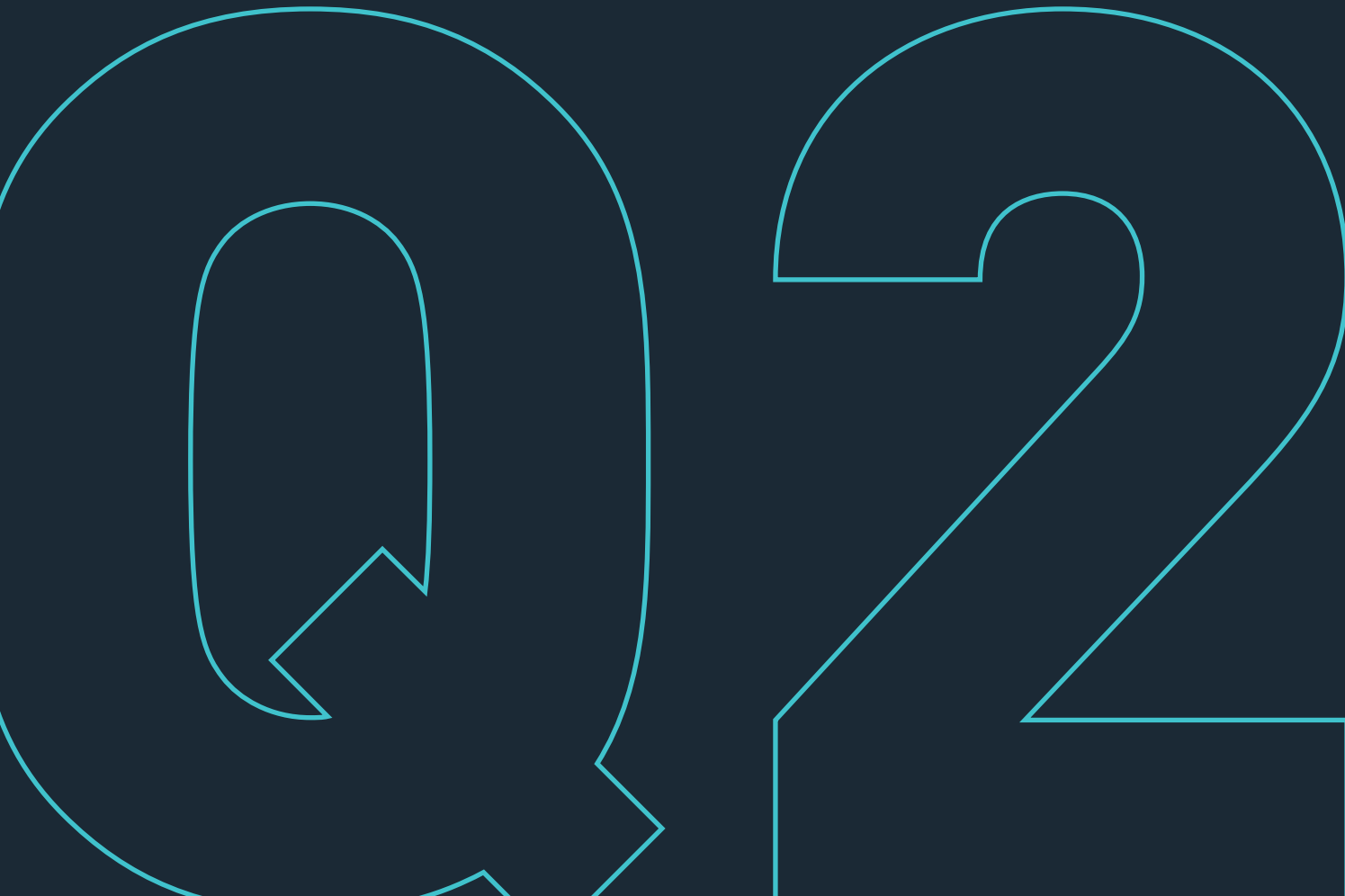


MONTREAL EXCHANGE



**Q2 2023**

# **Derivatives Highlights**



# Trading momentum supporting another good quarter for the Montréal Exchange

**TOTAL ADV  
of 678k  
CONTRACTS**

In Q2 2023, up  
**12%**  
vs 2022

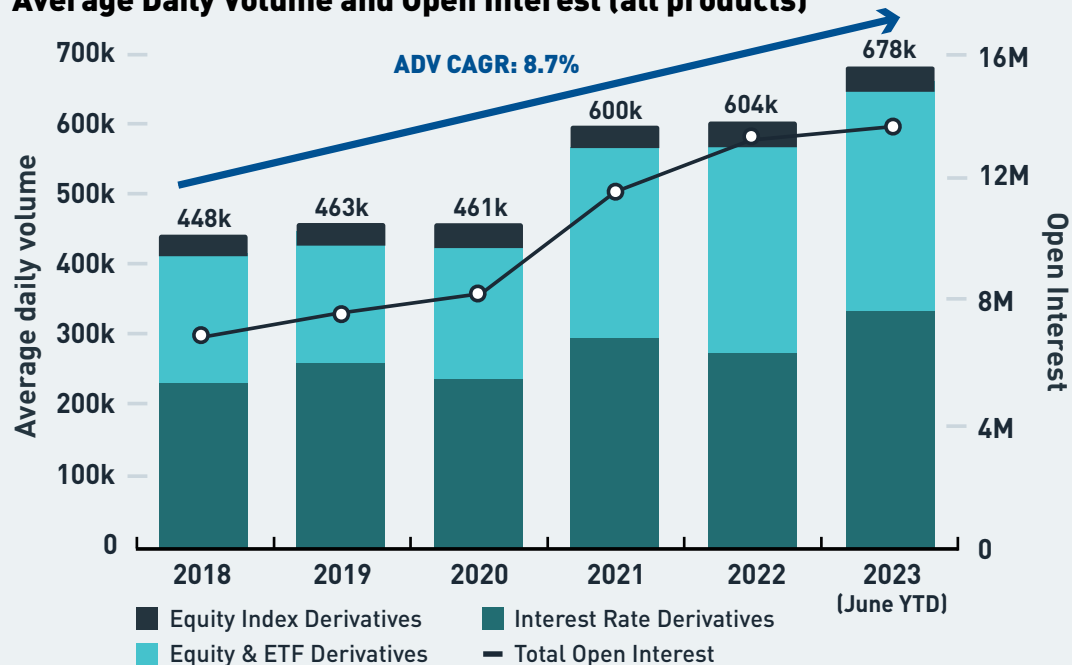
Total open interest record  
of 14.72M contracts, up  
**18%** vs 2022

Record volume for CORRA futures with all-time high daily volume of **77k** and open interest now exceeding **300k**. Significant EFP activity for bond futures in Q2.

Interest rate and equity derivatives' volumes are, once more, trending up this quarter:

2Y GoC Bond Futures (CGZ™): **41k** contracts ADV  
5Y GoC Bond Futures (CGF™): **46k** contracts ADV  
S&P/TSX 60 Index\* Futures (SXF™): **31k** contracts ADV  
Equity Options: **152k** contracts ADV; ETF options: **69k** contracts ADV

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



Segment	Product	2023 YTD ADV	YoY CHG (%)
IRD	3M BAX™	92k	+33%
	3M CORRA (CRA™)	14k	+2437%
	2Y CGZ	39k	+90%
	5Y CGF	47k	+15%
	10Y CGB™	140k	-5%
All IRD Products		332k	+19%
EQD	Index Futures	34k	-0.5%
	Share Futures	72k	-12%
	ETF Options	77k	+46%
	Equity Options	162k	+4%
All EQD Products		345k	+6%

## Market Observations

- **Interest rates:** News around inflation and Bank of Canada (BoC) policy dictated market dynamics throughout the quarter. The BoC hiked another 25 bps in June, bringing policy rate to 4.75%, the highest level in two decades. The consequences of the U.S. debt ceiling and implications surrounding the yield curve inversion were also driving themes for interest rates during the quarter. Meanwhile, Three-Month CORRA Futures reached new volume milestones as the first stage of the transition plan was completed on June 30, 2023.
