

MONTREAL EXCHANGE



**Q2 2021**

# **Derivatives Highlights**



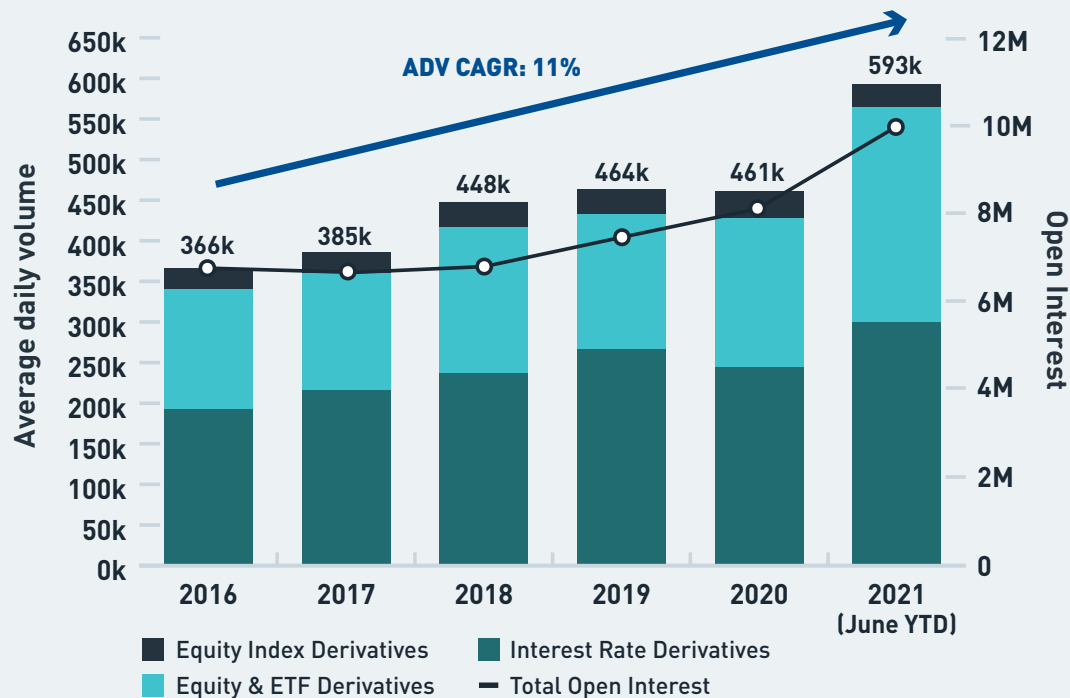
# Strong performance by interest rate and equity derivative products

**TOTAL ADV  
of 568k  
CONTRACTS**

In Q2, up  
**24%**  
vs Q2 2020

Total open interest surpassed 10M  
contracts at quarter end, up  
**23% YoY**

## Average Daily Volume and Open Interest (all products)



Segment	Product	2021 ADV	YoY CHG (%)
IRD	3M BAX	110k	-5%
	3M OBX options	1k	-78%
	3M CRA	124	-38%
	<b>2Y CGZ</b>	<b>8k</b>	N/A
	<b>5Y CGF</b>	<b>30k</b>	<b>23%</b>
	10Y CGB	151k	12%
All IRD products		300k	8%
EQD	Index futures	29k	-22%
	<b>Share futures</b>	<b>88k</b>	<b>32%</b>
	<b>ETF options</b>	<b>47k</b>	<b>20%</b>
	<b>Equity options</b>	<b>129k</b>	<b>24%</b>
	All EQD products	294k	19%

## Market Observations

- **Interest rates:** The short end of the curve was quite active in Q2, the BAX curve being volatile, especially in the 2022-2023 expiries as rate hike expectations are ramping up. Inflation outlook and risks remain relevant and the pace of asset purchases is expected to decline as the recovery proceeds. Check out our Canadian Interest Rate Expectations tool [here!](#)
- **Equity:** The Canadian stock market continued to rise in Q2 (up 8%) driven by a strong outlook for the energy and commodity sectors. The lockdown easing and the acceleration of the vaccination pace create favorable conditions for a sustained economic recovery. The average volatility observed was the lowest since the start of the Covid-19 crisis.

