

## MONTREAL EXCHANGE

# How Extended Trading Hours Drive Globalization in Capital Markets

Globalization and technology have contributed to more competitive and connected capital markets, increasing accessibility and reducing barriers to trading. In this environment, it becomes equally important for investors to access transparent pricing, tap into liquidity in the product they want to trade and ensure that the settlement and collateral aspects of their exchange-traded derivatives are in place.

All of these factors combined lead to a frictionless capital markets system that is geography agnostic and more attuned to the evolving needs of all types of investors.

## Expanding Coverage from Canada to Asia Pacific

As investment portfolios became more international, Montréal Exchange, Canada's trading venue for listed derivatives, started on its own path to globalization. Our focus was to go beyond just exporting Canadian domestic offerings, but instead address the trading needs of international investors. In 2018, we extended trading hours for European clients and added a 5-year bond future to our product suite. This led to a 6% to 10% rise in overall volumes in Canadian derivatives traded in 2020 by European investors.

The next phase of our journey has been to build out our yield curve — with the introduction of a new [CORRA](#) future and a 2-year bond future — as well as to further extend trading hours into Asia in 2021. Without extended trading hours for our futures, many international investors were entering into imperfect hedging trades via US Treasuries or US Treasury futures in order to mitigate their Canadian cash bond flows. With demand increasing for Canadian government, provincial, and corporate bonds, especially in the Asia Pacific region, there is a growing need for hedging capabilities both for cash flows and duration management, as well as relative value trading versus other international yield curves.

## Creating Opportunities Along the Curve

At Montréal Exchange, we want to drive sustained market participation and increase liquidity over the long term. Creating liquidity and having an efficient capital market requires bringing together domestic and international investors with different viewpoints and reasons for participating.

Such participants could be sell-side banks seeking to hedge against their clients' bond flows, institutional investors diversifying their portfolios across multiple asset classes to manage risk, Futures Commission Merchants (FCMs) facilitating derivatives trading for clients around the world, or discretionary traders taking advantage of arbitrage opportunities with Canadian exchange-traded derivatives.

As we roll out extended trading hours, we want to ensure that our existing suite of products meets the needs of investors. We recently launched the Two-Year Government of Canada Bond Futures [\[CGZ\]](#), which complements the existing Five-Year Government of Canada Bond Futures [\[CGF\]](#) and Ten-Year Government of Canada Bond Futures [\[CGB\]](#). The CGZ is an attractive proposition for banks and corporations as their balance sheets tend to be shorter in duration.

Likewise, investors looking for efficiencies in the underlying equity market can trade Montréal Exchange's index futures products such as the S&P/TSX 60 Index Futures ([SXF](#)), S&P/TSX 60 Dividend Index Futures ([SDV](#)), [Sector Index Futures](#), and many more — different products for the needs of different investors.

From an operational perspective, Montréal Exchange also offers transaction efficiencies through its fully electronic platform. With extended trading hours, investors can make swift changes to their duration profiles and take advantage of fast-moving markets globally at any time during their own local trading day.

The global nature of today's capital markets means removing frictions where possible. Extended trading hours — giving investors the ability to trade in local time zones — is a step in the right direction, supported by a well-balanced product mix that provides investors access to the full Canadian yield curve for income generation, asset diversification and hedging purposes.



Tony Tse joined TMX Group in 2019 as Executive Managing Director for Asia, with the mandate to lead the global expansion into Asia across the enterprise, and to serve as the regional business and brand spokesperson. He brings over 25 years of global capital markets and transaction banking experience gained from international postings around the world. This includes more than 15 years in the Asia Pacific region in senior capital markets roles, leading FICC sales teams with RBC Capital Markets, Goldman Sachs, and Jefferies. Tony is a B.Comm graduate of McGill University in Montreal Canada.

## For more information

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