

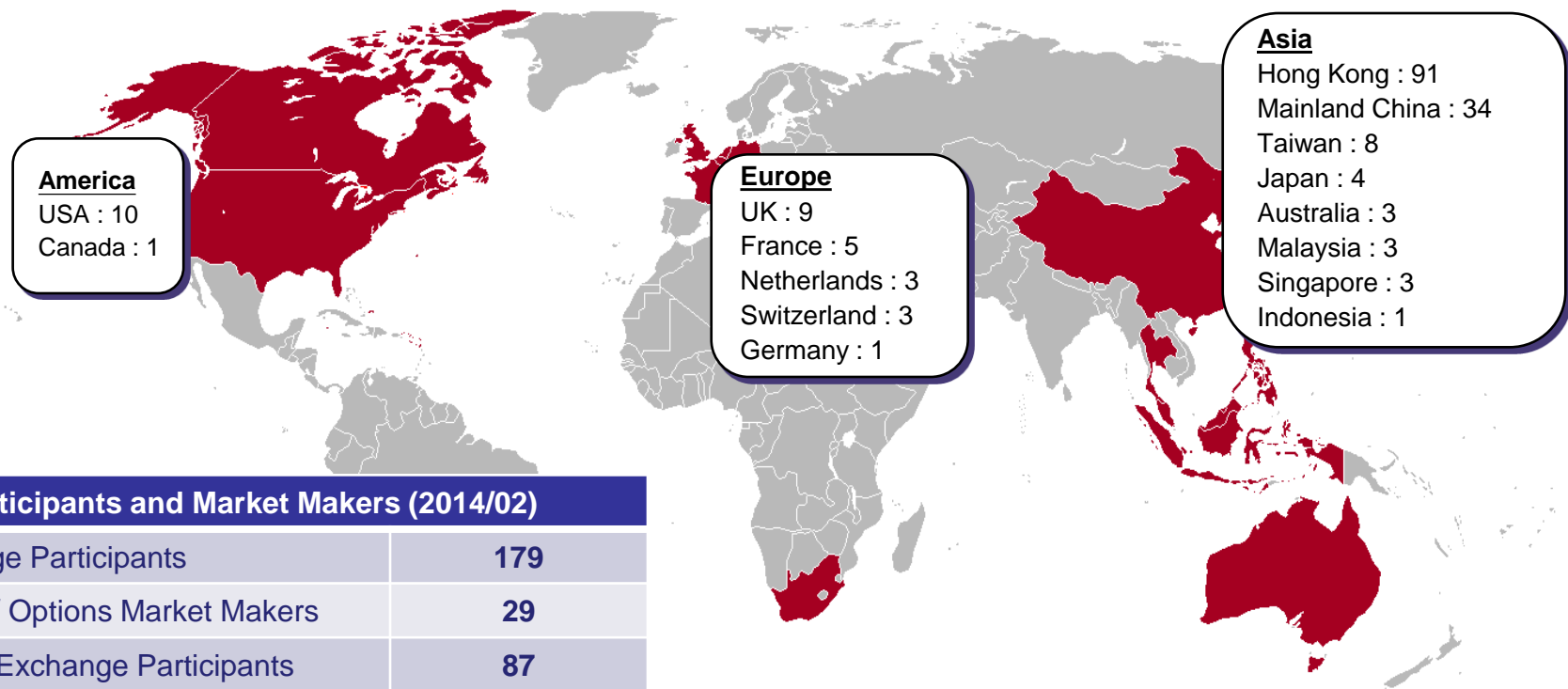
# Update on HKEx Equity Derivatives Market

Derivatives Trading  
Global Markets Division  
24 April 2015



# Exchange Participants' Global Distribution

## Distribution of the Origins of HKFE Exchange Participants



Exchange Participants and Market Makers (2014/02)	
HKFE Exchange Participants	179
Index Futures / Options Market Makers	29
Stock Options Exchange Participants	87
Stock Options Market Makers	33

## Globalized Participation

Source: HKFE: Hong Kong Futures Exchange, a wholly-owned subsidiary of HKEx

## Major Equities Derivatives Products

### Futures

- Hang Seng Index Futures (HSI Futures)
- Mini-Hang Seng Index Futures (Mini HSI Futures)
- HSI Dividend Point Index Futures
- HSI Volatility Index Futures (VHSI Futures)
- H-Shares Index Futures (HHI Futures)
- Mini H-Shares Index Futures (Mini HHI Futures)
- HSCEI Dividend Point Index Futures
- Stock Futures
- CES 120 Index Futures

### Options

- Hang Seng Index Options (HSI Options)
- Mini-Hang Seng Index Options (MHI Options)
- Hang Seng Index Flexible Options
- H-Shares Index Options (HHI Options)
- H-shares Index Flexible Options
- Stock Options



# Coverage of China Equities Derivatives

- China equities universe: RMB 41,804 bil (i.e. USD 6,740 bil) by the end of 2014
- The 5-year CAGR was 6.3 per year

A-shares  
(71%)

- Listed A-shares ETF options and ETF futures for trading in 2010
- Accounted for 6% of the stock options market and 18% of the stock futures market in 2014
- Introduced CES China 120 Index futures for trading in 2013

H-shares  
(11%)