Volume and Open Interest displayed in number of contracts.

# Product Highlights

## STIR - High interest in the short-end of the curve

BAX Reds and Greens represented 45% and 12% respectively of the total BAX volume in Q2 (compared to 32% and 1% in Q2 2020)

BAX open interest at quarter end: 1.3M, up 50% YoY

- Breakdown: Whites (61%), Reds (33%), Greens (7%)

CORRA Futures celebrates 1-year! (launched in June 2020)

## Growth in 2Y (CGZ) and 5Y (CGF) GoC bond futures continues

CGZ open interest rose to 36k at the end of Q2

CGF open interest surpassed the 100k contracts mark!

Active basis trading:

- CGZ EFP volume in Q2: 2k contracts ADV (29% of CGZ volume)
- CGF EFP volume in Q2 : 4k contracts ADV (14% of CGF volume)

5Y/10Y curve spread actively traded in Q2: 5k contracts ADV, up 204% YoY

## Record quarter for Single Share Futures (SSF)

SSF total ADV: 99k, RevCon (options) ADV: 1k, SSF ADV: 98k in Q2

Basis Trade on Close (BTC): 99% of SSF volume in Q2

## Demand for Canadian equity and ETF options remains strong

- Energy and Financial sectors continue to drive volumes
- Cannabis options represent 4% of total equity options (YTD)
- Cryptocurrency options represents 2% of total ETF options (YTD)

## Institutional Content

[BAX Fallback - Discussion](#): Updates and impacts of the global benchmark transition on Canadian markets

[Unpacking a Successful Curve Trade in Canadian Bond Futures](#)

[Understanding 2-5-10 Butterfly Trades in Futures](#)

[Futures Delivery Drought Ended](#)

[Canada CTA Trading Model](#)

# Key Milestones and Facts

## Extended Hours Update

Volume achieved in Q2 between 2 a.m. and 6 a.m. (ET) represents 5% of daily volume. Q2 statistics during the extended hours period:

Products	ADV	Growth vs Q2 2020
<b>All products</b>	<b>15k</b>	<b>40%</b>
BAX	5k	72%
CGB	8k	30%
SXF	1.5k	1%

## Asian trading hours coming up in September!

On September 19, 2021, MX and CDCC are further extending trading hours by opening the market at 8:00 p.m. ET (T-1), allowing market participants to trade Canadian futures for 20.5 hours a day. The goals are to provide more opportunities to hedge risk and optimize portfolios, enhance market liquidity, and create greater price transparency and frictionless trading on a global marketplace. Visit [m-x.ca/yourtime](https://m-x.ca/yourtime) for more information.

## Expanded Access!

During the quarter, MX was approved by the Monetary Authority of Singapore (MAS) as a Recognized Market Operator (RMO), enabling MX to accept Foreign Approved Participants and Approved Persons based in that jurisdiction.

## Launch of 2Y and 5Y Options on Bond Futures

The Options on 2Y [\[OGZ\]](#) and 5Y [\[OGF\]](#) bond futures were launched on May 31, 2021. These products aim to strengthen MX's fixed income ecosystem, allowing participants to fully express market views and hedge additional risks. To support the launch, a list of executing brokers that can facilitate client trades on interest rate options products has been [published](#) on MX's website.

## Launch of S&P/TSX Composite ESG Index\* Futures (SCG)

On April 26, MX launched the S&P/TSX Composite ESG Index\* Futures contract. The underlying index measures the performance of the index constituents that meet sustainability criteria, while taking into account the industry group weights. The product is also available as a Basis Trade on Close (BTC) instrument. Refer to the product [page](#) for specifications.

## Listing of Additional Options on Cryptocurrencies

MX was the world's first exchange to list options on cryptocurrency ETFs. MX now offers listed options on 4 Bitcoin ETFs & 4 Ether ETFs from different ETF providers, enabling investors to access diversification and growth potential of cryptocurrencies. The open interest and the underlying ETFs AUM is quickly growing! Visit our ETF Options [List](#) and look up the ones that might interest you!

