

MONTREAL EXCHANGE



Q2 2024

Derivatives Highlights



A record quarter for MX, thanks to double-digit growth in Interest Rate derivatives

TOTAL ADV of 760k CONTRACTS

In Q2 2024, up **18.7%** vs 2023

Total open interest of nearly **17.3M** contracts, up vs 2023

Conversion complete of BAX™ to CRA™ contracts

Bond futures reaching new volume highs

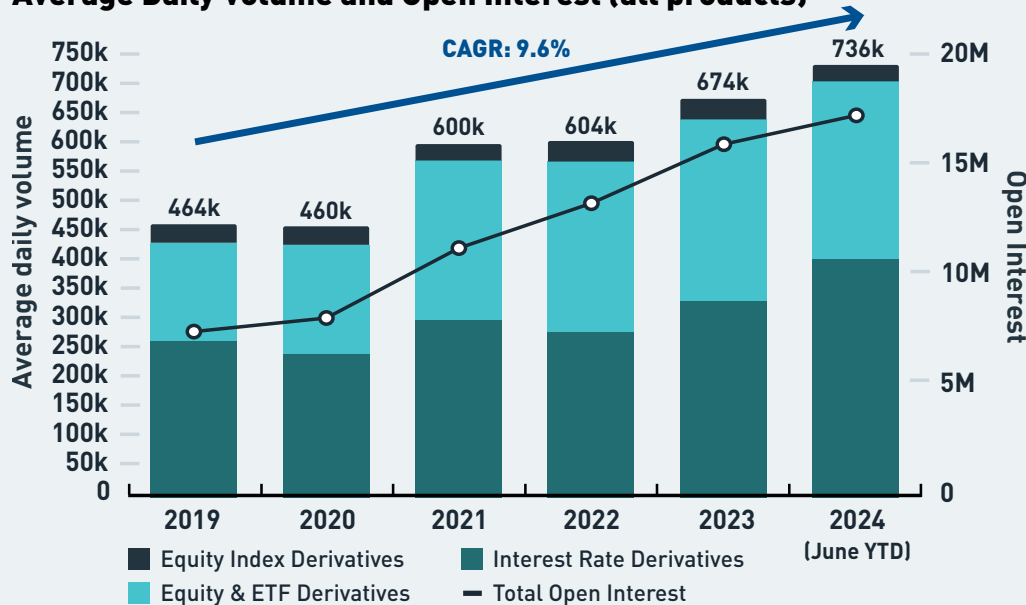
A record quarter for short-term interest rate products:

Three-Month CORRA Futures (CRA): **122k** contracts ADV

Two-Year Government of Canada Bond Futures (CGZ™): **68k** contracts ADV

Five-Year Government of Canada Bond Futures (CGF™): **63k** contracts ADV

Average Daily Volume and Open Interest (all products)



Segment	Product	2024 YTD ADV	YoY CHG (%)
IRD	3M CORRA (CRA)	108k	+674%
	2Y CGZ	64k	+65%
	5Y CGF	61k	+31%
	10Y CGB™	158k	+13%
	All IRD Products	404k	+21%
EQD	Index Futures	28k	-19%
	Share Futures	76k	+8%
	ETF Options	81k	4%
	Equity Options	145k	-11%
All EQD Products		330k	-4.5%

Market Observations

- Interest rates:** This quarter, the Bank of Canada and European Central Bank became the first G7 central banks to begin the rate-cut cycles. After some positive momentum in inflation metrics, the latest CPI figure showed an unexpected jump, lowering the odds of a rate cut at the next meeting. This heightened uncertainty continued to drive strong interest rate trading, with average daily volume increasing by over 36% compared to last year's quarter, lifted in part by robust activity across Three-Month CORRA Futures (CRA) contracts.
- Equity:** As highlighted during the previous report, the forward pricing levels in equity options and index futures are being reevaluated following the changes to the fiscal policies announced last year and in effect in 2024. This new reality affected primarily Montréal Exchange's (MX) flagship index future SXF™ where volume decreased by 19% and open interest by 30% to a multi year low. On the other hand, options on ETF are still growing despite several years of strong performance with an ADV for the first half of the year at a high of 81k contracts compared to 39k contracts 4 years ago. Institutional participants, thanks mainly to hedging of structured notes, are the main contributors, pulling open interest to a record level at 8.5M contracts. Overall, volumes for the EQD product line are down by 4.5% so far this year.

Volume and Open Interest displayed in number of contracts.

