

MONTREAL EXCHANGE



Q4 2021

Derivatives Highlights



Record year for MX's IRD and EQD products

TOTAL ADV of 600k CONTRACTS

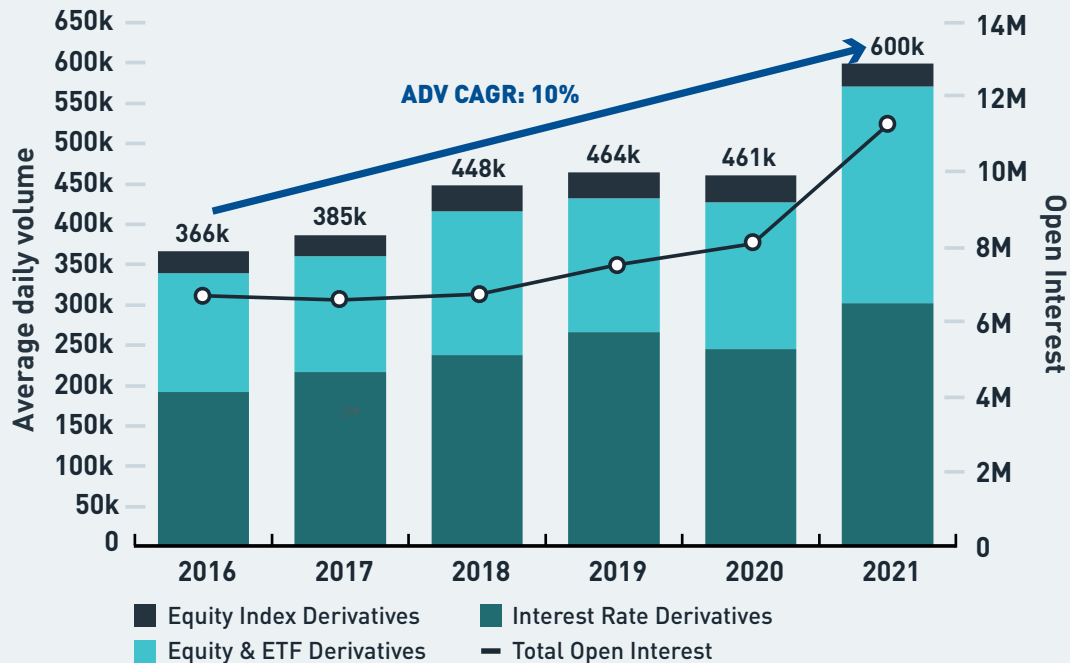
In 2021, up **30%** vs 2020

Total open interest reaching 11.3M contracts at year end, up **39%** vs 2020

Record monthly volume
678k contracts ADV (November)

Record quarterly volume in Q4
2Y GoC bond futures (CGZ™): 18k contracts ADV
5Y GoC bond futures (CGF™): 37k contracts ADV
Single Stock Futures (SSF™): 98k contracts ADV
Equity and ETF Options: 197k contracts ADV

Average Daily Volume and Open Interest (all products)



Segment	Product	2021 ADV	YoY CHG (%)
IRD	3M BAX	112k	22%
	3M OBX™ options	1k	-50%
	3M CRA	90	-5%
	2Y CGZ	11k	N/A
	5Y CGF	32k	46%
	10Y CGB	146k	14%
	All IRD products	302k	23%
EQD	Index futures	29k	-10%
	Share futures	89k	92%
	ETF options	45k	21%
	Equity options	135k	35%
	All EQD products	298k	38%

Market Observations

- **Interest rates:** A surprise Bank of Canada forward guidance statement on the pace of key rate hike at the end of October created a lot of volatility, especially in the BAX market. The 2Y point increased by 40 bps during the quarter, flattening the curve considerably vs the 10Y (-8bps) and 30Y (-30bps) tenors.
- **Equity:** The Canadian stock market performed well in Q4 (+5.7%), which drove the YTD return to 21.7%. The energy and financial sectors were again top performers during the quarter. Higher volatility was observed in November and December as uncertainty about short-term economic recovery re-emerged.

Volume and Open Interest displayed in number of contracts.

Product Highlights

Surprise in forward rate hike guidance lead to BAX™ curve repricing

BAX October ADV: 194 contracts (yearly high)

BAX Q4 ADV 2022 breakdown BAX open interest breakdown at year end

- Whites (55%), Reds (38%), Greens (7%)
- Whites (50%), Reds (43%), Greens (7%)

Strong quarter for 2Y (CGZ) and 5Y (CGF) GoC bond futures

Open interest at the end of Q4:

- CGZ: 77k contracts (up 200% vs Q4 2020)
- CGF: 103k contracts (up 47% vs Q4 2020)

Active basis trading:

- CGZ EFP volume in Q3: 4k contracts ADV (25% of CGZ volume)
- CGF EFP volume in Q3 : 4k contracts ADV (11% of CGF volume)

5Y/10Y curve spread actively traded in Q4: 8k contracts ADV, up 117% YoY

Growth continues in Single Share Futures (SSF)

SSF ADV in Q4: 98k, up 20% vs Q3 and up 234% vs Q4 2020

- Basis Trade on Close (BTC): 96% of SSF volume in Q4

Interest in Canadian Equity and ETF options is very strong

- Energy, Material and Financial sectors were most active sectors
- Equity Options open interest: 6.1M contracts (up 47% YoY)
- ETF Options open interest: 2.4M (up 75% YoY)

Institutional Content

[New! LGB Trading Strategies](#)

[LGB™: A primer for CGB users](#)

[Slightly Different BA Contract, Same Story?](#)

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

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

[Canada CTA Trading Model](#)



Key Milestones and Facts

Overnight trading in flagship products is picking up!

