

**MONTREAL EXCHANGE**

# Redesigned 30-Year Canadian Bond Futures

Starting with the March 2023 contract expiry, the 30-Year Government of Canada Bond Futures (LGB®) contract will feature a single delivery day.

## Overview of the specification changes applicable to the March 2023 expiry and subsequent contract terms

- No more First and Last Notice day, the Notice day will only be the Last Trading Day
- Physical delivery on T+2 if participants holds open interest at the close on the Last Trading Day
- Delivery date known in advance by all participants

## Market Makers

- National Bank Financial
- Desjardins Securities

## Benefits

- Increased number of liquid points on the Canadian listed yield curve
- Facilitate hedging for longer maturity instruments
- Enhance cross-market trade opportunities
- Enable more trading strategies alongside the 2Y/5Y/10Y GoC bond futures contracts

## Liquidity development supported by strong underlying market

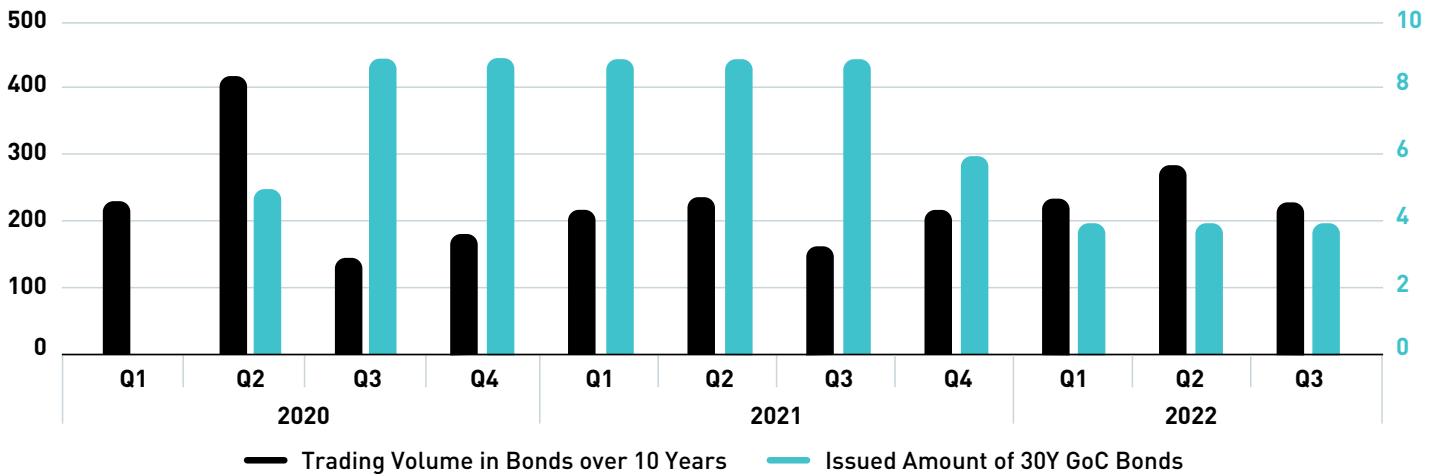
- Significant daily activity in underlying cash 10Y+ segment (ADV of C\$4B, Sep YTD)
- Record 30Y GoC bond issuances lead to more trading opportunities and risk management needs

## Key Contract Specifications

<b>Bloomberg Ticker</b>	LGBA Comdty
<b>Contract Size (underlying)</b>	C\$100,000 nominal value of a GoC bond
<b>Notional Coupon</b>	6%
<b>Price Quotation</b>	Per C\$100 nominal value
<b>Minimum Price Fluctuation</b>	0.05 = C\$50 per contract
<b>CTD bond</b>	Can 2.75% December 2055
<b>Duration (of the CTD)*</b>	20 years
<b>DV01 (\$ per contract)*</b>	C\$325
<b>Remaining Term to Maturity of Deliverable Bonds</b>	28.5+ years
<b>Minimum Outstanding Amount of Deliverable Bonds</b>	C\$3.5 billion
<b>Contract Type</b>	Physical delivery of eligible Government of Canada bonds

\* Indicative level

## GoC Bond Trading and Issuance (in C\$B)



Source: IIROC and Bank of Canada statistics

### Trading Strategies & Uses

Along with the flagship 2-year, 5-year and 10-year Government of Canada bond futures (CGZ, CGF and CGB), LGB is a cost-efficient and simple way to:

