

MONTHLY UPDATE

Interest Rate Derivatives (IRD)

August 2019

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HIGHLIGHTS

The IRD highlights for August 2019 are as follows:

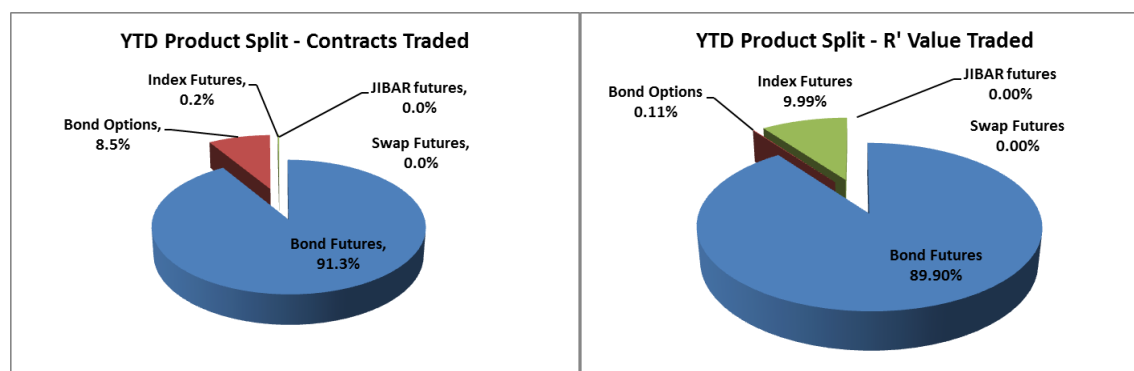
- A total of 550k Bond futures contracts traded this month, down 22% from same period last year. However, the **2-month closeout period** (Jul/Aug) had a total of over 3m contracts traded, the highest since the Jan-Feb 2018 closeout period.
- Bond futures Open Interest was 849k contracts at month end, 6% more than the 798k contracts as at the end of equivalent period.
- The year-to-date IRD number of contracts traded of 8.4 million is 9% down compared to 9.2 million contracts traded for the same period in 2018
- The year-to-date IRD value traded of R852 billion is 15% down from the R1004 billion for the same period in 2018.

IRD CONTRACTS TRADED

Bond futures remain the liquid contract in the IRD market with 7.7 million Bond futures contracts traded this year to date, 14% less than the contracts traded over same period last year. The rest of products have negative growth except bond options which are 188% more than last year, albeit off a small base.

YTD - Contracts	Bond Futures	Bond Options	Index Futures	JIBAR futures	SWAP Futures	Total
2018	8 977 964	250 269	22 625	37 500	-	9 288 358
2019	7 714 953	720 670	15 613	-	-	8 451 236
Growth	-14.1%	188.0%	-31.0%	-100.0%	0.0%	-9.0%

While **Index Futures** account for only 0.2% of contracts booked in the IRD market, they account for 10% of total value traded in the JSE's IRD market year to date.



Participants usually start to roll positions in the month preceding close-out and, as such, in order to get a complete picture, volumes for the active close-out month and the preceding month are added to represent a **2-month close-out period**.

The four close-out periods (month preceding and month of close-out) for 2016, 2017, 2018 and 2019 are provided in terms of contracts traded in a table below. A total of just over 3 million contracts were traded in the August close-out period, 18.8% higher than the 2.5 million contracts traded during the same close-out period in 2018.

Close-Out	2016	2017	2018	2019	% Chg 2019/18
Close-Out 1	1 732 666	2 454 909	3 291 708	2 609 366	-20.7%
Close-Out 2	2 400 933	2 490 915	2 973 062	2 518 022	-15.3%
Close-Out 3	2 313 032	3 050 960	2 531 742	3 008 502	18.8%
Close-Out 4	2 399 150	3 320 386	2 749 042		

IRD VALUE TRADED

The year to date value traded of R852 billion is 15% lower than the R1004 billion value traded for the same period in 2018.

