

June 2016

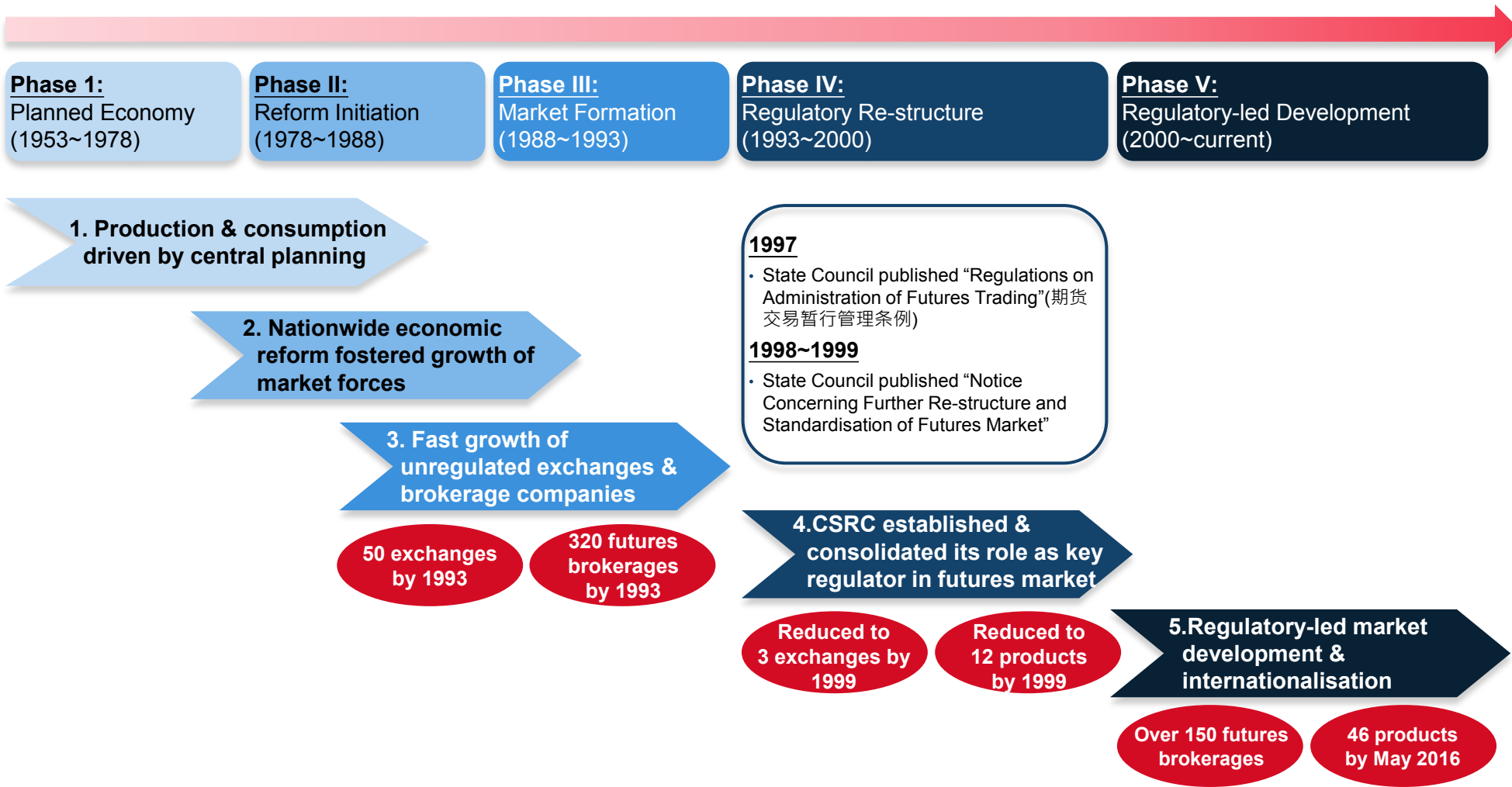


**MEDIA WORKSHOP:  
CHINA'S COMMODITIES MARKET -  
THE PAST AND PRESENT**

**HKEX**  
香港交易所

**LI Gang**  
Co-head of Market Development,  
HKEX

# China's commodities market development: history



Have come a long way: from an unregulated mass 25 years ago to three major commodities futures exchanges and the co-existence of spot and futures markets today