- **Asian Trading Hours** (8 p.m to 2 a.m (ET)): Average daily volume of 3.7k contracts
On September 19, 2021, MX further extended its trading hours by opening the market at 8:00 p.m. ET (T-1), allowing market participants to trade Canadian derivatives for 20.5 hours a day. Liquidity and participation built up in Q4 2021. Visit m-x.ca/yourtime for more information.
- **European Trading Hours** (2 a.m to 6 a.m (ET)) statistics:

Products	2021 ADV	Growth vs 2020
All products	17k	9%
BAX	5k	15%
CGB	9k	4%
SXF	1.5k	6%

The activity taking place during the Asian and European trading hours continues to rise and now represents about 6% of MX daily volume on average for eligible products.

Launch of the 30-Year GoC Bond Futures (LGB)

On November 29, 2021, the MX implemented a [new market making program](#) to drive both growth and liquidity in the 30-year point of the Canadian listed yield curve, in collaboration with National Bank Financial and Desjardins Securities. Market participants can now benefit from:

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

The LGB contract is initially available for trading from 7 a.m to 4:30 p.m. Visit the [LGB landing page](#) for contract specifications and additional resources on the LGB product.

Time to consider the adoption of Three-Month CORRA Futures (CRA)?

On December 16, 2021, BoC's CARR working group [recommended](#) that CDOR cease being published after the end of June 2024. MX continues to support the efforts of the Canadian fixed income industry to strengthen key interest-rate benchmarks and as such, is committed to facilitate the access and transition to CORRA, by developing a robust and efficient market for the Three-Month CORRA Futures. More details to come in 2022.

- On November 22, 2021, the [minimum price fluctuation](#) of the front month Three-Month CORRA Futures was reduced to from 0.005 = \$12.50 to 0.0025 = \$6.25 per contract.

Additional Share Futures on Cryptocurrency ETF listed

On November 30, 2021, the MX introduced eight new Share Futures contracts on Canadian cryptocurrency ETF, enabling easier access for participants and more opportunities to get exposure to the cryptocurrency sector. The complete list of the new offering is available in the [circular](#).

Upcoming Option markets modifications

The [amendments](#) to the rules regarding prearranged transactions and minimum price increments for the options market published for comments on October 5, 2021, will be implemented on January 31, 2022. This includes:

- Modification to the equity, ETF, currency and index options crossing procedure
- Modification to the minimum price increment for equity and ETF options excluded from the Penny Trading Program to allow increments of \$0.01 on options series priced below \$0.50.

News from the Regulatory Division

• Reminder - Order Priorities for Prearranged Transactions

The Division published a [circular](#) in October 2021 to remind market participants of the rules pertaining to the priority of orders when executing prearranged transactions, particularly for equity, ETF and Index options.

• FAQ - Trading OTC Options

A [FAQ document](#) aiming at providing more clarity on the trading of OTC Options described in Article 6.12.

• FAQ - Reports of Accumulated Positions

A [FAQ document](#) aiming at providing more clarity on different aspects related to the reporting of accumulated positions (also known as the LOPR system) was published in December.

• Extension of Alternative Measures and Reporting Delays

In light of the ongoing pandemic, the Regulatory Division is re-extending until March 31, 2022, some alternative measures and reporting delays. Refer to the [Circular](#) for more details.

Upcoming MX Technical User Roadmap Group Webinar

The last webinar was held on October 26, 2021. The objective is to improve the smooth running of new features / change of IT components implementation. The focus on the Q4 presentation was in the Rollout of FIX Drop Copy, APS in Clearing API, and CDCC presenting the GCM changes to come in 2022. Here is a recording of the last [webinar](#), which brought together more than 75 key industry participants and software vendors.

Trading Hours and Stages + 2022 Holidays

To help market participants know what products are available for trading at which hours, the [trading hours and stages](#) for all MX products have been added to MX website. Additionally, the holidays and early closing days related to the Canadian interest rates and equity derivative markets have been [published](#) and have been [updated](#) on the MX website.

Upcoming Option Education Events!

The 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!

Key Exchange Notices

- Advisory Notice 21-015: [Modification to the specs of the 30Y GoC bond futures \(LGB\)](#)
- Advisory Notice 21-018: [Modification to Options default tick increment table](#)
- Technical Notice 21-011: [Upgrade to the Trade Management System \(TMS\)](#)
- Technical Notice 21-012: [Decommission of MX FTP Server](#)

Did you know?

- MX 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 S&P/MX International Cannabis Index* Futures (SMJ) was delisted at the close of business on October 22, 2021.
- 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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