YTD - Val Traded (Rm)	Bond Futures	Bond Options	Index Futures	JIBAR futures	SWAP Futures	Total
2018	R 901 603	R 352	R 101 476	R 873	R 0	R 1 004 304
2019	R 766 033	R 942	R 85 092	R 0	R 0	R 852 066
Growth	-15.0%	167.2%	-16.1%	-100.0%	0.0%	-15.2%

BOND FUTURES

Unless otherwise stated, the remaining information in this document pertains to Bond Futures. The majority of trades continue to be booked on a Report Only basis. **Five market makers** are pricing and trading Bond Futures namely; Absa Capital, Nedbank Capital, Rand Merchant Bank, Standard Bank and Investec.

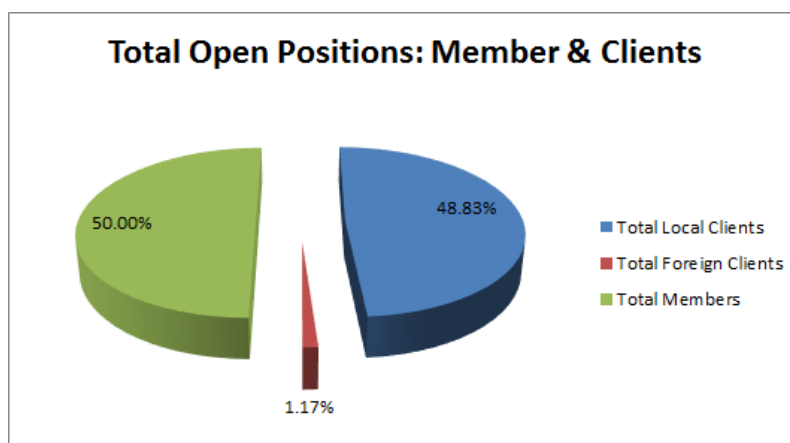
BOND FUTURES: MEMBER PARTICIPATION YTD

A total of 26 members have transacted in the Bond Futures market year to date. More than half are Brokers and they contributed 2.8% of both total number of contracts and total value traded. Banks remain the most active players contributing more than 70% of volumes by both number of contracts and value traded, while asset managers represent about 25% of the totals.

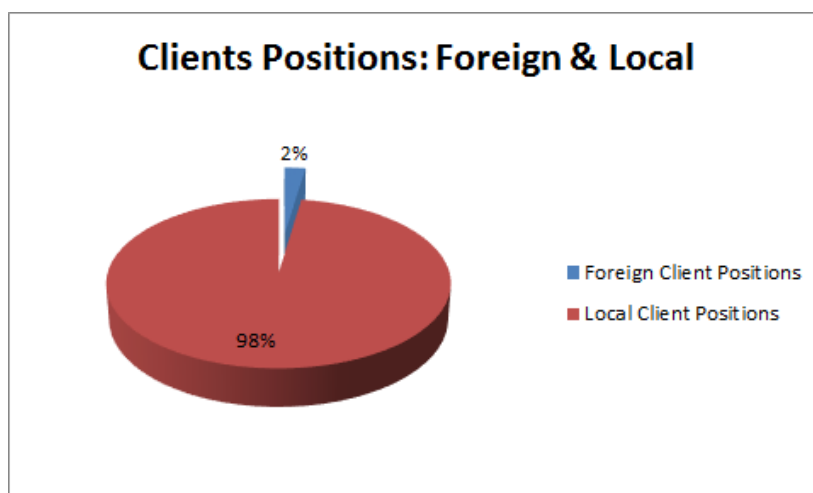
Type of member	Number	Percentage Members	Contracts	Percentage Contracts	Value	Percentage Value
Banks	5	19.2%	11 046 420	73.0%	R 1 086 547 768 837	72.4%
Asset Managers	5	19.2%	3 650 811	24.1%	R 372 230 248 224	24.8%
Brokers	16	61.5%	430 779	2.8%	R 42 353 026 342	2.8%

BOND FUTURES: FOREIGN VS LOCAL CLIENTS

The total open positions in the Bond Futures market were analysed as at month end and the percentage breakdown between local clients' positions, foreign clients' positions and total member positions i.e. the total market positions is provided below.

