell in line with expectations, with rates left unchanged and no particular mention of easier policy on the horizon. Yet, the surprise fall in February CPI increased the odds of a June interest rate cut. Increased uncertainty relative to the path of monetary policy attracted further trading in the short-end of the curve, with CRA breaking a daily volume record on CPI day and CGZ breaking the 200,000 open interest mark.
- Equity:** 2024 EQD trading is off to a slower start, given a combination of factors. The forward pricing levels in equity options and index futures are being repriced following the changes to the fiscal policies announced last year and in effect in 2024. The impact will likely have a shift in trading behaviour over the coming quarters which could impact volumes and open interest in specific equity products listed on MX. In addition, Q1 was characterised by a significantly low equity realised volatility regime which has a negative impact on MX's flagship index future SXF and equity options; volumes decreased by 25% and 17% respectively compared to a particularly strong Q1-2023. A pleasant surprise in the repricing environment mentioned above, was the +14% growth of single shares futures in Q1 2024 vs Q1 2023, which may have introduced new trading strategies for stock replacement programs. Volumes for this product line are down by 10% this year (Q1 2024).

Volume and Open Interest displayed in number of contracts.

Product Highlights

CDOR cessation, one step closer

- 3M CORRA Futures registered the largest daily volume on record with 225k contracts traded following softer-than-expected CPI figures.
- CRA open interest at quarter end: 728k contracts
- 1M CORRA Futures (COA™) 4 nearest contract months available for trading
- More than 35 exchange participants transacting 3M CORRA Futures
- Activity developing across the 12 quarterly expiries

GoC bond Futures continue to underlie the strength of MX Fixed Income platform

CGZ & CGF:

- Combined ADV of 121k contracts in Q1 2024, up 46% vs Q1 2023
- Combined Open Interest of 303k contracts, up 78% vs Q1 2023

CGB ADV at quarter end: 144k contracts (-8% YoY)

Dynamic basis market trading:

- CGZ EFP volume in Q1: 10k contracts ADV (16% of CGZ volume)
 - CGF EFP volume in Q1: 8k contracts ADV (14% of CGF volume)
-

Curve spread actively traded in Q1: 12k ADV for 5Y/10Y spread; 4k ADV for 2Y/5Y spread

- Activity also picking up in the 2Y/10Y, 2Y/5Y/10Y and 10Y/30Y strategies

S&P/TSX 60 Index* Futures (SXF™) open interest at a multiple year low

SXF Open interest on March 28th down 31% YoY (213k contracts)

Institutional Content

[Trading Mechanics: Price versus Yield Spread](#)

[CORRA in 2024: A Year for Forests \(Not Trees\)](#)

[A closer look at swap / Invoice spread opportunities](#)

[The Emergence of Cryptocurrency Futures Trading in Canada](#)

[Using TMX Futures to Position for 2024 Central Bank Rate Cuts](#)

[Cross Currency Opportunities Created by Higher Rates Economic pessimism grips Canada inflation market](#)

[How to use TMX Futures to trade different macro and crisis scenarios](#)

[Liquidity of Interlisted Stocks in the Canadian Options Markets](#)

[“Free Money Trade”: Astute CGB basis traders found a free option](#)

[Potential strategies: long Canadian government bond futures contracts](#)

[Exploring the potential of long canadian bond futures in a dynamic economic landscape](#)

[CORRA Futures \(CRA\): Learn more](#)



Key Milestones and Facts

Overnight trading

- Global participants took advantage of the **overnight trading hours** (8 p.m. to 6 a.m. (ET)) to manage their Canadian exposure during non-local business hours. As of Q4 2021, MX is now open 20.5 hours a day. Visit m-x.ca/yourtime for more information.
- **Overnight Trading Hours** statistics:

Products	Q1 2024 ADV
All products	16.5k
CRA	2k
CGB	11k
CGF	1k
CGZ	1k
SXF	1.5k

The activity taking place during the overnight trading hours represents about 4% of MX daily volume on average for eligible products.

New!

More overnight trading in 3M CORRA Futures has been observed in recent months!

Benchmark transition (CDOR to CORRA) & Fallbacks Implementation Plan

MX is committed to facilitating the access and transition to CORRA, by developing a robust and efficient market for CORRA Futures. MX provided participants with a reminder on the conversion of BAX into CRA, scheduled for April 26, 2024. Recent measures were also taken to support the CORRA ecosystem:

- Inclusion of CRA/BAX inter-commodity spread on Bloomberg (Now live! CORBA Comdty)
- Amendment of MX rulebook to add fallback procedures for BAX
- Listing of Options on 3M CORRA Futures
- **One-Month CORRA Futures (COA™) available for trading.** The product serves as key input for Term CORRA. Please refer to the [COA product page](#) or the [CORRA microsite](#) for more details including product illustrations and complete specifications. Trading fees waived until June 30, 2024.

Updates on the 30-Year GoC Bond Futures ([LGB™](#))

Effective since the March 2023 contract, the delivery period of the LGB contract has been changed from a full month to what is now a single day, eliminating the wildcard option and thus, making the pricing and the roll of the contract more stable. Benefits from the liquidity provided by National Bank Financial and Desjardins Securities include:

- Robust quotes in the front contract and quarterly calendar roll
- Strong basis market offering
- [More trading opportunities](#)

Guaranteed Cross Auction with Price Improvement and Covered with Stocks to launch on June 3rd, pending regulatory approval.

The new functionalities specs are now available as well as the test environment

Protocol release: March 1st, 2024, with the GC Auction and Covered with stocks launched June 3rd.