- Started trading H-shares Index futures and options in 2003 and 2004
- Accounted for 15.4% and 6.3% respectively in 2014

Red Chips  
(10%)

- Constituent stocks in Hang Seng Index
- Single stock Options and futures based on Red Chips starting from 1990s

P-chips  
(8%)

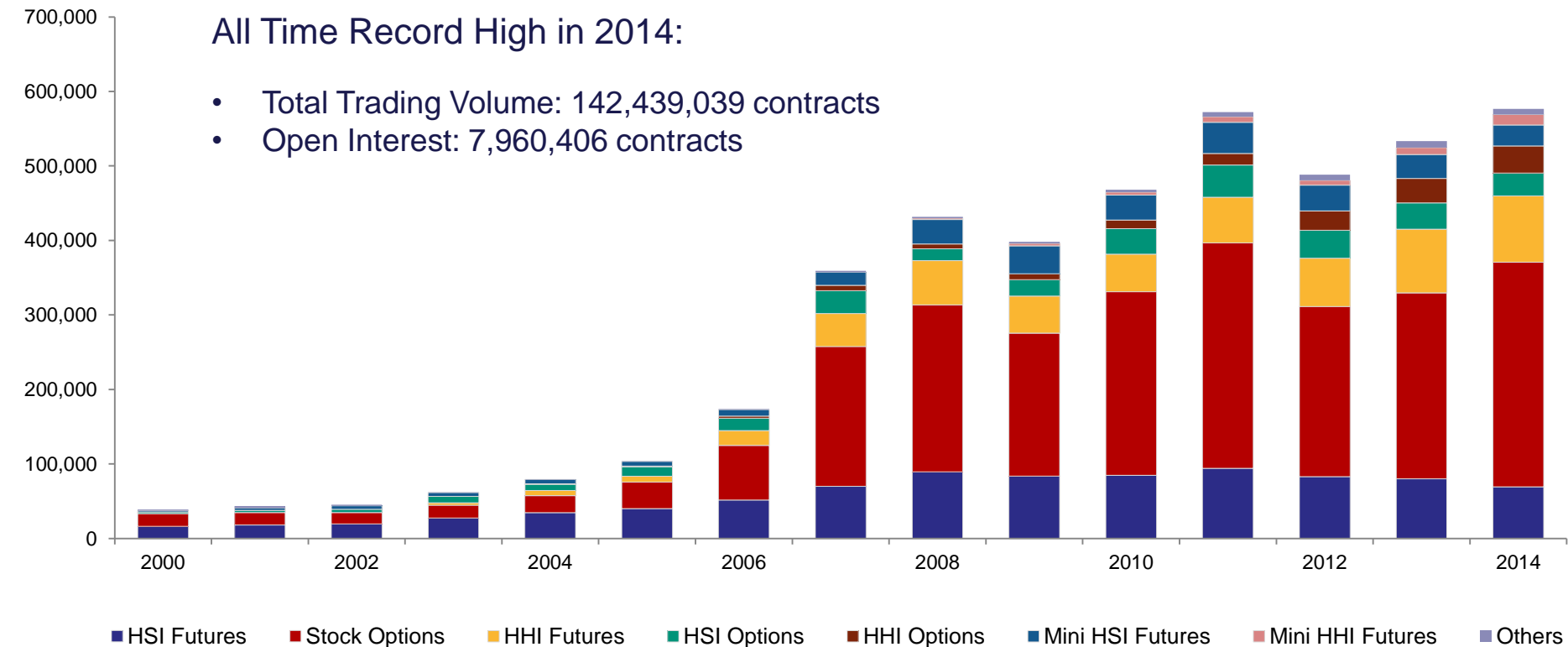
- Constituent stocks in Hang Seng Index
- Single stock Options and futures based on P-Chips starting from 2000s, such as Tencent