### 3 Major Commodities Futures Exchanges dominating different products

#### Three Major Commodities Futures Exchanges



**SHFE**

**Products :** metals, energy, petrochemicals

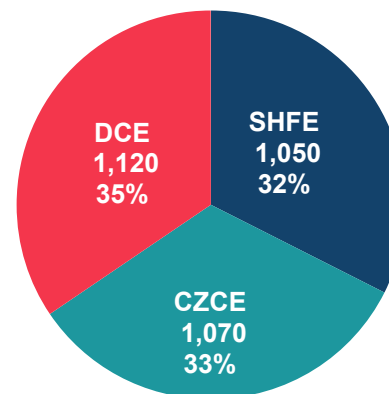
**DCE**

**Products :** soft commodities, metals, petrochemicals

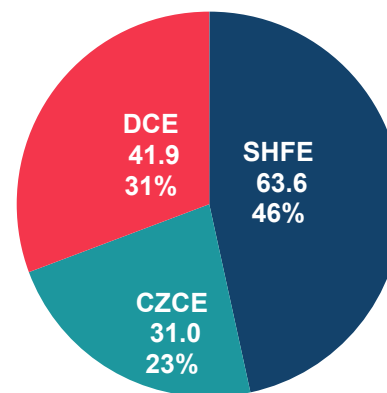
**CZCE**

**Products :** soft commodities, petrochemicals, industrials, energy

#### Turnover in 2015 <sup>1</sup> (million contracts)

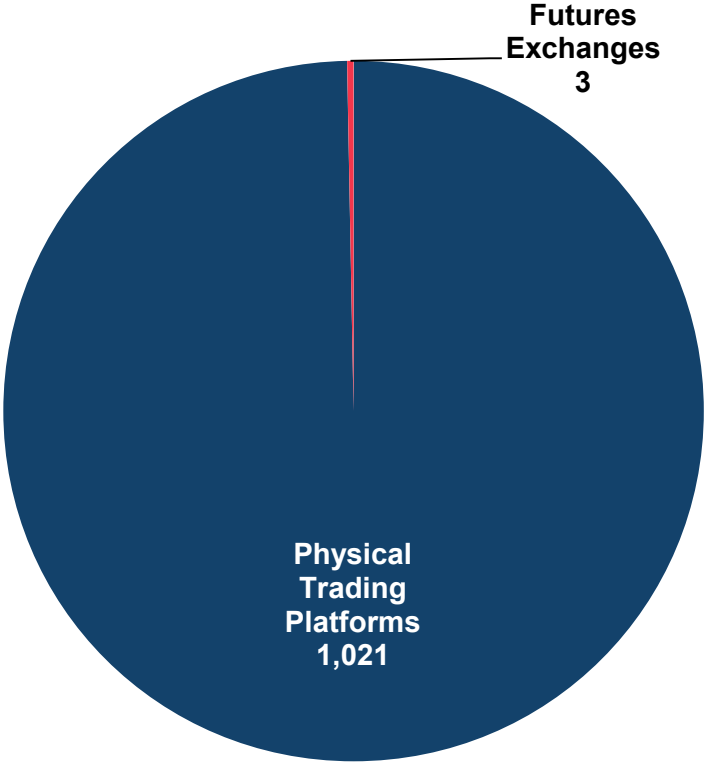


#### Turnover in 2015 <sup>1</sup> (trillion RMB )

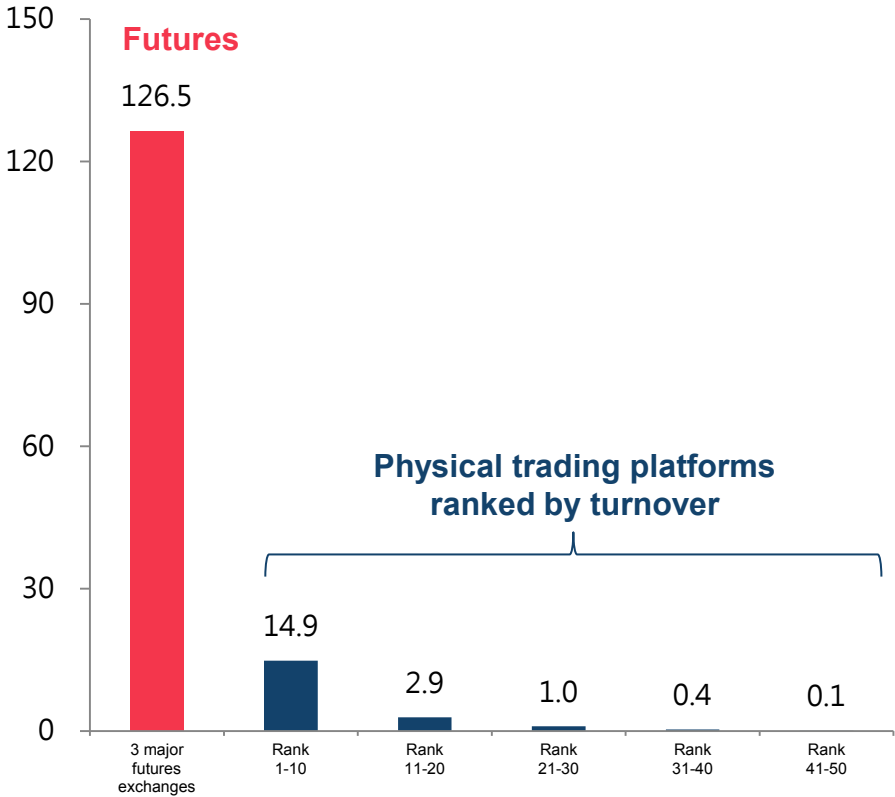