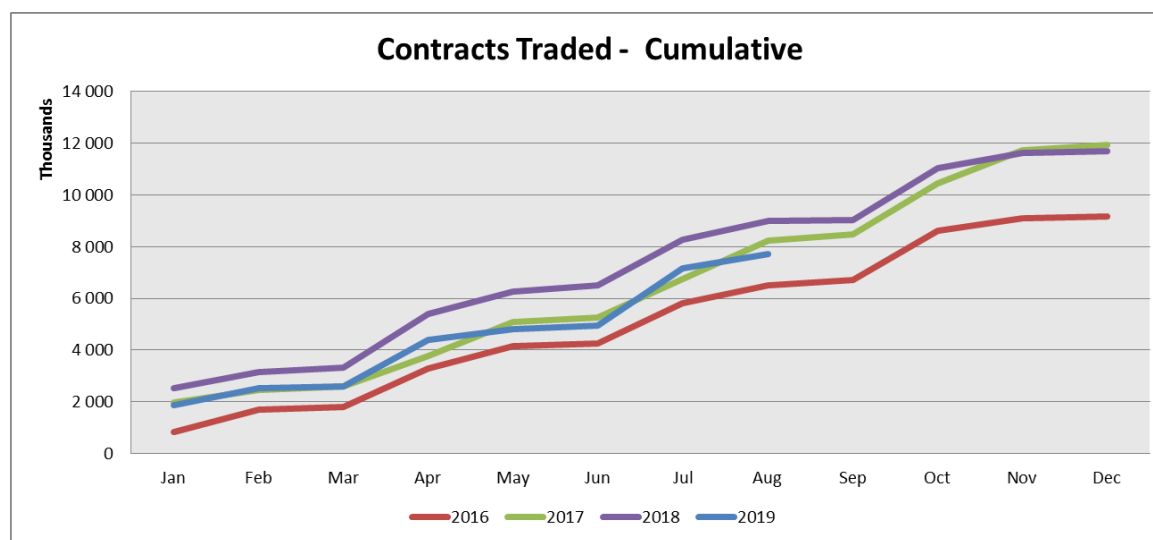


When only looking at **client positions** held as at month end, the chart below provides a breakdown between local and foreign client positions.



BOND FUTURES: CONTRACTS TRADED

The graph below depicts the cumulative contracts traded in Bond Futures over the past few years. The traded contracts year-to-date is 13.4% lower than equivalent period last year.

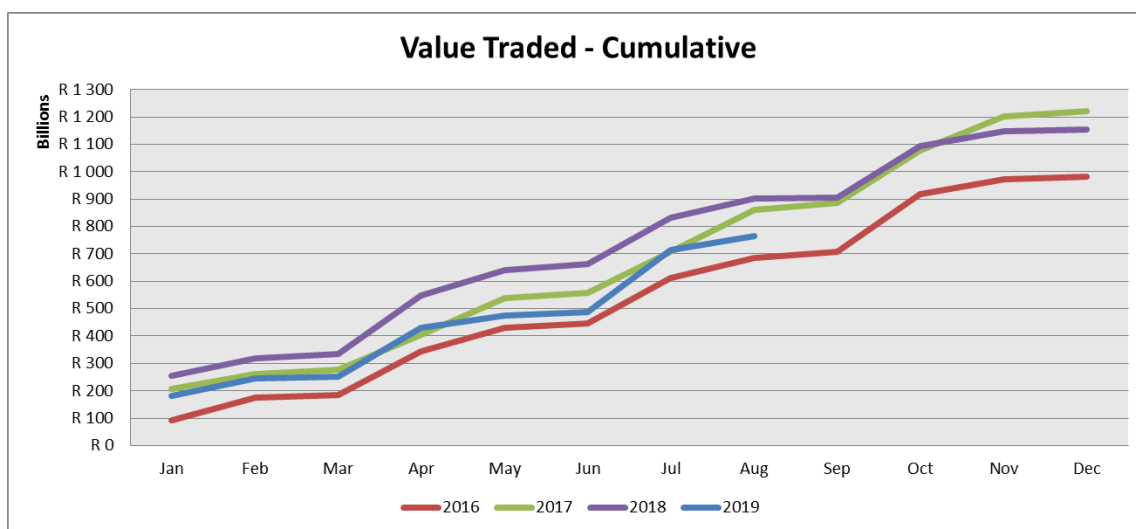


The table below provides a **historical non-cumulative** breakdown in terms of Bond Futures contracts traded per month.

