



MONTRÉAL EXCHANGE

Liquid CRA™: Great Development for 2026 Trading

Futures Flash Series

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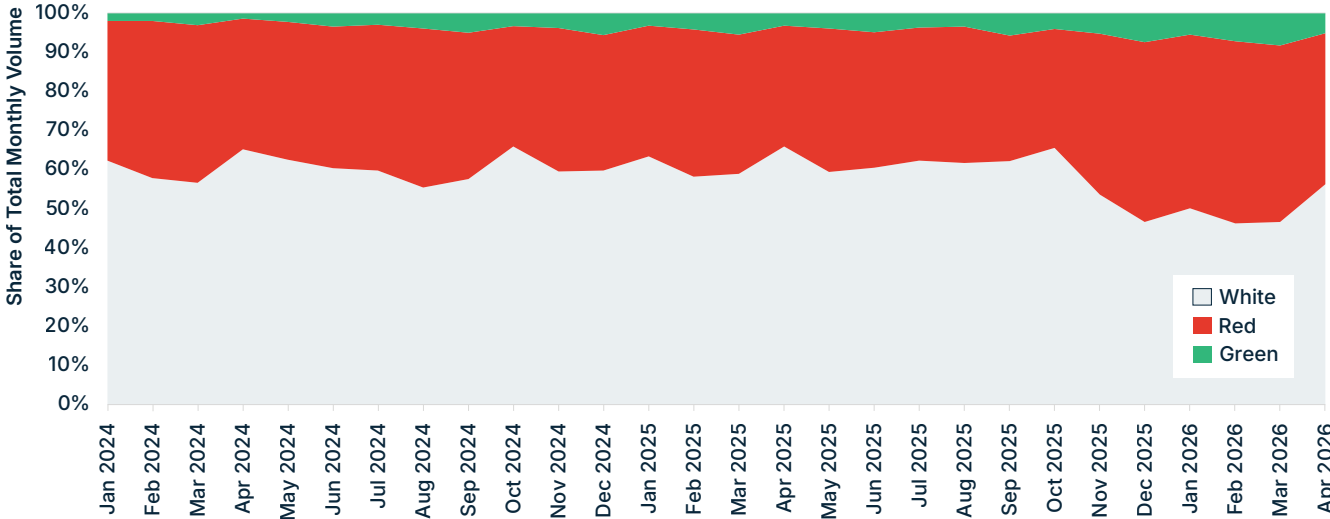
Montréal Exchange has recently launched a new liquidity program in the 3-month CORRA Futures contracts (CRA) in the “Reds”, “Greens”, and strategies in the long-end of that product. This development may prove integral to event-specific strategies in 2026 and beyond. In this piece, we hypothesize about a few upcoming scenarios¹ that could benefit from additional liquidity in the 2027-2028 contracts, which have become increasingly popular as the CORRA product(s) have gained acceptance in the Canadian derivatives marketplace.

Front Contracts Are Only Half the Story

Not many years ago, most of the open interest in 90-day futures contracts in Canada was concentrated in the first four contract expiries, typically called the front or white contracts, due to their proximity to the front-end of the yield curve and text colour to differentiate different groups of contract expiries. Interest in longer-dated contracts comes and goes but most of the open interest was always in the first four contracts, in contrast to some other markets that had greater market depth in the longer expiries, typically called the reds (contracts 5-8), greens (contracts 9-12), blues (13-16), and golds (17-20).

However, within the last few years, much more interest has been building in the Canadian reds and greens such that, especially since the CORRA contract replaced the now-defunct Bankers’ Acceptance (BAX®) contract, the front/white contracts only comprise about half the total open interest in 90-day futures contracts, and even less at times, as shown in Figure 1.

