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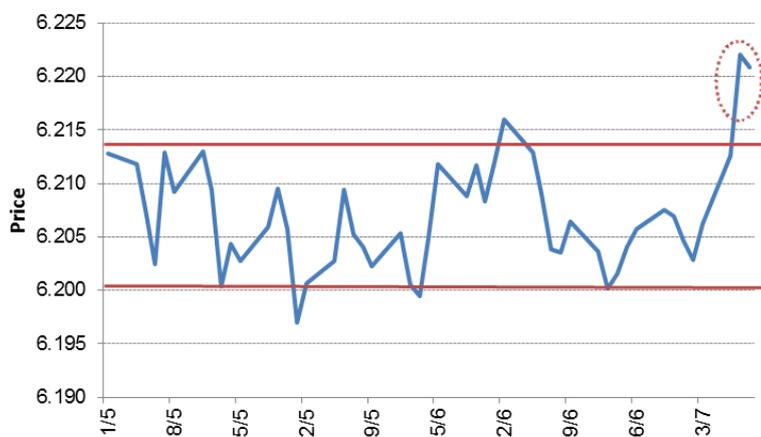
Interim Flash Report for USD/CNH Futures

July 2015

Highlights

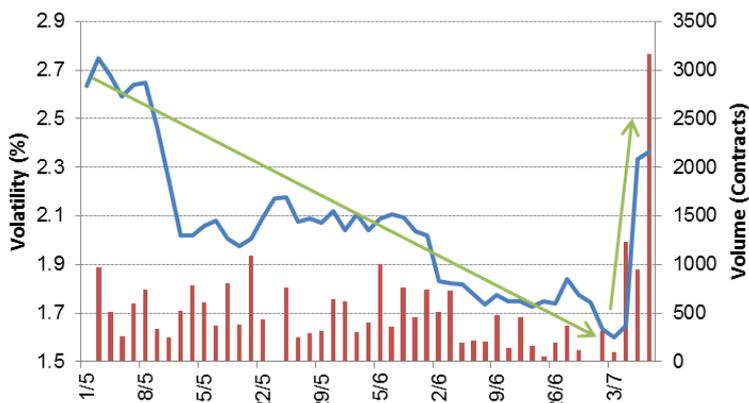
- USD/CNH spot has recently breached the recent trading band to reach the lowest level in two months
- The trading volume of HKEx's USD/CNH futures contracts hit a year-to-date high of 3,169 contracts (USD 316.9 million notional) on 8 July 2015
- Open interest was at 8,972 contracts (USD 897.2 million notional) as of 8 July 2015, its highest level since 18 May 2015
- When USD/CNH volatility increases, HKEx's USD/CNH futures market provides liquidity
- Investors can use HKEx's USD/CNH futures contract to capitalise on trading opportunities

USD/CNH Spot Price



USD/CNH has traded back and forth within a tight band of 6.197 to 6.216 since the beginning of May. However, on 7 July it broke the upper ceiling of the band and reached the lowest level of 6.222 in two months. Whether it will continue the trend of depreciation is something to pay a close attention to in the future.

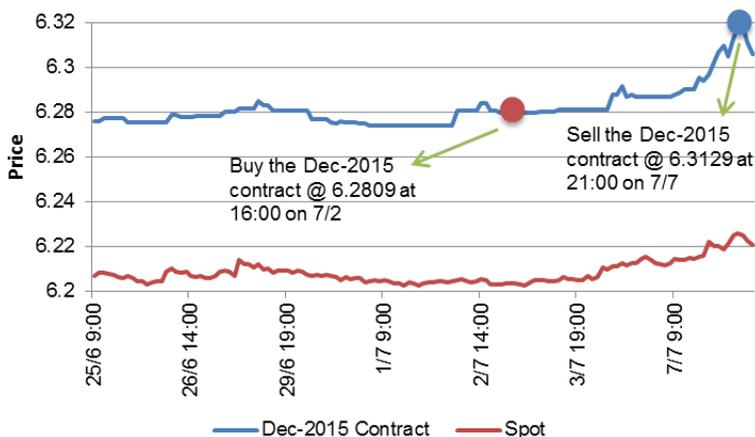
HKEx's USD/CNH Futures Volume vs. OTC USD/CNH Options Implied Volatility 1M



The 1 month implied volatility of OTC USD/CNH options have been trending downwards since the beginning of May from 2.7 per cent to 1.6 per cent. However, since 3 July, it has rebounded sharply from 1.6 per cent to 2.4 per cent.

As the implied volatility of the OTC USD/CNH options jumped in early July, the trading volume of HKEx's USD/CNH futures contracts hit a year-to-date high of 3,169 contracts on 8 July. When USD/CNH volatility increases, HKEx's USD/CNH futures market provides liquidity.

USD/CNH Futures - Short-Term Simulated Trade



By looking closer into the latest intra-day price movement, we can see the depreciation of CNH against USD that started on 2 July. A short-term simulated trade based on historical data is illustrated as follows: buy the Dec-2015 contract @ 6.2809 at 16:00 on 2 July and sell the contract @ 6.3129 at 21:00 on 7 July. The price for the contract has increased by 0.032, and the simulated 10-contract trade translated into a net profit of 32,000 HKD. The minimum margin outlay for 10 contracts is 120,000, and the return of the simulated trade is 26.7 per cent in the period of 5 days.

For more information about the USD/CNH futures Contract Specifications,
please visit: <http://www.hkex.com.hk/eng/prod/drprod/rmb/cnhspecs.htm>

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