- **Equity:** S&P/TSX 60 Index tested the same support and resistance in Q2 vs Q1 without enough clarity either from inflation data nor central banks policy to break one way or the other. That being said, EQD product line performed well with ETF options leading the way with another strong quarter (up 48% YoY). Single share futures experienced an increased volume with 19% growth in Q2 2023 vs same quarter last year (down 12% half-year to date). Of note, Q1 2022 was exceptionally strong for SSF due to the closing of all positions held by one of the main participants.

Volume and Open Interest displayed in number of contracts.

# Product Highlights

## New milestones in the transition from CDOR to CORRA

New quarterly, monthly and daily (77k) volume records for 3M CORRA Futures

CRA open interest at quarter end: ~323k contracts

The first phase of the transition ended June 30, 2023 (“No new CDOR exposure”)

Around 30 exchange participants transacting 3M CORRA Futures

Continued activity in BAX-CRA spread strategies and activity developing in all 12 quarterly expiries

## GoC bond futures volume driven by 2Y (CGZ) and 5Y (CGF) trading

CGZ & CGF:

- Combined ADV of 88k contracts in Q2, up 35% vs Q2 2022
- Combined Open Interest of 212k contracts, up 42% vs Q2 2022

CGB ADV at quarter end: 124k contracts

Active basis trading:

- CGZ EFP volume in Q2: 5k contracts ADV (12% of CGZ volume)
- CGF EFP volume in Q2: 6k contracts ADV (13% of CGF volume)

Curve spread actively traded in Q2:

10k ADV for 5%/10Y spread; 3k ADV for 2Y/5Y spread

## Strong momentum in Canadian equity and ETF Options

Equity Options open interest: 6M contracts (up 2% YoY)

ETF Options open interest: 5.6M contracts (up 42% YoY)

## Share futures

Decline stabilized with ADV of 76k contracts (+19% vs Q2 2022 but - 12% YoY)