# Overview of HKEx Equity Derivatives



## Average Daily Volume of Equity Derivatives

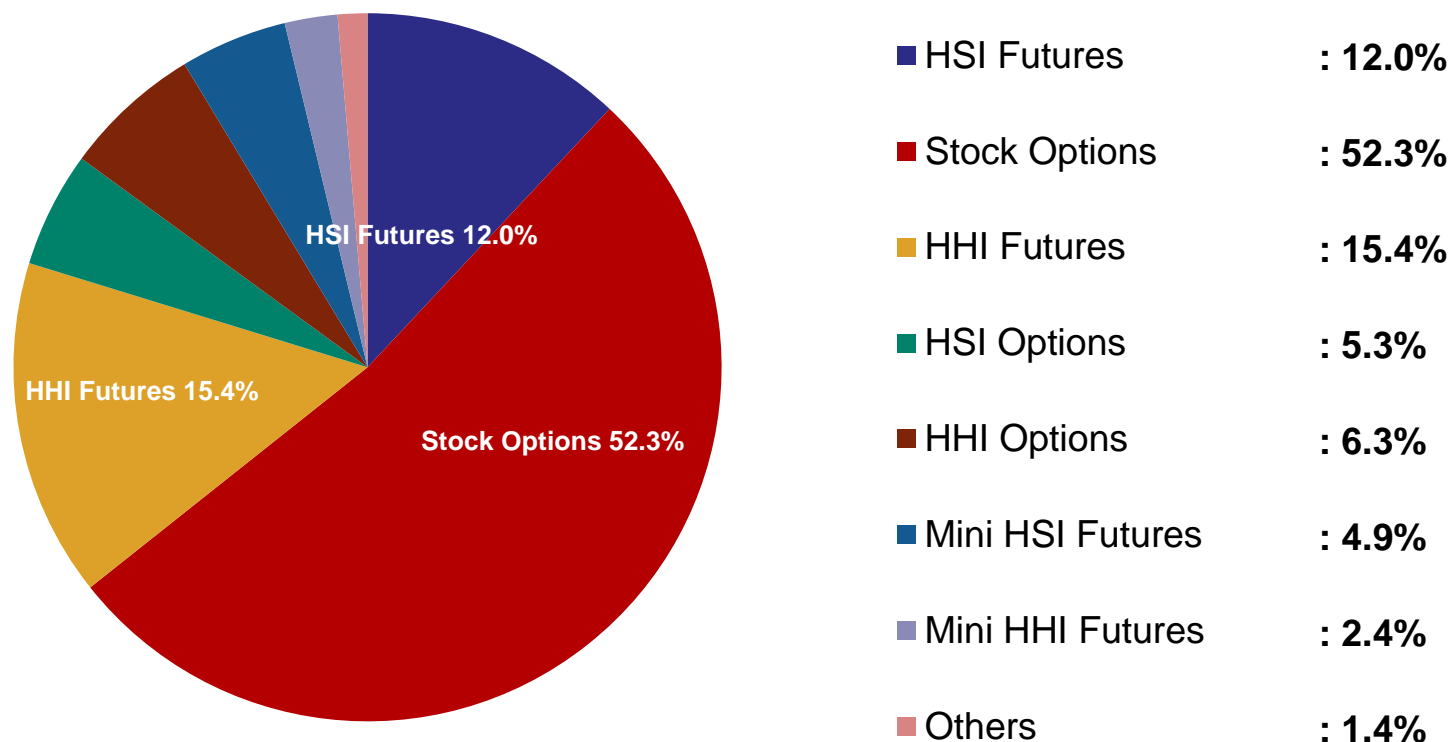
(Contracts)



**HKEx's derivatives market hit record high volume in 2014**

\* Other products are MHI Options, CES 120 futures, dividend futures, VHSI futures, flexible index options, Hibor futures and stock futures

## Average Daily Volume Distribution in 2014 (Jan – Dec)



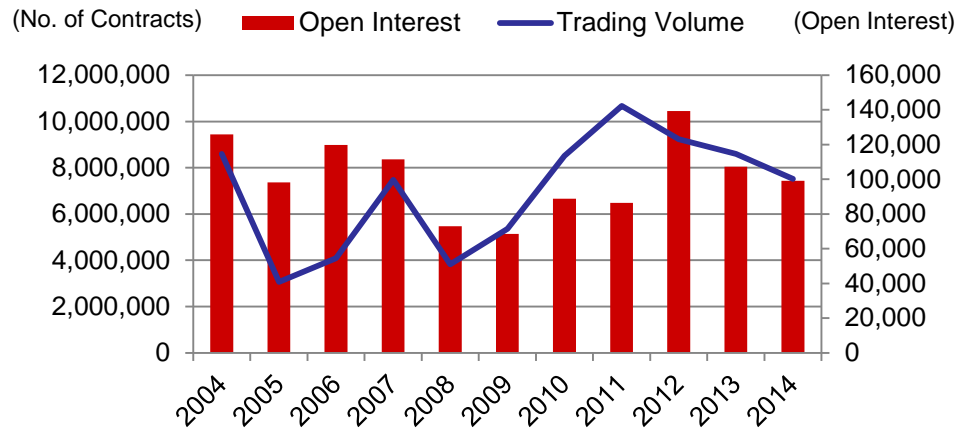
**Options products accounted for 63.9% of HKEx's derivatives trading volume**

\* Other products are MHI Options, CES 120 futures, dividend futures, VHSI futures, flexible index options, Hibor futures and stock futures