Contracts Traded	2016	2017	2018	2019	Y-o-Y Growth
Jan	826 485	1 963 456	2 512 043	1 872 040	-25.5%
Feb	883 377	493 725	622 760	654 730	5.1%
Mar	79 520	148 066	184 080	71 194	-61.3%
Apr	1 490 182	1 168 792	2 071 717	1 778 197	-14.2%
May	854 135	1 322 123	868 973	434 577	-50.0%
Jun	134 452	177 529	241 609	121 845	-49.6%
Jul	1 542 365	1 475 383	1 770 507	2 232 039	26.1%
Aug	691 788	1 497 690	706 275	550 331	-22.1%
Sep	207 021	235 816	53 904		
Oct	1 903 245	1 947 995	1 987 598		
Nov	477 584	1 304 500	599 247		
Dec	77 224	180 041	69 157		
TOTAL	9 167 378	11 915 116	11 687 870	7 714 953	-13.4%

BOND FUTURES: VALUE TRADED

The graph below highlights the historical cumulative value traded over the past few years. There has been a **14.5% decrease in value traded** in year-to-date 2019 (R766 billion) compared to value traded in 2018 (R901 billion).

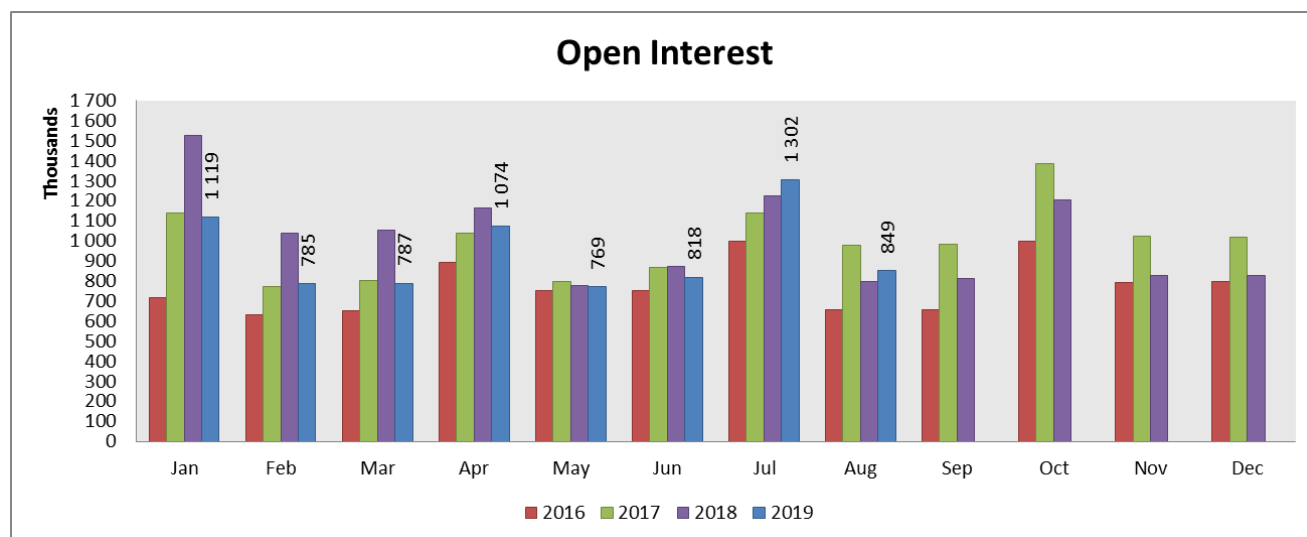


The following table provides a historical **non-cumulative** breakdown in terms of Bond Futures value traded per month.

