Market Observations

- **Interest rates:** The Bank of Canada became one of the first major central banks to pause its interest hikes in the current cycle, holding the rate at 4.5% but not excluding future increases if needed. US regional banking stress has reshaped expectations for interest rates and led to volatility spikes. Participants are turning to Montréal Exchange bond futures to navigate the current environment while the transition away from CDOR is gradually making CORRA futures the new leading tool for hedging short-term rates.

- **Equity:** The S&P/TSX 60 Index started the year strong and posted a solid 3% return in Q1. Although impacted negatively by the US regional banking crisis, it managed to recover nicely towards the end of the quarter and never saw its 10 day realized volatility print above 17%. ETF options are leading the way with another strong quarter (+122% YoY). Once again, XIU and ZEB are the two main ETF options traded. Retail equity options volume bounced back slightly in Q1 2023 vs Q4 2022 (+3.5%) but are still far from the peak of Q1 2022 (-18%).

### The Bourse’s total volume reaches a new yearly record

New daily, monthly and quarterly volume record for CORRA Futures with open interest now exceeding 167k.

Daily non-roll volume records for CGB™, CGZ™ and SXF™

Another strong quarter for both IRD and EQD to kick off the year

- 2Y GoC Bond Futures (CGZ): 36k contracts ADV
- 5Y GoC Bond Futures (CGF™): 47k contracts ADV
- S&P/TSX 60 Index* Futures (SXF): 37k contracts ADV
- Equity Options: 173k contracts ADV; ETF options: 85.5k contracts ADV

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Product</th>
<th>2023 YTD ADV</th>
<th>YoY CHG (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRD</td>
<td>3M BAX™</td>
<td>102k</td>
<td>+28%</td>
</tr>
<tr>
<td></td>
<td>3M CORRA (CRA™)</td>
<td>10k</td>
<td>+13771%</td>
</tr>
<tr>
<td></td>
<td>2Y CGZ</td>
<td>36k</td>
<td>+113%</td>
</tr>
<tr>
<td></td>
<td>5Y CGF</td>
<td>47k</td>
<td>+18%</td>
</tr>
<tr>
<td></td>
<td>10Y CGB</td>
<td>156k</td>
<td>-1%</td>
</tr>
<tr>
<td></td>
<td>All IRD Products</td>
<td>351k</td>
<td>+19%</td>
</tr>
<tr>
<td>EQD</td>
<td>Index Futures</td>
<td>37k</td>
<td>+7%</td>
</tr>
<tr>
<td></td>
<td>Share Futures</td>
<td>68k</td>
<td>-32%</td>
</tr>
<tr>
<td></td>
<td>ETF Options</td>
<td>85k</td>
<td>+122%</td>
</tr>
<tr>
<td></td>
<td>Equity Options</td>
<td>173k</td>
<td>+5%</td>
</tr>
<tr>
<td></td>
<td>All EQD Products</td>
<td>363k</td>
<td>+7%</td>
</tr>
</tbody>
</table>

The Bourse’s total volume reaches a new yearly record in 2023, up 13% vs 2022. Total open interest reaching 13.47M contracts, up 23% vs 2022.

Volume and Open Interest displayed in number of contracts.
Product Highlights

Growing base for CORRA Futures, the new short-term rate reference
Monthly volume record of 287k contracts traded in March
CRA open interest at quarter end: ~168k contracts
CORRA-first initiatives that began January 9 provide volume uplift
Around 30 exchange participants transacting CORRA Futures
Pick up in BAX-CRA spread strategies volume
Activity developing in all 12 quarterly expiries

Solid Q1 for 2Y (CGZ), 5Y (CGF) and 10Y (CGB)

GoC Bond Futures
Combined ADV of 240k contracts in Q1, up 12% vs Q1 2022
CGF ADV at quarter end: 47k contracts, up 88% vs Q1 2022