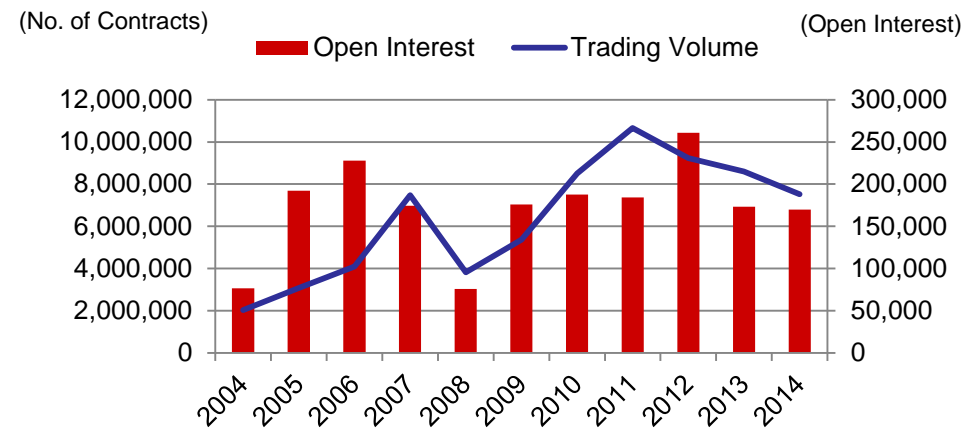
# Trading Volume & Open Interest



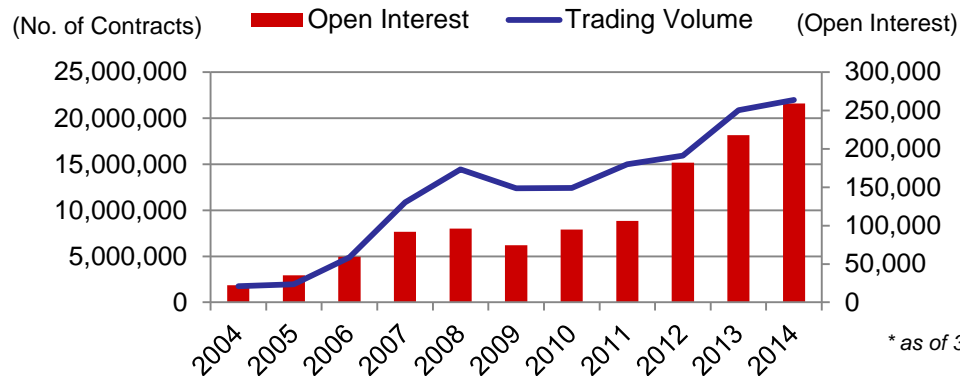
## HSI Futures



## HSI Options

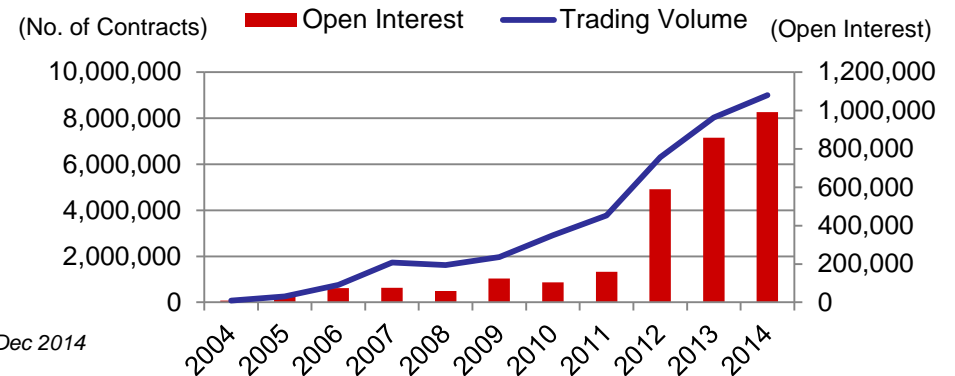


## HHI Futures



\* as of 31 Dec 2014

## HHI Options



**H-shares index futures and options become the growth leaders**



# Ratio of Open Interest to Average Daily Volume of Overseas Equity Index Futures

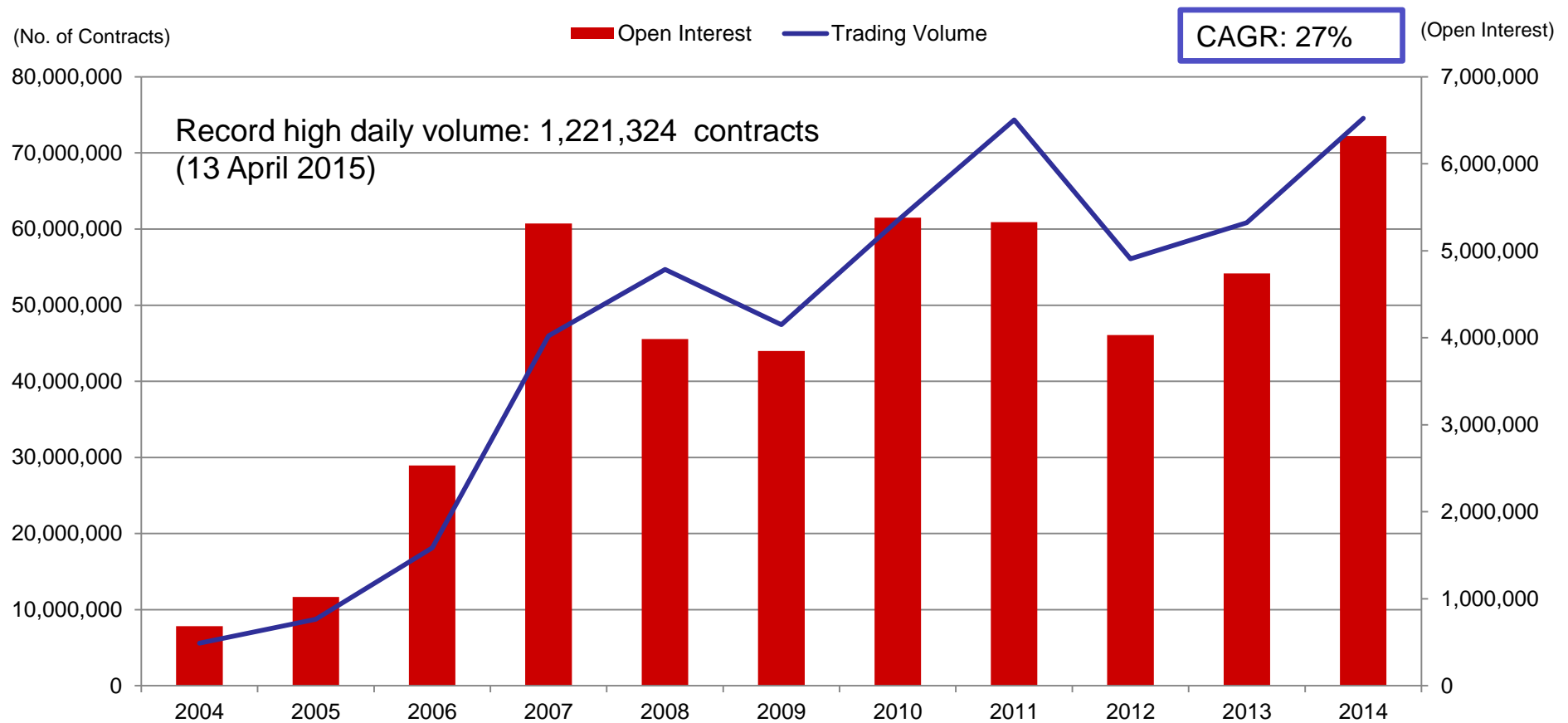
Index Futures	Exchange	ADV (2014)	Open Interest year end of 2014	% of O.I to ADV
Nikkei 225	OSE	106,220	439,623	414%
Eurostoxx50	EUREX	1,120,848	3,456,983	308%
H-shares Index	HKEX	89,005	259,173	291%
FTSE China A50	SGX	165,691	445,034	269%
Nikkei 225	SGX	111,390	291,718	262%
E-mini S&P 500	CME	1,686,588	2,765,603	164%
Hang Seng Index	HKEX	69,098	99,195	144%
DAX	EUREX	117,464	129,105	110%