# Spot trading platforms in China: numerous, small & highly fragmented

No. of exchanges/platforms <sup>1</sup> (2015)



Turnover Breakdown in 2013 <sup>2</sup> (trillion RMB)



**Physical trading platforms: numerous in sheer number...**

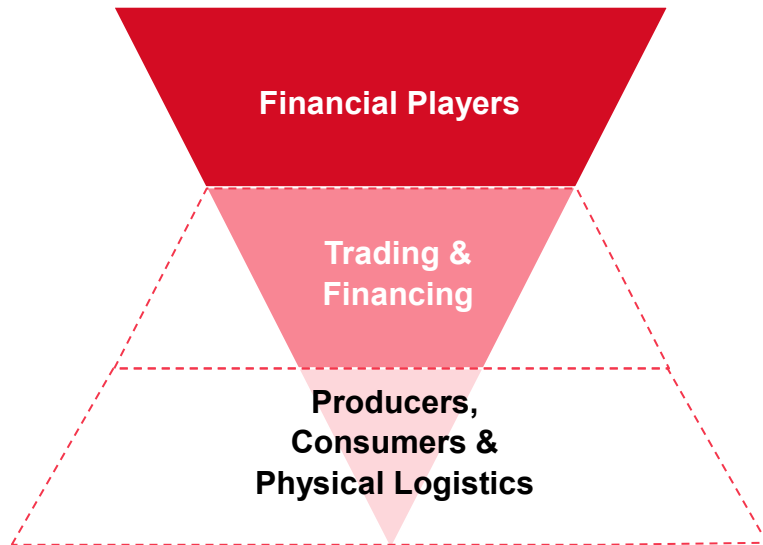
**...but tend to be small in size, hence turnover highly fragmented**



Source:  
1. China Federation of Logistics and Purchasing  
2. Market survey

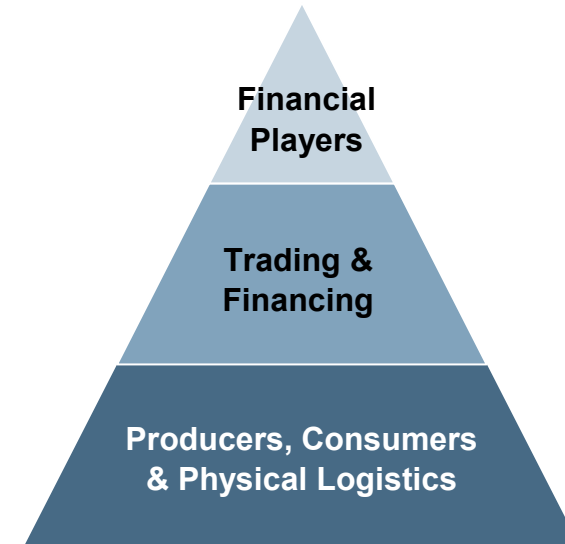
# China's commodities market structured as an inverted pyramid