Product Highlights

A quarter marking the end of CDOR era, the rise of CORRA

- CDOR ceased being published after its final publication on June 28, BAX retired the same month.
- A whopping daily volume record of 330k CRA contracts traded was registered April 10.
- CRA open interest exceeded 1M contracts during the quarter.
- CRA ADV of 125k in April, the largest volume for a month of April in STIR history.
- One-Month CORRA Futures (COA™) 4 nearest contract months available for trading with tightened liquidity
- 40 exchange participants transacting Three-Month CORRA Futures

Significant growth across fixed income classes

CGZ & CGF:

- Combined ADV of 130k contracts in Q2 2024, up 49% vs Q2 2023
- Combined Open Interest of 336k contracts, up 58% vs Q2 2023

CGB ADV at quarter end: 171k contracts (+38% YoY)

Dynamic basis market trading:

- CGZ EFP volume in Q2: 10k contracts ADV (15% of CGZ volume)
- CGF EFP volume in Q2: 5k contracts ADV (10% of CGF volume)

Curve spread actively traded in Q2: 9k ADV for 5Y/10Y spread; 2k 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 June 28th down 30% YoY (196k contracts)

Institutional Content

[Awful April: Better Cross Currency Spread Opportunities?](#)

[Delivery Basket Preview: June 2024-2025](#)

[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	Q2 2024 ADV
All products	22.3k
CRA	4k
CGB	13.6k
CGF	1.4k
CGZ	1.5k
SXF	1.8k

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

New!

More overnight trading in Three-Month CORRA Futures has been observed in recent months!

A benchmark transition from CDOR to CORRA complete

MX committed to facilitating the transition to CORRA by developing a robust and efficient market for CORRA Futures. Recent milestones and key measures include:

- BAX successfully converted to CRA in April. Last BAX contract retired in June.
- CRA/BAX inter-commodity spread available on Bloomberg (CORBA Comdty)
- **Inclusion of CRA Packs and Bundles on Bloomberg (Now live! COR1YH4 Comdty)**
- Listing of Options on Three-Month CORRA Futures
 - A new program with liquidity providers under development to strengthen the Options ecosystem.
- **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.
 - A new liquidity program launched on July 2, 2024 to enhance liquidity in COA.
 - Trading fees for PTP firms waived until December 2024.

Updates on the 30-Year Government of Canada 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](#)

Successful launch of the Guaranteed Cross Auction with Price Improvement Functionality on June 3, 2024

The Guaranteed Cross Functionality is an Auction type process with the purpose of potentially improving the trade execution price of a liquidity seeker while potentially guaranteeing a percentage of the trade size for the liquidity provider.

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 Forum

The Regulatory Division (the “Division”) held its annual Compliance Forum on May 21st, 2024. This in-person event, organized by the Regulatory Division of the Montréal Exchange allows the Regulatory Division to share and discuss key regulatory matters with Participants.

• Client and Order Identifiers

- The new requirements on client and order identifiers became effective on June 28, 2024, after market close, and the Division decided to extend the deadline for compliance with these requirements to March 31st, 2025 instead of October 1st, 2024 ([Circular 074-24](#)).
- On June 26, 2024, the Regulatory Division published [Circular 075-24](#), making available updated versions of existing frequently asked questions and answers (FAQs) on Article 3.5 (Sponsored Access) and Article 6.115 (Order Identification) of the Rules of the Montréal Exchange with questions and answers relating to the client and order identifiers requirements that became effective on June 28, 2024, after market close.

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 Montréal 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 July 31st, 2024 and will update users on the progress of the client identifiers project.

New - Government of Canada 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 Montréal Exchange’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 & Analytics¹	MX HSVF OBF Feeds¹
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 in the examples stands for 2020, but will be represented by the actual real expiry calendar year.

CADC May 22-23, 2024

The Canadian Annual Derivatives Conference highlighted key discussions on the evolution and global positioning of the Canadian financial sector.

Day 1 focused on reflecting on the Montréal Exchange's 150-year history while discussing future opportunities, including adaptations to CORRA, fintech trends, and the transition to cloud technology. Key sessions included insights on central clearing of repurchase agreements and global equity options trends.

On Day 2, the conference featured exclusive fireside chats with Eric Girard, Quebec Minister of Finance, and Toni Gravelle, Deputy Governor of the Bank of Canada, highlighting the evolution of Canada's collateral and funding markets and strategies for central clearing of equity swaps. The event concluded with a dynamic Strategy Sparring Session, reinforcing the Montréal Exchange's role in global market innovation.

The conference underscored the Montréal Exchange's dedication to advancing Canadian derivatives in a dynamically evolving global market, reaffirming its role in fostering innovation and growth within the financial sector.

Key Exchange Notices

- Advisory Notice A24-013: [Inclusion of CORRA Futures Spreads on Bloomberg and LSEG Data & Analytics](#)
- Advisory Notice A24-012: [Activation of the Guaranteed Cross Auction Functionality](#)
- Advisory Notice A24-011: [Reminder - Industry change to T+1 settlement cycle](#)
- Advisory Notice A24-009: [Activation of Covered with Stocks and Guaranteed Cross Auction Functionalities](#)
- Advisory Notice A24-007: [Modification to closing times to Basis Trades on Close on SXF](#)
- Advisory Notice A24-005: [Modification to order price limit of BAX and opening time of STIRs strategies](#)
- Advisory Notice A24-004: [Reminder - Listing of Options on Three-Month CORRA Futures \(OCR\)](#)
- Advisory Notice A24-001: [Inclusion of GoC Bond Futures Inter-Commodity spreads on Bloomberg and LSEG Data & Analytics](#)
- Advisory Notice A23-011: [Alignment with TSX listed trust Symbology](#)
- 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: [Montréal 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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