***higher open interest to daily volume ratio in H-shares Index futures:  
more hedging activities***



# Stock Options Trading Volume

## Stock Option Trading Volume & Open Interest (2004 to 2014)

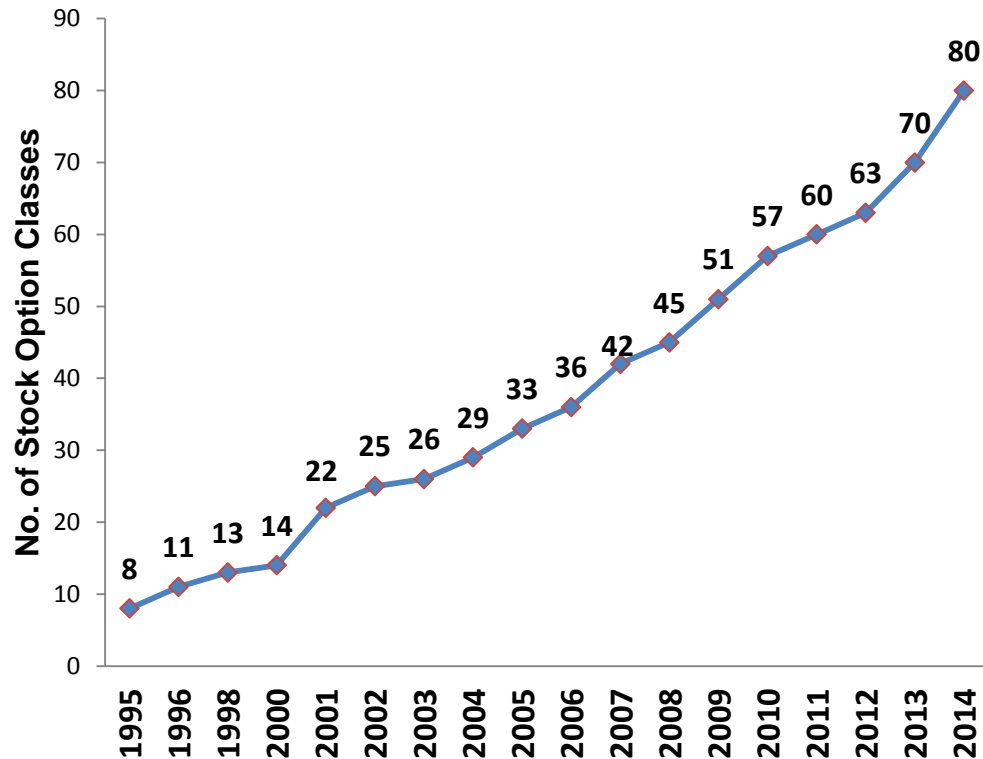


**Stock Option Trading Volume Increased 12 times in 11 years**

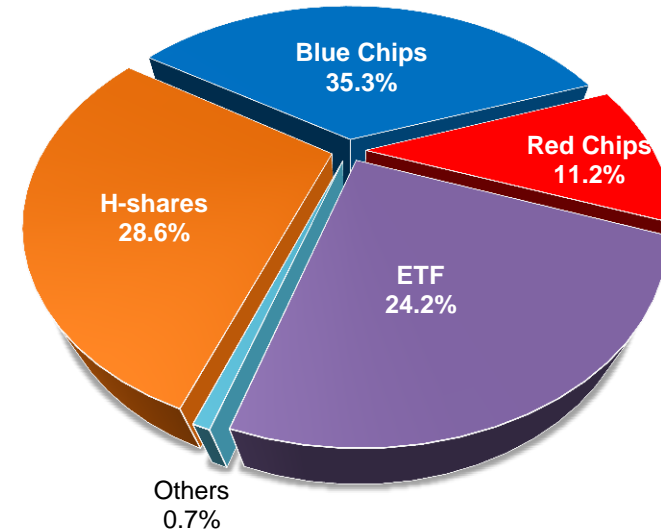
# Stock Options Market Growth



## No. of Stock Options Class 1995 - 2014



## Trade Overview & Distribution\*



	Traded (Avg Daily)	% Chg MoM	% Chg YoY
Notional (HKD)	10,528 mm	+35.4%	+44.9%
Premium (HKD)	240 mm	+7.2%	-5.6%
Contracts	430,415	+43.1%	+67.4%
Current No. of Stock Options Classes: 80			

**80 stock options classes covering H-Shares, Red Chips, Blue Chips and ETF**

# After Hours Futures Trading (AHFT)

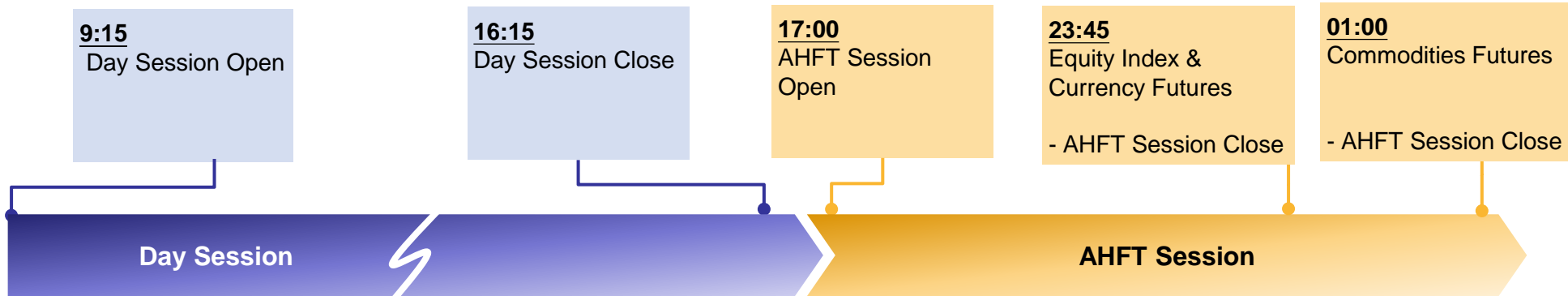
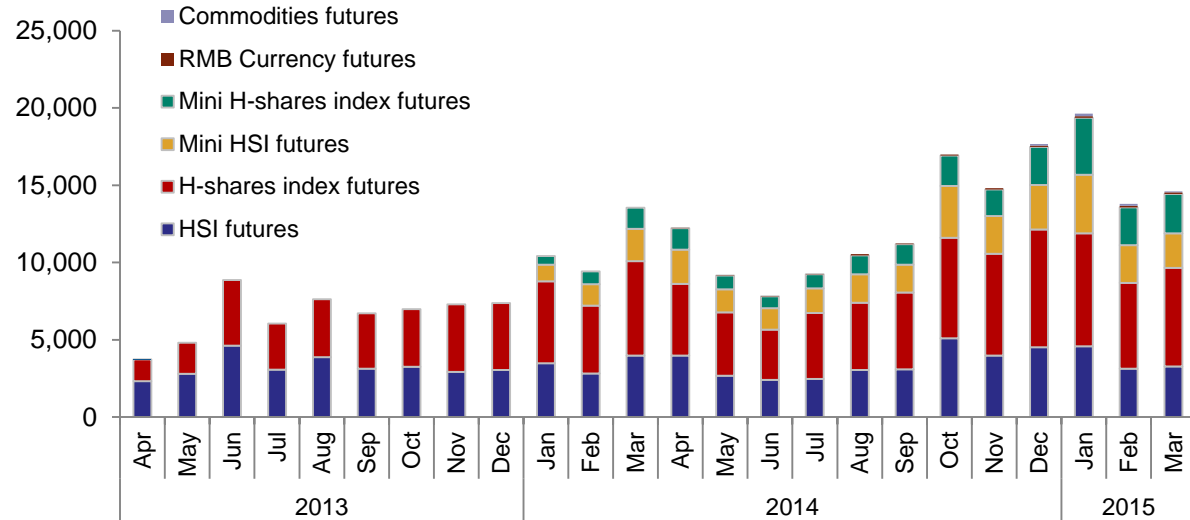


## Why

- Meet current trading and hedging needs from global investors
- Business growth driver for Hong Kong futures industry

Record High AHFT Volume (Contracts)	79,586 (17 Apr 2015)
% of Day Session	31.54%

Average Daily Volume of AHFT (Contracts)