- Manage interest rate risk, duration and portfolio risk profiles
- Hedge GoC bond holdings
- Replicate synthetic bond positions (long or short)
- Trade yield spread between countries
- Canadian credit spread trades
- Basis and invoice spread strategies

### Curve Trades

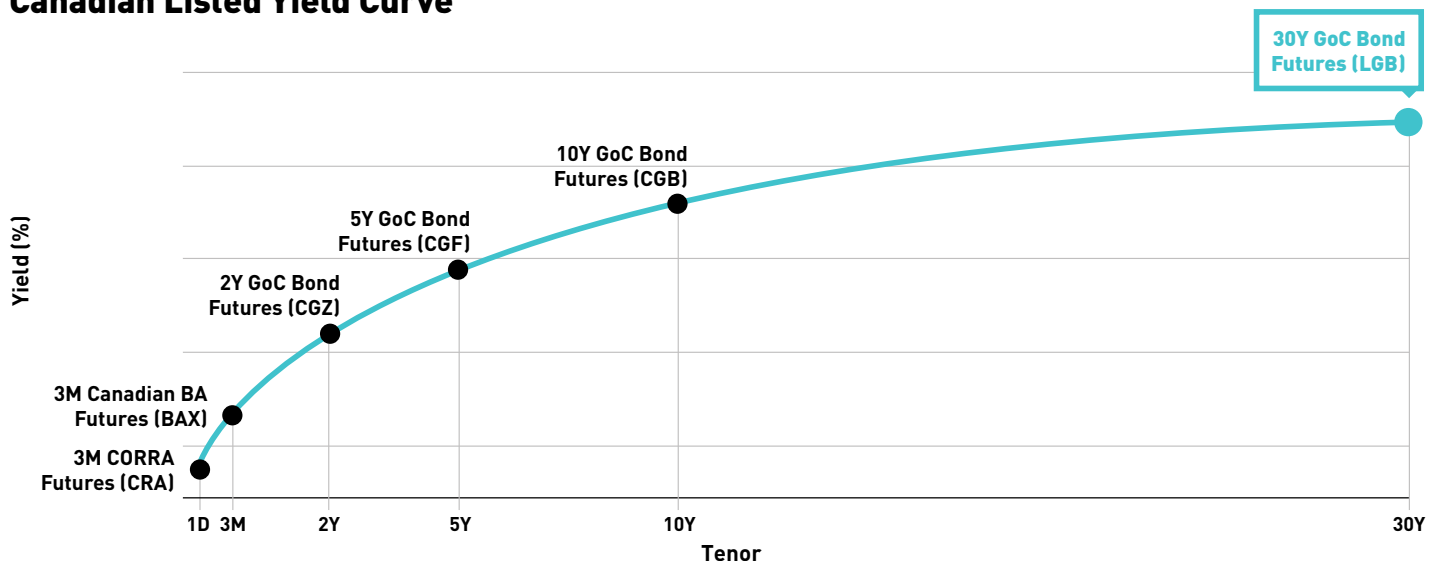
- Ability to trade curve spread strategies against CGZ, CGF or CGB in a single transaction via the Inter-Group Strategy (IGS) functionality
- Trade using a predefined ratio, reducing inherent execution risk
  - Ex: 10Y / 30Y GoC bond futures spread ratio: 7CGB-2LGB
  - Strategy pricing: (Listed leg1 ratio x Leg1 price) - (Listed leg2 ratio x Leg2 price)
- Implied pricing algorithm allows outright quotes to imply orders in the spread book, and quotes in the spread book to imply into the respective outright order books

### Key available curve strategies

(Example shown for the March 2023 contracts)

- 2Y / 30Y GoC bond futures spread (20:1 ratio): 20CGZH23-1LGBH23
- 5Y / 30Y GoC bond futures spread (7:1 ratio): 7CGFH23-1LGBH23
- 10Y / 30Y GoC bond futures spread (7:2 ratio): 7CGBH23-2LGBH23
- 5Y / 10Y / 30Y GoC bond futures butterfly (7:7:1 ratio): 7CGFH23-7CGBH23+1LGBH23

## Canadian Listed Yield Curve



## For more information

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[m-x.ca/futures](https://m-x.ca/futures)

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