FIGURE 1
CRA Volume by Series, Jan 2024 to Apr 2026

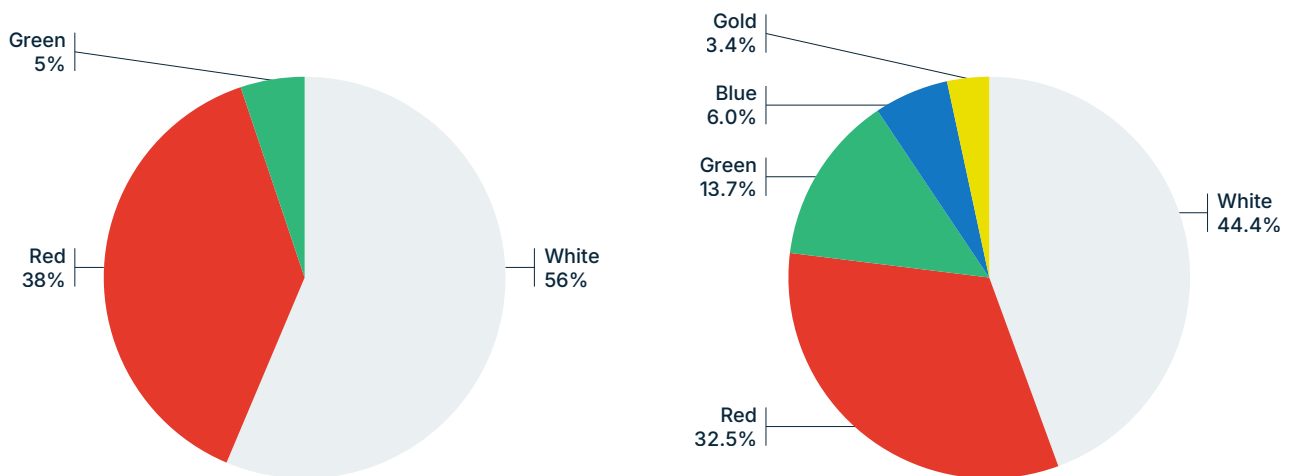


Source: Montréal Exchange

While liquidity further out the yield curve is still developing, red CORRA contracts have become roughly as important at the front-end of Canada’s yield curve as red contracts are for Secured Overnight Financing Rate (SOFR) contracts in the US, as shown in Figure 2. Additionally, the open interest in green CORRA contracts reached a new high as recently as March 2026.

¹ These scenarios are examples only and, readers will notice, often contradict one another.

FIGURE 2
3m CORRA (MX)/3m SOFR (CME)



Source: Montréal Exchange, CME Group

Liquidity in contracts of two- to three-year expiries is important for managers who want to speculate or hedge the impact of geopolitical events that often change Bank of Canada target rate expectations years in the future rather than months. Instruments like the 90-day futures contract allow managers to pinpoint changes in overnight rate expectations in ways that a blunter instrument, like a 2-year bond (or 2-year futures contract), cannot.

US-Mexico-Canada (USMCA) Free Trade Agreement

The introduction of expansive tariff policies and heightened trade tensions globally have placed a tremendous burden on the upcoming USMCA review that must be initiated in July 2026. A decision will be made to extend the agreement, revise it, or, failing agreement, let it expire 10 years later in 2036. Although few details are publicly available at the time of publication, the process is already underway, and, at least to outside observers, little progress has been made.

With a decision pending, and so much of Canada's industry still dependent on American markets, June and July will undoubtedly be active months for geopolitics with a Canadian flavour. Events such as these negotiations can significantly move the front-end of the yield curve as managers anticipate changes to monetary policy in the years to come in response to the latest announcement(s) from the negotiations.

An example trade in June or July amid the anticipated media frenzy of leaks and/or announcements by the negotiating parties could be a repricing of the 4th versus 8th CORRA contracts to reflect easier monetary policy in the near term, probably due to bad news for Canada from the negotiations. No agreement or a poor agreement that restricts our ability to export our products to our neighbour could result in a consumer confidence-driven recession and a need for increased monetary stimulus in the short term, steepening the yield curve.

A manager may try to monetize this view by buying the 4th contract and selling the 8th contract, a steepening yield curve trade with an entry point of about 15 basis points today, as shown in Figure 3. The new liquidity measures in the red contracts (the 8th is a red contract) reduce transaction costs on entry and exit and are valuable to managers wishing to execute such transactions.

FIGURE 3
CRA4-8 Steepener

POSITION	CONTRACT	PRICE	IMPLIED YIELD
Buy	CRAH27	97.055	2.945%
Sell	CRAH28	96.905	3.095%
Entry (bps)			15

Source: Montréal Exchange

Current Conflict

At the time of writing in early May 2026, there are new developments in the U.S./Israel conflict with Iran every several hours, it seems, with many reversals of policy, intent, and especially oil prices. By the time this piece is published, the conflict could be over or have stretched long past the date any market participant thought it could possibly last. Nonetheless, even if the Iran conflict is over, added liquidity in the 5th to 11th contracts of CORRA futures via the new liquidity program at Montréal Exchange is beneficial to market participants.

Whether driven by ongoing regional conflicts or future geopolitical friction stemming from a shift toward protectionist U.S. foreign policy, there will be cross-border opportunities in the front-end of the Canadian and U.S. yield curve. With more liquid CORRA contracts, managers can trade more easily on the divergence between countries, knowing that liquidity now exists to enter and exit trades in both currencies.