**Average Daily Volume in AHFT Session was 16,350 contracts in 2015 (as of Mar) (or 7.5% of Day Session)**

\* Figures as of Mar in 2015

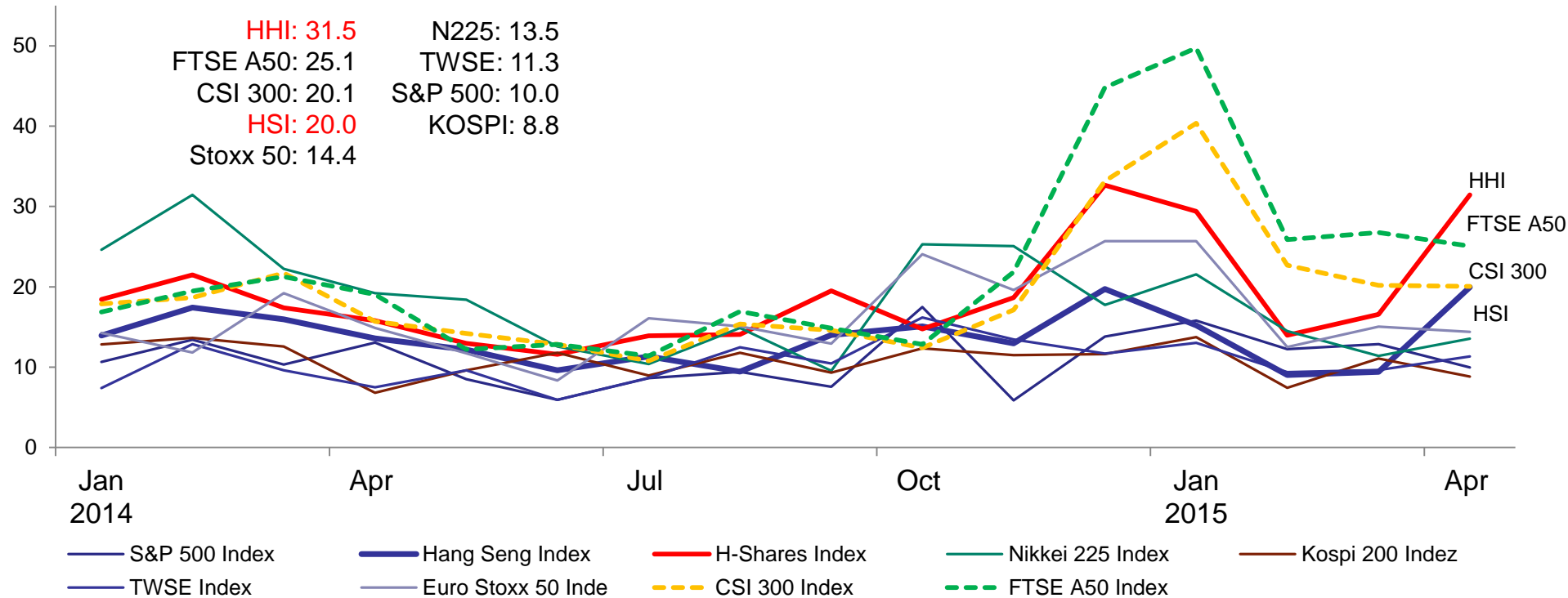
# Trading Opportunities

## - Market Volatility



- HSI and HHI are more volatile for futures and options trading compared with other indices

### 10D Volatility Comparison in 2014 – 2015 Apr



**The Higher the volatility, the higher the trading opportunities in futures and options**

\* Source: Bloomberg (data up to 15 Apr, 15)

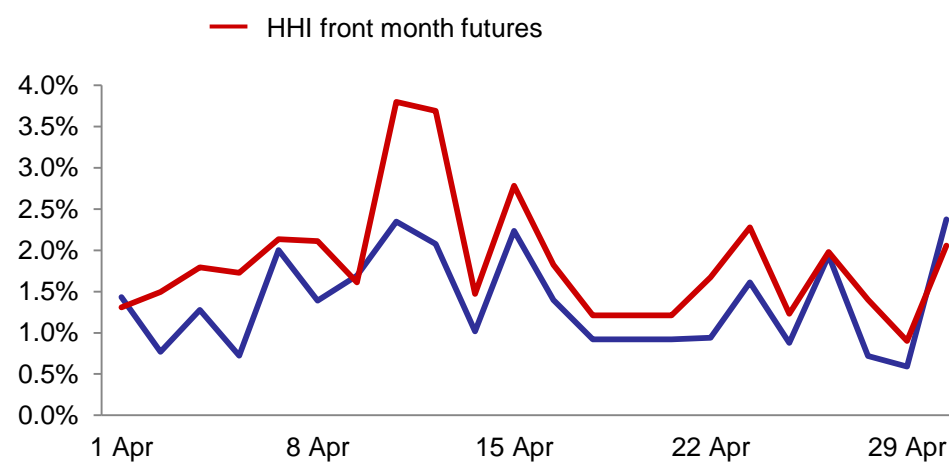
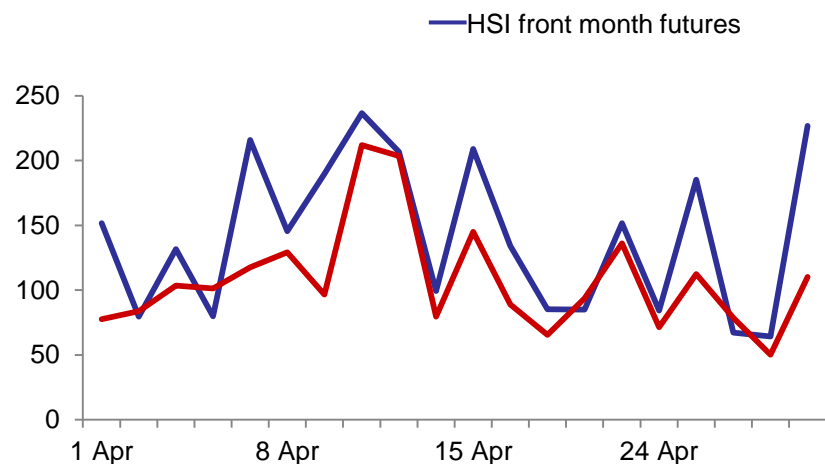
# Trading Opportunities for Day Traders