## Institutional Content

[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](#)

[Taking the long view with Canadian Index Futures](#)

[Is this really the end? An update on BAX](#)

[Transitioning to a new Canadian interest rate benchmark](#)

[Hedging for Canadian disinflation and recession](#)

[2023: The Future of Futures](#)

[TMX’s government bond futures market shines](#)

[Maintaining momentum in equity options trading](#)

[Why Australian pension funds should trade Canada](#)

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

# Key Milestones and Facts

## Record days during 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](https://m-x.ca/yourtime) for more information.
- **Overnight trading hours statistics**

Products	Q2 2023 ADV
All products	16k
BAX <sup>1</sup>	1.5k
CGB	9k
CGF	1k
CGZ	1k
SXF	2k

<sup>1</sup> BAX opening time was moved to 2:00 am. ET at the beginning of October 2022.

The activity taking place during the overnight trading hours represents about 5% of MX daily volume on average for eligible products.

## New!

- Trading in 3M CORRA Futures has been observed overnight in recent months!
- MX implemented new market making programs on key flagship products (2Y/5Y/10Y Bond Futures and SXF) at the start of Q4-2022.

## 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 published in June a new guide detailing the expected conversion process and Fallback plans. In Q2-2024, CDCC will convert all eligible BAX futures that have post-June 2024 expiry to equivalent CORRA contracts (CRA). Our new conversion guide can be accessed [here](#). The following measures are also meant to support the CORRA ecosystem:

- Inclusion of CRA/BAX inter-commodity spread on Bloomberg (Now live! CORBA Comdty)
- Trading fee waiver and new market-making program on 1M CORRA Futures (COA)
- Cessation of additional BAX listing and mid-curve options on BAX delisting
- Listing of Options on 3M CORRA Futures (Jan 2024<sup>2</sup>)

## Launch of One-Month CORRA Futures (COA™)

The new One-Month CORRA Futures (COA) contract was launched on January 23, 2023. The product is expected to serve as key input for the development of a Term CORRA benchmark anticipated for Q3 2023. The quotation of the product is based on a daily compounded average of the CORRA values during the contract month. Please refer to the [COA product page](#) or the [CORRA microsite](#) for more details including product illustrations and complete specifications.

<sup>2</sup> Conditional upon regulatory approval.

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

Effective since the March 2023 contract, the delivery period of the LGB of the contract has been changed from a full month to what is now a single day. 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 / price improvement auction and Covered with stocks (delta neutral order type) launched to be pushed into Q1 2024

This year's protocol release is expected to be for Q1 2024 as opposed to Q4 2023 in order to allow more time for all participants to be ready for the update.

## News from the Regulatory Division

- **2023 Compliance priorities and regulatory division initiatives**  
The Division has identified certain compliance issues that will be prioritized throughout 2023 and also shared key initiatives that it will pursue this year. More details are available in Circular [004-23](#).

## Last MX Technical User Roadmap Group Webinar

The Technology Quarterly Roadmap for Q2 2023 was partially conducted on June 28<sup>th</sup>, 2023, with over 120 people signed up and 75 live attendees. The turnout continues to grow from the previous quarters. All major vendors attended with a significant increase in Approved Participants Operation teams attending. The main topics focused on the Upcoming 2023 Protocol changes, and the revision to MXR 2023 Q4 rollout of Client identifiers. Due to Technical Audio Issues, the section to Discuss the BAX to CRA transition will be replayed at a future date (August 2023).

## Introduction of a new order type

On April 24<sup>th</sup>, MX implemented a new type of market order for BAX, CGB, and SXF contracts. The new market order behavior 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. Regarding the BAX contract, the protection bands for the six (6) nearest contract months is 0.015 for outrights, strategies, and spreads, and for all other contract months, it is 0.03 for outrights, strategies, and spreads. As for the CGB contract, the protection bands are 0.16 for outrights and 0.08 for spreads. Lastly, for the SXF contract, the protection bands are 1.00 for outrights and 0.50 for spreads.

## Implementation of the Gross Client Margin Model ("GCM") by the CDCC

GCM allows for more accurate and timely position reporting and, as a result, the change was reflected on open interest quantity declarations as of the evening of April 3, 2023. For further information about the GCM initiative, kindly see Operational Notice [2023-M24](#) and Notice to Members [2022-029](#).

## Key Exchange Notices

- Circular 081-23: [Delisting of the mid-curve options on BAX](#)
- Advisory Notice A23-007: [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 A23-002: [Exclusion of the new 30Y GoC bond futures June 2023 delivery basket](#)
- Advisory Notice A23-001: [Listing of One-Month CORRA Futures \(COA\)](#)
- Advisory Notice 22-015: [Billing modernization and simplification in 2023](#)
- Advisory Notice 22-014: [New Inter-Group Strategies for GoC Bond Futures](#)
- Technical Notice 22-013: [Introducing the Trade Management Web Application](#)
- Technical Notice 22-012: [2022 Protocol Upgrade Reminder](#)

# 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 now 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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