

MONTREAL EXCHANGE



Q1 2022

Derivatives Highlights



Maintaining momentum on the back of a record year for MX's IRD and EQD products

**TOTAL ADV
of 633k
CONTRACTS**

In 2022, up
2.5%
vs 2021

Total open interest reaching ~11M
contracts at March 31 2022, up
19.5% vs 2021

2nd highest monthly volume reached: 728k contracts ADV (February)

Record monthly volume for Single Share Futures (SSF): 119k ADV (March)

Strong quarterly volume in Q1 despite market headwinds:

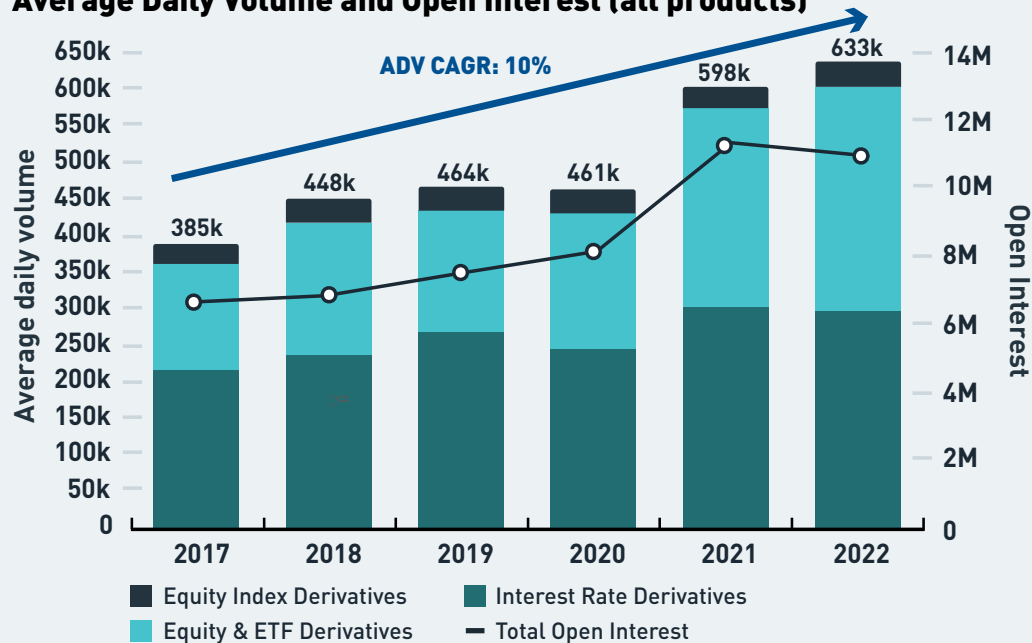
2Y GoC bond futures (CGZ™): **17k** contracts ADV

5Y GoC bond futures (CGF™): **40k** contracts ADV

Single Stock Futures (SSF™): **100k** contracts ADV

Equity and ETF Options: **203k** contracts ADV

Average Daily Volume and Open Interest (all products)



Segment	Product	2022 YTD ADV	YoY CHG (%)
IRD	3M BAX	79k	-35%
	3M OBX™ options	1k	-33%
	2Y CGZ	17k	72%
	5Y CGF	40k	27%
	10Y CGB™	157k	-4%
	All IRD products	295k	-10%
EQD	Index futures	35k	15%
	Share futures	100k	28%
	ETF options	39k	-26%
	Equity options	165k	28%
	All EQD products	339k	17%

Market Observations

- **Interest rates:** War-related risks did not prevent the BoC from delivering in March its first rate hike since October 2018. Rising rates and inflation concerns pushed bond yields sharply higher, testing the nerves of the BAX market. Geopolitical uncertainty has also made things trickier for investors this quarter. CGF-CGB curve trades were highly traded and reflected investors' reactions to the BoC statements.
- **Equity:** A volatile quarter for equities since Russia's invasion of Ukraine. Major indices lost traction in the first two months of 2022 but the rise in commodities benefited the S&P/TSX Composite Index* during the quarter. In the first 3 months of 2022, the S&P/TSX Composite Index gained 3% to reach an all-time high, outperforming U.S. indices including the S&P 500® and the Nasdaq Composite Index over the same period.

Volume and Open Interest displayed in number of contracts.

