

November 2017

MARKET OVERVIEW

Iron ore is a key steel-making ingredient and the world's second largest commodity by value after crude oil¹. Iron ore is among the global commodities with higher price volatility², and iron ore derivatives have gradually gained traction amongst physical users, trading firms, banks, funds and individual investors.

China is the world's largest seaborne iron ore importer and consumer. In 2016, it imported 1.024 billion metric tonnes (mt) of iron ore and produced 807 million mt of crude steel, constituting over 70 per cent of the global seaborne iron ore trade and half of the world crude steel production³. Therefore, the iron ore price is often driven by China's economic performance and policies, reflecting the downstream demand in property, infrastructure, machinery, household appliances and ship building sectors. The high correlation between the prices of iron ore and other ferrous products like rebar, hot-rolled coil, coking coal and coke implies inter-commodity trading opportunities.

As the gateway to China, Hong Kong connects China with the world by providing top-tier professional services from corporate finance, trade finance and logistics to trading and settlements. With the trend of electronic trading, HKEX introduces exchange-traded Iron Ore Futures, aiming to provide a transparent and efficient risk management tool for physical and financial users and offers investors a highly China-relevant underlying for investment.

KEY FEATURES

- Screen-traded on an exchange for transparency, efficiency and convenience
- Underlying index is the most recognised iron ore benchmark
- Cash-settled with trading hours that cover major international markets
- Monthly and quarterly contracts both available
- Block trades provide a means for central clearing of off-market transactions

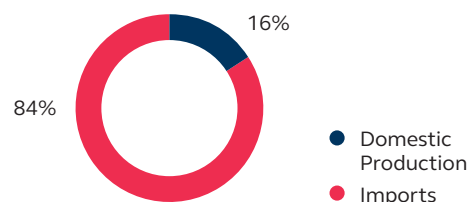
Historical Iron Ore Spot Prices (Based on TSI 62% Fe CFR China Index)

(USD/tonne)

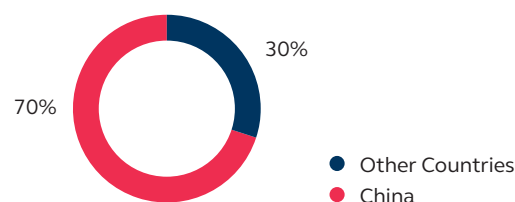


1 The Economist, as of December 2016
2 In terms of volatility, as of December 2016
3 China Iron and Steel Association, as of December 2016

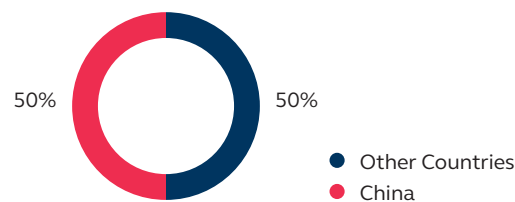
Imports as a Percentage of China's Total Iron Ore Consumption (2016)



China's Imports as a Percentage of World Seaborne Iron Ore Trading (2016)



China's Crude Steel Production as a Percentage of World Steel Production (2016)



Market Participants



OVERVIEW OF CONTRACT SPECIFICATIONS

Contract Name		TSI Iron Ore Fines 62% Fe CFR China Futures	
Trading Code	Monthly Contracts: FEM	Quarterly Contracts: FEQ	
Contract Size	100 tonnes		
Min. Fluctuation	US\$0.01 per tonne		
Underlying Index	TSI Iron Ore Fines 62% Fe CFR China Index ¹		
Settlement Method	Cash Settled		
Contract Months	Spot Month and the next 23 calendar months	Spot Quarter and the next seven calendar quarters (ie Jan to Mar, Apr to Jun, Jul to Sep, and Oct to Dec)	
Trading Hours (Hong Kong time)	T session: 9:00 am – 4:30 pm; T+1 session: 5:15 pm – 1:00 am the next morning (Expiring contract closes at 6:30 pm on LTD) ²		
Last Trading Day (LTD)	The last Hong Kong Business Day of a calendar month that is not a Singapore public holiday	The Last Trading Day of the last Monthly Contract in the calendar quarter	
Final Settlement Price (FSP)	Arithmetic average of all Index values published in that Contract Month	Arithmetic average of the Final Settlement Prices of the three corresponding Monthly Contracts in that Contract Quarter	
Final Settlement Day	Usually the second Hong Kong Business Day after LTD ³		
Exchange Fee	Trading Fee: US\$1.00 per contract per side; Settlement fee: US\$1.00 per contract per side ⁴		
Block Trade Threshold	Minimum 50 lots		

- 1 According to an announcement from Platts on 6 July 2017, TSI62 Index will merge with the Platts IODEX index starting from 2 January 2018. For details, please refer to [Platts Subscriber Notes and Methodology and Specifications Guide](#).
- 2 No trading after 12:30 pm on the Last Trading Day that is the last Hong Kong Business Day before New Year's Day or the Lunar New Year, and which is also the last day before New Year's Day or Lunar New Year on which the TSI Iron Ore Fines 62% Fe CFR China Index is published.
- 3 Final Settlement Day shall be the first Hong Kong Business Day after the Last Trading Day if (i) the Last Trading Day is on the last Hong Kong Business Day before New Year's Day or the Lunar New Year, (ii) the Trading Hours of the Spot Month Contract and the Spot Quarter Contract end at 12:30 pm, and (iii) the day trading session of other Contract Months ends at 4:30 pm. For further details, please refer to [Regulations and Contract Specifications](#) on the HKEX website.
- 4 Fees are subject to change from time to time.

INFORMATION VENDOR ACCESS CODES

Information Vendors	Access Code	
	Monthly Contract	Quarterly Contract
AA Stocks.com Limited	221485	221490
Bloomberg Finance L.P.	DTSA Comdty	KTSA Comdty
CQG, Inc.	FEM	FEQ
DB Power Online Limited	FEM	FEQ
East Money Co. Ltd.	FEM	FEQ
Fidessa plc	FEM_Fmy.HF	FEQ_Fmy.HF
Hexin Flush Financial Information Network Ltd.	FEM	FEQ
Infocast Ltd.	FEM	FEQ
Interactive Brokers LLC	TIO	TIOQ
Interactive Data Real-Time Services, Inc.	F:FEM\MYDD	F:FEQ\MYDD
Morningstar Real-Time Data Ltd.	FEM	FEQ
Reuters Ltd, a Thomson Reuters Company	0#HFEM:	0#HFEQ:
Shanghai DZH Limited	FEM + Month + Year	FEQ + Month + Year
Shanghai Pobo Network Data Information Co., Ltd	FEMm<O/E>	FEQm<O/E>
Shanghai Qianlong Advanced Technology Co Ltd.	259	259
Wenhua Information System Limited	FEM	FEQ
Wind Information Co., Ltd	FEMF + yymm +.HK	FEQF + yymm +.HK
Zhengzhou Esunny Information Technology, Co. Ltd	FEM	FEQ

CONTACT US

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