For example, an end to the current military operations and geopolitical conflicts in the Middle-East, either through a justifiable win at the negotiating table or through a climb-down from the most extreme American (or Iranian) rhetoric, would appreciably lower Brent and WTI oil futures prices as well as spot crude prices, eventually. Such a price move would alleviate pending inflation pressures in both countries but would weigh somewhat more on Canadian government revenues via lower oil and gas industry taxes. Traders could imagine a cooling of the Canadian economy in, say, a year, due to lower fossil fuel prices and exports, but an American economy becoming overextended due to pent-up demand that is no longer crowded out of household spending by high fuel prices. A potential trade in that situation might be to buy the 5th CORRA contract while simultaneously selling the matching-expiry SOFR contract to capitalize on additional divergence in monetary policy expectations beyond the 77 basis points that is currently priced, as shown in Figure 4.

FIGURE 4
CRA-SOFR Widener*

POSITION	CONTRACT	PRICE	IMPLIED YIELD
Buy	CRAM27	96.98	3.020%
Sell	SR3M7	96.215	3.785%
Entry (bps)			77

* Adjust quantities to balance DV01 exposure in CAD

Source: Montréal Exchange

Canadian Housing Market

Although a consensus view almost never exists on Canadian housing, we must all finally admit that the perpetual price increases observed for at least the last two decades have ended. What effect the price correction in some markets, now over 25%, will have on the Canadian economy remains to be seen, but it is another very important driver of the Bank of Canada's decision-making methodology. Estimates vary, but the contribution of housing to Canadian GDP lies somewhere between 20% and 30%, so a further decline, which threatens not just growth but also homeowners' wealth and the propensity to spend on household-related goods, looms large in any analysis of future monetary policy.

An investor who believes the Bank may need to pursue easier policy than is currently priced, given a recessionary bias stemming from additional weakness in the housing market, particularly in the previously high-flying condo markets of Vancouver and Toronto, could look further out on the yield curve at the 3rd year of CORRA futures, say at the 10th and 11th contracts, which currently reflect a monetary tightening of about 85 basis points. Buying one of those contracts, as shown in Figure 5, and letting it roll down the curve could prove profitable for managers who are less optimistic about the Canadian market's resilience in the absence of the once-powerful housing engine.

FIGURE 5
Long CRA 11

POSITION	CONTRACT	PRICE	IMPLIED YIELD
Buy	CRAZ28	96.89	3.110%
Entry (bps)			311

Source: Montréal Exchange

The Visible Hand

If Adam Smith's concept of the Invisible Hand is what makes markets function without any intervention by a guiding power, then we'll use the Visible Hand to refer to deliberate government involvement across multiple aspects of the economy. From a national housing strategy to energy and, by necessity, to managing trade and compensating industries that have been harmed by the trade policies of our southern neighbour, federal and provincial governments seem to be moving toward, perhaps permanently, much more aggressive fiscal policy and direct involvement in economic matters.

Opinions differ on the magnitude of crowding-out effects from government involvement, and the current economy's position relative to potential capacity is important, but government spending on a housing strategy, industry subsidies, and even energy subsidies for consumers will increase aggregate demand. Aside from demand destruction from trade barriers and high energy prices, government spending via debt, as opposed to higher tax receipts, will eventually crowd out some private sector investment in the medium and long term.

One of the earliest signs that the economy is set to run too hot, as government spending collides with private-sector demand, may be inflation (again). One can imagine persistent inflation components, not just high gas prices, in the construction industry, specifically as government incentives and programs compete to spur housing-unit completion and big industrial/infrastructure projects.

An investor who believes a national program of government involvement in housing construction would produce inflationary effects that otherwise would not be observed under less government intervention could anticipate that the Bank of Canada will be forced to act early to respond to developing inflationary pressures. An investor could enter a CORRA butterfly trade² at relatively flat levels in the anticipation that more active policy will eventually be priced into the curve, as shown in Figure 6. The new liquidity programs at the Montréal Exchange should improve execution levels for butterfly trades that incorporate red and green CORRA contracts.

FIGURE 6
CRA 5-7-9 Butterfly

POSITION	CONTRACT	PRICE	IMPLIED YIELD
Buy	CRAM27	96.98	3.020%
Sell	CRAZ27	96.935	3.065%
Buy	CRAM28	96.89	3.110%
Entry (bps)			0

Source: Montréal Exchange

² 3-month CORRA futures have been included in the User-Defined Strategy trading functionality since late March 2026. <https://www.m-x.ca/en/resources/notices/advisory-notices?id=108>



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ⁱ BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking business of Bank of Montreal, BMO Harris Bank N.A. (member FDIC), Bank of Montreal Ireland plc., and Bank of Montreal (China) Co. Ltd and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada and Asia and BMO Capital Markets Limited (authorized and regulated by the Financial Conduct Authority) in Europe and Australia. "BMO Capital Markets" is a trademark of Bank of Montreal, used with permission.

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