## China market



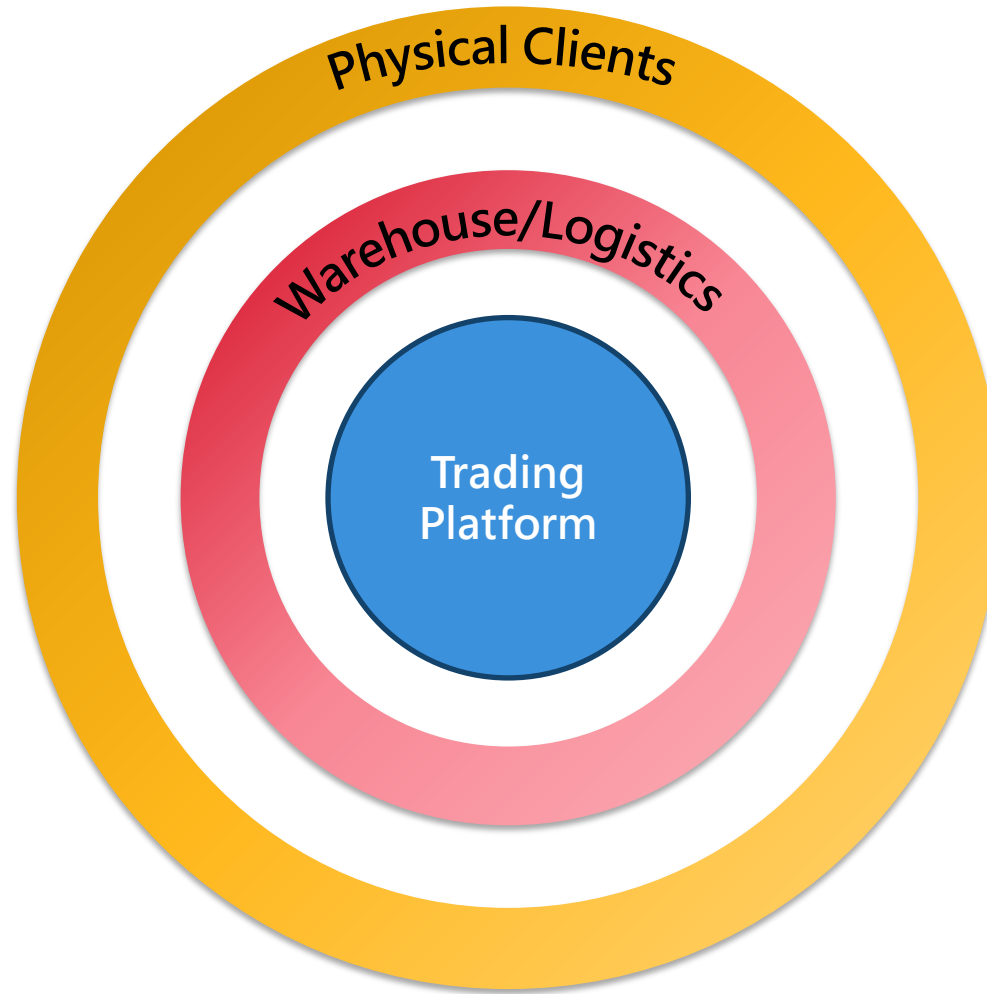
- Mostly short term speculation: open interest ~ 1 time of ADV
- Settlement of futures merely accounts for ~0.05% of trading volume
- Participants are mostly retail investors and financial speculators
- 150+ futures brokerage firms

## International market (e.g. LME)



- Open interest ~ 3-4 times of ADV
- Participants are mostly producers, consumers and traders, accounting for 75% of the trading volume of global non-ferrous metals
- 100+ members are categorised into 5 types, 43,000 end customers
- Covering 35 regions in the world with 650+ warehouse network
- 13 types of metals available for trading via futures, options, TAPOs, swaps and mini contracts

# Establish a Commodities Trading Platform that services the real economy



# Thank You

HKEX Group Website: [www.hkexgroup.com](http://www.hkexgroup.com)

HKEX News Website: [www.hkexnews.hk](http://www.hkexnews.hk)