News from the Regulatory Division

• 2024 Compliance priorities and regulatory division initiatives

The Division has identified certain compliance issues that will be prioritized throughout 2024 and also shared key initiatives that it will pursue this year. More details are available in Circular [002-24](#).

• Client and Order Identifiers - Publications and Guidelines

The Division has developed [guidelines](#) to complement the rules of the Bourse regarding client and order identifiers (the “Identifier requirements”). These requirements will become effective on June 28, 2024, after market close, and the Division expects compliance with these requirements by no later than October 1st, 2024.

Last MX Technical User Group Roadmap Webinar

The Technology Quarterly Roadmap for Q1 2024 was conducted on January 24, 2024, with over 130 people signed up and 125 live attendees. The turnout was the largest since inception. The main topics focused on The New Montreal Exchange Protocols with changes required for Regulatory Required Client Identifier, CDCC BAX/ CRA transition with BAX fallback procedure at CDCC with Dress Rehearsal files planned and also with t+1 planned changes, and the introduction of SGC. The next webinar will be held on May 30, 2024.

Market Order with protection bands added for CRA, CGZ and CGF

Effective January 23, 2024, the Market Order, as described in [Article 6.110 \(b\) \(iii\)](#) of the rules of the Bourse, is enabled for the CRA, CGZ and CGF (in addition to BAX, CGB and SXF.) This new market order behaviour allows the order to match and trade at multiple price levels (ticks) until completely filled, provided that there is sufficient liquidity in the book or until it reaches an outer market order protection band as configured for the given listed instrument. The market order protection bands are visible in the [Exchange Market Thresholds and Controls](#) section of our webpage.

New - GoC Bond Futures Inter-Commodity spreads on Bloomberg and LSEG Data & Analytics

Participants now have complete access to the inter-commodity spreads between the different bond futures contracts (CGZ, CGF, CGB and LGB) through all Bloomberg's Terminals and LSEG Data & Analytics' platforms. Through the integration, market participants are now able to view and execute the Bourse's yield curve spread trades, a beneficial functionality to trade at different points on the curve in a single transaction. This will build upon the existing activity for curve spreads (11k ADV for 5Y/10Y; 4k ADV for 2Y/5Y). The following [codes and feeds](#) are now available:

Curve Spread Product	Ratio of contracts	Bloomberg	LSEG Data & Analytics ¹	MX HSVF OBF Feeds ¹
5yr (CGF) vs 10 yr (CGB)	2 : 1	XQCN Comdty	CGF-CGBF20	2CGFF0-1CGBF0
2yr (CGZ) vs 5 yr (CGF)	3 : 1	CVXQ Comdty	CGZ-CGFF20	3CGZF0-1CGFF0
2yr (CGZ) vs 10 yr (CGB)	11 : 2	CVCN Comdty	CGZ-CGBF20	11CGZH0-2CGBH0
2 yr (CGZ) vs 30 yr (LGB)	20 : 1	CVLGB Comdty	CGZ-LGBF20	20CGZF0-1LGBF0
5 yr (CGF) vs 30 yr (LGB)	7 : 1	XQLGB Comdty	CGF-LGBF20	7CGFF0-1LGBF0
10 yr (CGB) vs 30 yr (LGB)	7 : 2	CNLGB Comdty	CGB-LGBF20	7CGBF0-2LGBF0

¹ F Character represents F for Front month Symbol and can either be H,M,U or Z. 20 (or 0) in the examples stands for 2020, but will be represented by the actual real expiry calendar year.

CADC coming up in May!

Join us at the 23rd edition of the [Canadian Annual Derivatives Conference™](#) (CADCTM) and discover what is new and evolving across all aspects of the Canadian derivatives market! The event will take place on May 22-23 at the Westin Montréal and is an unparalleled opportunity to forge connections with the who's who of Canadian derivatives. [Register today!](#)

Key Exchange Notices

- Advisory Notice A23-0013: [Listing of Options on Three-Month CORRA Futures \(OCR™\)](#)
- Advisory Notice A23-011: [Alignment with the TSX trust Symbology](#)
- Advisory Notice A23-009: [Update on BAX Fallbacks Implementation Plan](#)
- Advisory Notice A23-006: [Listing cessation for Three-Month Canadian Bankers' Acceptance Futures \(BAX\)](#)
- Advisory Notice A23-005: [Inclusion of CRA/BAX Inter-Commodity spreads on Bloomberg](#)
- Advisory Notice A23-004: [Activation of New Market Order Type with protection](#)
- Advisory Notice A23-001: [Listing of One-Month CORRA Futures \(COA\)](#)
- Technical Notice 23-004: [Montreal Exchange Protocol Upgrade](#)

Did you know?

- MX, in collaboration with the CARR working group, is hosting a series of CDOR to CORRA Transition Webcasts to inform market participants of important developments. [Sign up today](#) and be notified when webcasts are released.
- Investors can access the latest CORRA-related benchmark developments, including transition provisions and initiatives on MX's [CORRA microsite](#). A FAQ, cheat sheet and new Fallback provision plan are at disposal to assist investors with their transition.
- MX offers [listed options](#) on four Bitcoin ETFs and four Ether ETFs from different ETF providers, enabling investors to access diversification and growth potential of cryptocurrencies.
- Put/Call ratios are available on a daily basis on the trading activity section of the [MX website](#).
- Real-Time bid/ask quotes are available on the MX website for Canadian options and futures contracts. [Sign up](#) for a free account and create a “My Quotes” portfolio to easily keep track of your options and future positions.

For more information

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