

CFFEX Monthly Market Update February 2015

Market News

In February CFFEX announced major changes to its 5-year treasury futures contract specifications. Deliverable maturities, tick size and margin rates have all been revised. The scope of good-to-deliver treasury maturities has been narrowed from 4-7 years remaining to 4-5.25 years remaining. The tick size has been widened from CNY 0.002 to CNY 0.005 and the lowest margin rate has been reduced from 1.5% to 1% of the transaction value. CFFEX also reduced the daily price limit from $\pm 1.5\%$ to $\pm 1.2\%$ of the previous day's settle.

The reduction in good-to-deliver maturities allows for more accurate price discovery around the five year maturity on the yield curve, and a more precise risk management tool for medium-term rates. The widened tick size benefits order book depth and the lower margin rate reflects better the actual daily risk in the new deliverable underlying.

The tick size change will take effect across all contracts after March 16th, 2015, while the other changes will apply to new contract months as they are listed.

CSI300 Index Futures

CSI300 futures average daily volume (ADV) continued its m-o-m decline in February. ADV totaled 1.27 million contracts, down 19% from January. Year-over-year growth remained robust, however, doubling over February 2014 volumes. Open interest also more than doubled on a y-o-y basis and reached a new all-time record at 241,822 contracts.

Figure 1. Average Daily Volume (millions)

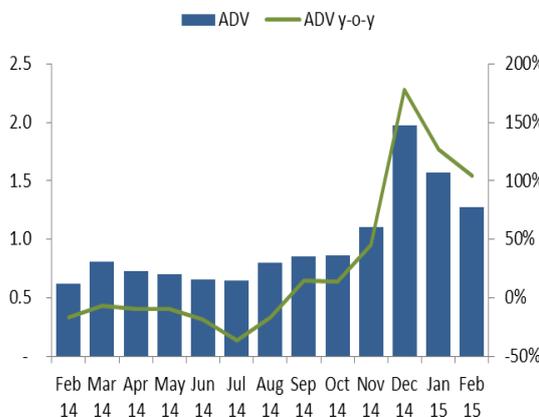


Figure 2. Open Interest (millions)



5-Year Treasury Futures

5-year treasury futures ADV in February rebounded from January, up over 30% m-o-m to 9,232 contracts. The jump in volume led to the highest monthly y-o-y growth on record at nearly 350%. Open interest also continued its strong uptrend and reached a new high at 33,888 contracts.

Figure 3. Average Daily Volume (thousands)

Figure 4. Open Interest (thousands)



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