Value Traded	2016	2017	2018	2019	Growth
Jan	R 93 017 323 448	R 207 418 633 530	R 253 621 066 454	R 180 383 518 411	-28.9%
Feb	R 83 445 753 593	R 54 106 583 115	R 63 521 280 928	R 65 074 683 564	2.4%
Mar	R 8 121 941 932	R 15 689 151 786	R 18 820 147 829	R 7 378 319 401	-60.8%
Apr	R 159 521 903 922	R 128 360 777 690	R 212 944 007 247	R 177 545 267 660	-16.6%
May	R 87 611 621 413	R 131 735 826 277	R 91 402 865 538	R 44 428 786 048	-51.4%
Jun	R 13 128 885 071	R 19 048 767 248	R 22 501 502 974	R 11 982 954 483	-46.7%
Jul	R 166 159 407 388	R 151 742 083 559	R 170 319 564 500	R 225 829 545 247	32.6%
Aug	R 75 808 953 410	R 152 913 580 592	R 68 472 128 844	R 53 410 038 379	-22.0%
Sep	R 20 265 597 107	R 24 072 231 617	R 5 122 838 962		
Oct	R 210 332 368 624	R 191 314 220 547	R 185 855 166 113		
Nov	R 55 647 860 117	R 126 094 826 854	R 54 306 055 978		
Dec	R 7 457 772 852	R 17 391 409 171	R 6 457 989 604		
TOTAL	R 980 519 388 877	R 1 219 888 091 986	R 1 153 344 614 971	R 766 033 113 193	-14.5%

BOND FUTURES: OPEN INTEREST

Bond Futures Open interest was 850,000 contracts as at month end which is 6% more than the 798,000 contracts as at the end of the equivalent month in 2018.



The chart below provides the total Bond Futures number of open contracts as at the end of each month.

Open Interest	2016	2017	2018	2019	Growth
Jan	713 913	1 137 425	1 526 289	1 118 795	-26.7%
Feb	633 062	770 321	1 037 493	784 852	-24.4%
Mar	650 335	801 800	1 052 470	787 390	-25.2%
Apr	890 406	1 037 427	1 164 622	1 073 638	-7.8%
May	752 370	794 207	777 714	769 139	-1.1%
Jun	753 049	868 162	870 652	817 539	-6.1%
Jul	996 943	1 139 985	1 222 141	1 302 006	6.5%
Aug	655 211	977 327	798 912	849 438	6.3%
Sep	657 642	981 713	809 221		
Oct	999 507	1 383 649	1 201 141		
Nov	793 813	1 020 399	826 316		
Dec	798 552	1 016 463	827 458		

OPEN INTEREST – PER BOND FUTURE INSTRUMENT

Chart 1 and **Chart 2** display the open interest for Inflation-Linked and Nominal Bond Futures as at month end respectively.