	HSI Futures	HHI Futures
Tick Size / Tick Value	1 pt. / HK\$50	1 pt. / HK\$50
Round Trip Trading Fee / Tick Value	40%	14%
Avg. (Day High-Day Low) / Avg. Spread	141	108
Avg. (Day High-Day Low) / Day Close	1.4%	1.9%

(Day High – Day Low) / Avg. Spread  
in Apr 2014\*

(Day High – Day Low) / Closing Price  
in Apr 2014



**Great day trading opportunities in HSI futures and HHI futures**

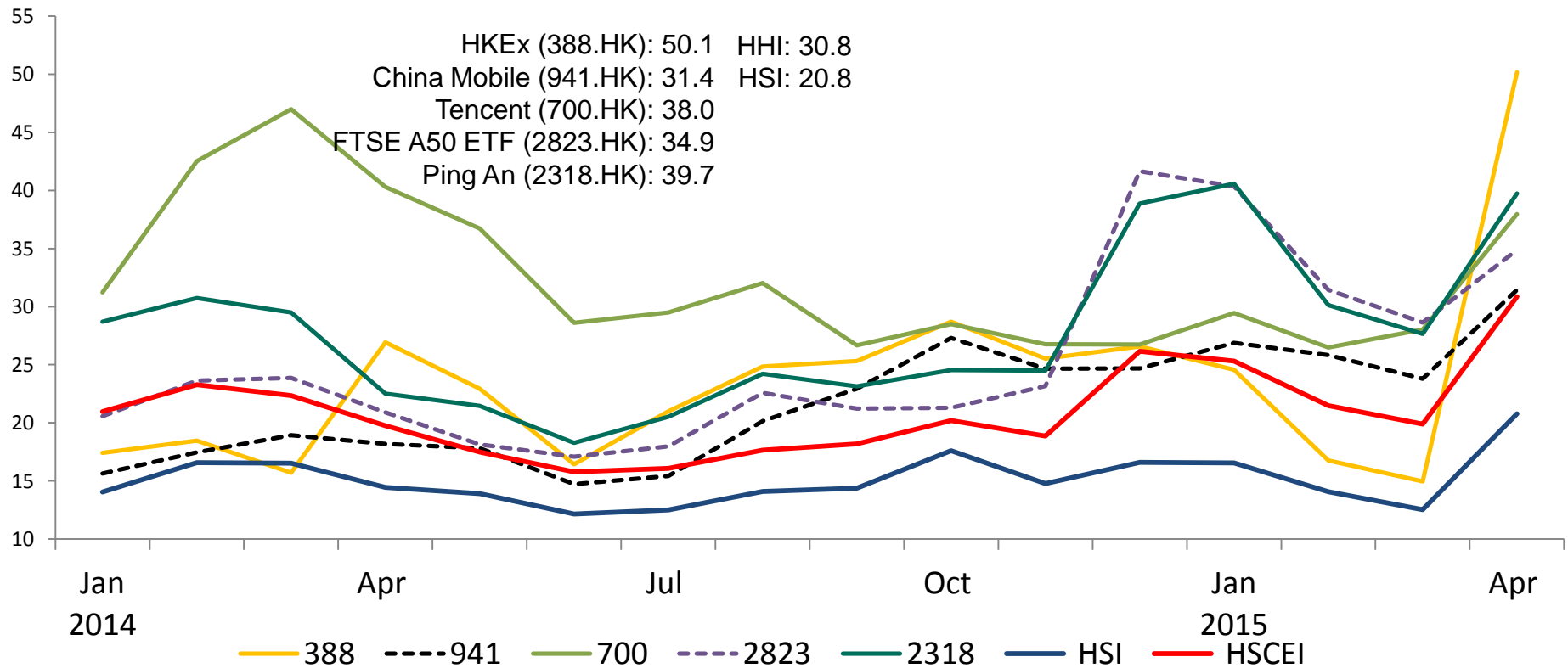
# Trading Opportunities

## - Market Volatility



- Implied Volatility of stock options with top 5 trading volume picks up recently

### 30D ATM Call Implied Volatility Comparison in 2014 – 2015 Apr



\* Source: Bloomberg (data up to 15 Apr, 15)

# Thank You!

## **Risks of Trading Futures and Options**

Futures and options involve a high degree of risk. Losses from futures and options trading can exceed your initial margin funds and you may be required to pay additional margin funds on short notice. Failure to do so may result in your position being liquidated and you being liable for any resulting deficit. You must therefore understand the risks of trading in futures and options and should assess whether they are right for you. You are encouraged to consult a broker or financial adviser on your suitability for futures and options trading in light of your financial position and investment objectives before trading.

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