Product Highlights

Resilient liquidity in STIR futures

BAX™ open interest at quarter end: ~900k contracts

BAX contracts	Q1 2022 ADV breakdown	Open interest breakdown
Whites	70%	75%
Reds	28%	24%
Greens	2%	1%

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

Open interest at the end of Q4:

- CGZ: 61k contracts (up 105% vs Q1 2021)
- CGF: 103k contracts (up 55% vs Q1 2021)

Active basis trading:

- CGZ EFP volume in Q1: 2k contracts ADV (28% of CGZ volume)
- CGF EFP volume in Q1 : 5k contracts ADV (13% of CGF volume)

Record monthly volume for 2Y/5Y curve spread: 27k contracts (March)
5Y/10Y curve spread actively traded in Q1: 14k contracts ADV, up 212% YoY

Growth continues in Single Share Futures (SSF)

SSF ADV in Q1: 100k, up 10% vs Q4 and up 28% vs Q1 2021

- Basis Trade on Close (BTC): 89% of SSF ADV in Q1

S&P/TSX 60 Index Standard Futures (SXF™) performing well in this volatile environment with ADV up 15% YoY

Interest in Canadian Equity options remained very strong

- Energy, Material and Financial sectors were most active sectors
- Equity Options open interest: 5.7M contracts (up 43% YoY)
- Equity Options ADV up 28% YoY following a 35% increase in 2021

Institutional Content

[New total return sector index futures](#)

[Potential LGB Trading Strategies](#)

[LGB™: A primer for CGB users](#)

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

[Switch risk in Futures: A Refresher](#)

[CGZ: A use case for Portfolio Managers](#)

[Canada CTA Trading Model](#)



Key Milestones and Facts

Overnight trading in flagship products

- 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 Q3 2021, the MX is now open 20.5 hours a day. Visit m-x.ca/yourtime for more information.
- **Overnight Trading Hours** statistics:

Products	Q1 2022 ADV
All products	14k
BAX	2k
CGB	11k
SXF	1k

The activity taking place during the overnight trading hours represents about 6% of MX daily volume on average for eligible products.

Robust market posted in 30-Year GoC Bond Futures (LGB™)

A [new market making partnership](#) has been developed on the 30-year point of the Canadian listed yield curve, in collaboration with National Bank Financial and Desjardins Securities. Take advantage of:

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

Visit the [LGB landing page](#) for contract specifications and additional resources on the LGB product.

- Note: A request for comment has been [published](#) regarding a modification to the no-review range of the LGB contract.

Upcoming liquidity development in 3M CORRA Futures (CRA)

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 3M CORRA Futures. During Q1, MX issued a request for proposal (RFP) and is hoping to announce a new market making partnership to drive growth in CORRA futures as we move towards benchmark transition. More details to come shortly!

New Total Return Sector Index Futures!

On May 3rd, 2022, the MX will launch six new Total Return Sector Index Futures, focusing on energy, financial services, insurance, media, telecommunications, and real estate. These products will provide all the benefits of trading futures in terms of hedging risk, lower margins, portfolio diversification, and efficient use of capital. All the relevant information regarding these innovative new products can be found on the product [website](#).

Additional Equity Option Classes

In Q1 2022, the MX introduced 6 new Equity Options contracts on Canadian stocks enabling easier access for participants and more opportunities to get exposure to new emergent Canadian companies. The complete list of the new offering is available in the [circular](#) section (New Equity Option Class).

Option markets modifications

The [amendments](#) to the rules regarding pre-arranged transactions and minimum price increments for the options market, were implemented on January 31, 2022. This included:

- 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

• Publication of Compliance Priorities and Initiatives

A [document](#) highlighting the 2021 realizations and 2022 priorities was shared with participants.

• Guidelines Update - Approved Persons

An update outlining the relevant provisions of the Rules and establishing the conditions of eligibility to be approved as an Approved Person by the Bourse has been [published](#).

• Extension of Alternative Measures and Reporting Delays

In light of the ongoing pandemic, the Regulatory Division is re-extending until June 30, 2022, some alternative measures and reporting delays. Refer to the [Circular](#) for more details.

Upcoming TMX Equities Trading Conference & Canadian Annual Derivatives Conference™ (CADC™)

TMX is hosting a [full day event on June 8](#) to discuss with its Canadian investment community current issues and trends. With the evolution of technology, market structure, fees, and regulation, the objective of this year's event is to provide a forum for industry members, technology providers and regulators, to share ideas and insights on a complex and changing industry.

TMX is also hosting [Canada's Leading Derivatives conference](#) June 20th and June 21st, an unparalleled opportunity to forge connections with the who's who of Canadian derivatives. Stefane Marion, Chief Economist & Strategist for National Bank along with the Chief Global Market Strategist and co-Head of Global Research for J.P. Morgan will be among the panelists presenting at the Canadian Annual Derivatives Conference this year.

Last MX Technical User Roadmap Group Webinar

The last webinar was held on February 23rd, 2022. The objective is to improve the smooth running of new features / change of IT components implementation. The focus of the Q1 presentation was the reminder of Rollout of FIX Drop Copy, The Core Squad presenting all functional changes in the next protocol delivery with Covered Trades, Web UI Squad presenting new web TMS rollout, and MXR presenting the new rule change and IT field with the intent to cross feature. Here is a recording of the last [webinar](#), which brought together more than 75 key industry participants and software vendors.

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 22-002: [30Y GoC bond futures roll strategy price increment](#)
- Advisory Notice 22-0001: [MX addition of fee to ATR drop copy service](#)
- Technical Notice 22-002: [Clearing API protocol Updates](#)
- Technical Notice 22-001: [Upgrade of Trade Management System \(TMS\)](#)

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.
- 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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