

**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

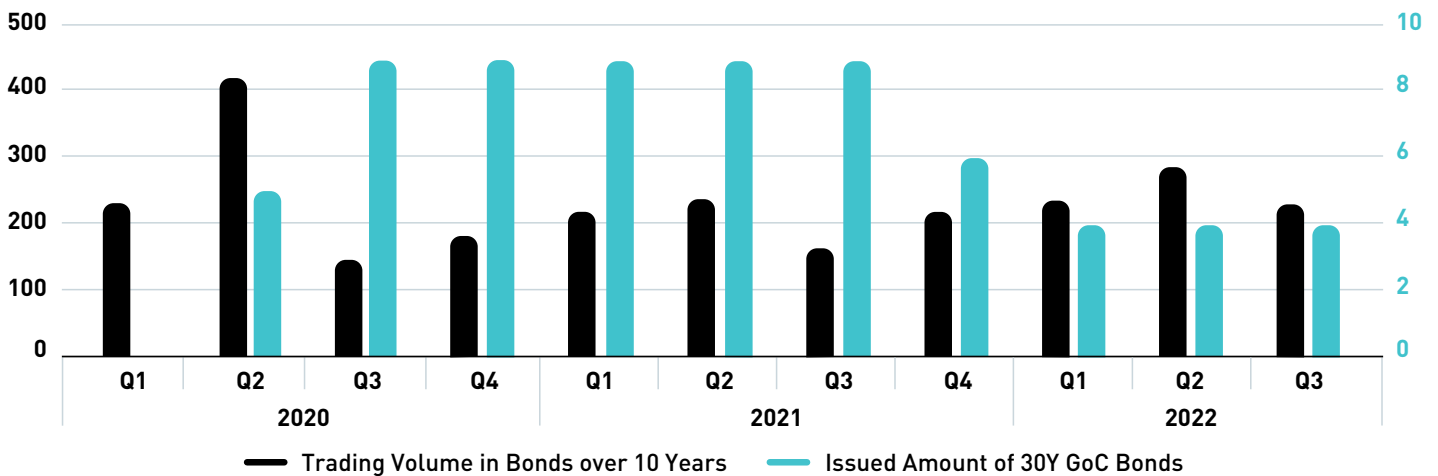
- Significant daily activity in underlying cash 10Y+ segment (ADV of C\$4B, Sep YTD)
- Record 30Y GoC bond issuances lead to more trading opportunities and risk management needs

## 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% December 2051
<b>Duration (of the CTD)*</b>	21 years
<b>DV01 (\$ per contract)*</b>	C\$350
<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

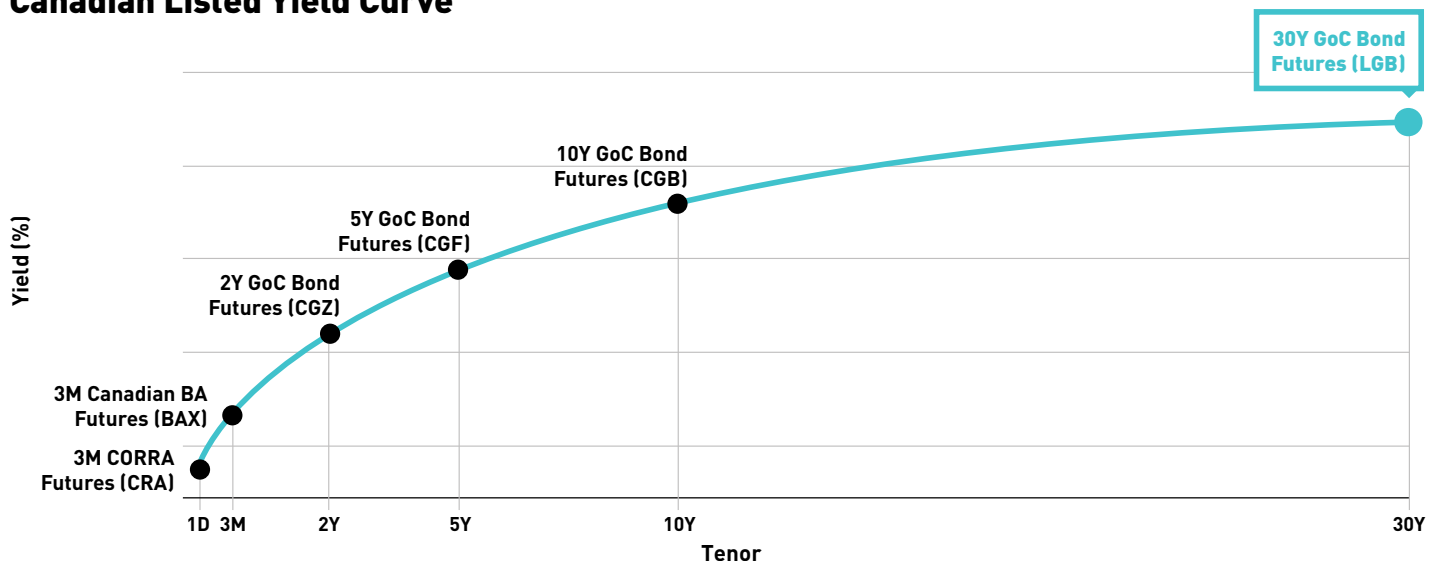
- Ability to trade curve spread strategies against CGZ, CGF or CGB in a single transaction via the Inter-Group Strategy (IGS) functionality
- Trade using a predefined ratio, reducing inherent execution risk
  - Ex: 10Y / 30Y GoC bond futures spread ratio: 7CGB-2LGB
  - Strategy pricing: (Listed leg1 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

[irderivatives@tmx.com](mailto:irderivatives@tmx.com)

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

Copyright © 2022 Bourse de Montréal Inc. All rights reserved. Do not copy, distribute, sell or modify this document without Bourse de Montréal Inc.'s prior written consent. This information is provided for information purposes only. Neither TMX Group Limited nor any of its affiliated companies guarantees the completeness of the information contained in this publication, and we are not responsible for any errors or omissions in or your use of, or reliance on, the information. This publication is not intended to provide legal, accounting, tax, investment, financial or other advice and should not be relied upon for such advice. The information provided is not an invitation to purchase securities or derivatives listed on Montreal Exchange, Toronto Stock Exchange and/or TSX Venture Exchange. TMX Group and its affiliated companies do not endorse or recommend any securities referenced in this publication. CGB, CGF, CGZ, LBG, Montréal Exchange and MX are the trademarks of Bourse de Montréal Inc. TMX, the TMX design, The Future is Yours to See., and Voir le futur. Réaliser l'avenir. are the trademarks of TSX Inc. and are used under license.