## New Block Thresholds for 2Y and 5Y Bond Futures

As of May 31, 2021, new block thresholds are effective for the 2Y (CGZ) and 5Y (CGF) bond futures from 6:00 a.m. to 4:30 p.m. ET. The minimum volume thresholds for block transactions are now 1,500 contracts for CGZ and 1,000 contracts for CGF.

## New Position Limits Rules now Live!

Starting in July 2021, [new position limits rules](#) will apply to MX's interest rate and equity derivatives product suite. Participants are encouraged to review the upcoming changes to assess possible impacts on their portfolio.

## New Features on MX Website!

- Real-Time Quotes: Make informed decisions using up-to-date bid/ask prices on 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.
- Filter any option chain by column header (ex: open interest): Make your research simpler and more efficient.
- Put/Call ratios: Now available on a daily basis on the trading activity section of the [MX website](#)

## First MX Technical User Roadmap Group Webinar

On July 8, 2021, MX hosted its first ever quarterly user group roadmap [webinar](#), which brought together more than 75 key industry stakeholders to discuss upcoming technical developments and rollout schedule. The objective is to help ensure the smooth running of new features / change of IT components implementation. The next webinar will be in November 2021; reach out to your MX representative if interested in attending.

## Option Education Events!

MX offers multiple options education events designed to provide retail investors with the knowledge needed to successfully navigate the options market. Check out the periodic updates on upcoming events on the [Option Matters](#) blog!

## Publication for Comments

In Q2 2021, MX published several files for comments, which are expected to be implemented in Q3 2021.

- Amendments concerning [BAX daily settlement price thresholds](#) (implemented on July 19)
- Amendments concerning Equity Index and Share Futures [EFR transactions](#) (implemented on July 12)
- Amendments to Part 4 of the Rules - [Conduct of the regulatory functions of the Bourse](#)
- Amendments to Article 9.4 of the Rules - [Span methodology for clients](#)

Visit the [Circulars](#) section of the MX website to stay informed of the latest developments.

## Exchange Notices

- Technical Notice 21-004: [Change to TMS and Clearing API gateway closing time](#)
- Technical Notice 21-005: [Asian Trading Hours Initiative revised launch timeline](#)
- Technical Notice 21-006: [Unsolicited Trade Confirmations](#)
- Technical Notice 21-007: [Clearing API protocol updates](#)
- Technical Notice 21-008: [Sep 2021 Government of Canada Bond Futures Expiry Date Change](#)
- Advisory Notice A21-006: [Format change to MX PAR-Instruments and PAR-Trades in the MX Participant Activity Reports](#)
- Advisory Notice A21-007: [Order Duration on Option User Defined Strategies](#)
- Advisory Notice A21-009: [Modifications to the last trading day, last notice day and last delivery day of government of Canada bond futures](#)

# Did you know?

- The interest rate derivatives markets will be closed in observance of the National Day for Truth and Reconciliation on September 30, 2021. The Bourse's equity derivatives will be open as per the normal schedule. See the [Circular](#) for more details.
- The Regulatory Division is creating a [Working Group](#) to foster the exchange of ideas, insights and perspectives regarding the regulation of client identifiers, the rule amendment proposal, future guidelines and FAQs.
- In Q2, 85 option classes transitioned to the [new expiry cycle](#). The process will be complete by August 2021 for all 309 classes.
- A new [settlement procedure](#) based on trading activity became effective on June 21 for SSF and Equity Index Futures.

## For more information

### INTEREST RATE DERIVATIVES

[irderivatives@tmx.com](mailto:irderivatives@tmx.com)

### EQUITY DERIVATIVES

[equityderivatives@tmx.com](mailto:equityderivatives@tmx.com)



[m-x.ca](https://m-x.ca)

 [m-x.ca/linkedin](https://m-x.ca/linkedin)

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