Active basis trading:
- CGZ EFP volume in Q1: 5k contracts ADV (14% of CGZ volume)
- CGF EFP volume in Q1: 6k contracts ADV (13% of CGF volume)

5Y/10Y curve spread actively traded in Q1:
13k contracts ADV, up 38% vs Q4 2022

S&P/TSX 60 Index Futures (SXF)
Steady growth
SXF ADV in Q1: 37k contracts (up 7% vs Q1 2022)

Strong momentum in Canadian equity and ETF Options
Equity Options open interest: 5.9M contracts (up 4% YoY)
ETF Options open interest: 4.95M contracts (up 108% YoY)

Share futures
Decline stabilized with ADV of 68k contracts (+55% vs Q4 2022 but -32% YoY)

Institutional Content
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
Canada FX will underperform the US
The rise of retail investing in Canadian Derivatives
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](http://m-x.ca/yourtime) for more information.

- Overnight trading hours statistics

<table>
<thead>
<tr>
<th>Products</th>
<th>Q1 2023 ADV</th>
</tr>
</thead>
<tbody>
<tr>
<td>All products</td>
<td>16k</td>
</tr>
<tr>
<td>BAX¹</td>
<td>3.5k</td>
</tr>
<tr>
<td>CGB</td>
<td>13k</td>
</tr>
<tr>
<td>CGF</td>
<td>1k</td>
</tr>
<tr>
<td>CGZ</td>
<td>1k</td>
</tr>
<tr>
<td>SXF</td>
<td>2k</td>
</tr>
</tbody>
</table>

¹ 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 4.5% 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.

Benchmark transition (CDOR to CORRA)

MX is committed to facilitating the access and transition to CORRA, by developing a robust and efficient market for CORRA Futures. In addition, MX is looking to implement additional measures to support the transition efforts, such has:

- Trading fee waiver and new market-making program on 1M CORRA Futures (COA)
- Inclusion of CRA/BAX inter-commodity spread on Bloomberg (Now live! CORBA Comdty)
- Fallback procedure for BAX (conversion into CRA futures, more details to come)
- Listing of Options on 3M CORRA Futures (Jan 2024)²

Launch of One-Month CORRA Futures (COA™)

The new One-Month CORRA Futures Contract (COA) 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](http://COA/product/page) or the [CORRA microsite](http://CORRA/microsite) for more details including product illustrations and complete specifications.

² Conditional upon regulatory approval.
Updates on the 30-Year GoC Bond Futures (LGB™)

As per Advisory Notice A23-002, the new 30Y bond (Can 2.75% December 2055) has been proactively excluded from the June 2023 delivery basket, even if it ends up satisfying the delivery standards for this contract expiry. 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

Covered with stocks (delta neutral order type)

On top of the Guaranteed cross / price improvement auction for equity and ETF Options expected to be launched in Q4 2023, MX is looking to fully automate the execution of delta neutral orders thanks to the development of the covered trade functionality. It will be part of the same protocol update as the guaranteed cross. MX is fully committed to modernize its equity and ETF option offering.

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 Q1 2023 was conducted on March 15th 2023, with over 70 people signed up and 55 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 mainly on the new Web TMS launch, and the MXR 2023 Q4 rollout of Client identifiers.

Implementation of the Gross Client Margin Model (“GCM”) by the CDCC

GCM will allow 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

- Advisory Notice A23-005: Inclusion of CRA/BAX Inter-Commodity spreads on Bloomberg
- Advisory Notice A23-002: Exclusion of the new 30Y GoC bond futures June 2023 delivery basket
- Advisory Notice 22-018: Listing of One-Month CORRA Futures (COA)
- Advisory Notice 22-017: Modification to the last trading day of the Three-Month Canadian Bankers’ Acceptance Futures (BAX)
- Advisory Notice 22-016: Activation of Implied Dissemination of BAX and IGS Bond Butterflies on HSVF and OBF data Feeds
- 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 new FAQ and “cheat sheet” is also 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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