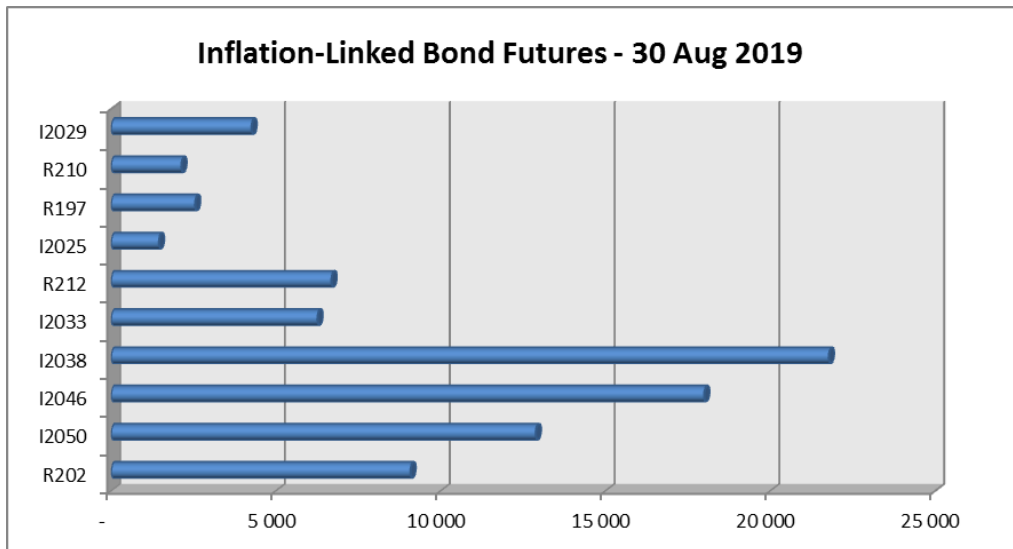


Chart 1

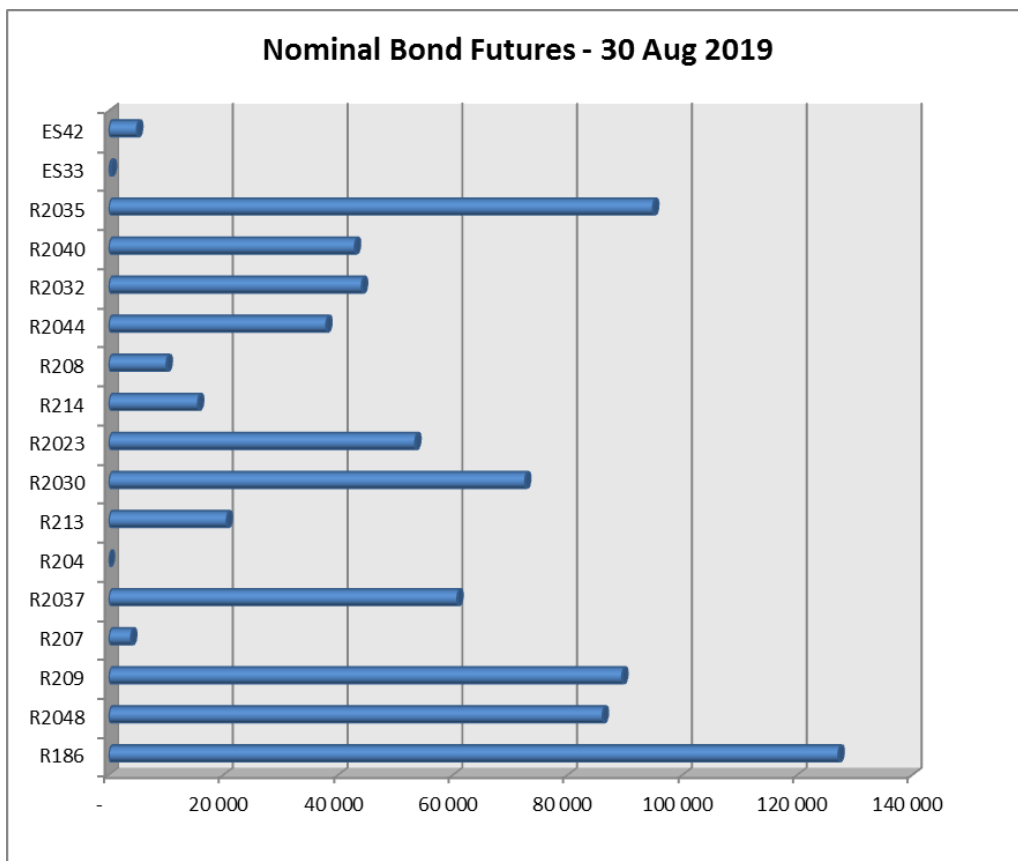


Chart 2

SINGLE BOND FUTURE CONTRACTS

Figure 1 below provides all 28 single Bond Futures traded year to date 2019 and ranks them in ascending order according to contracts traded. The top 10 most traded contracts contribute about three quarters of the total contracts traded to date.

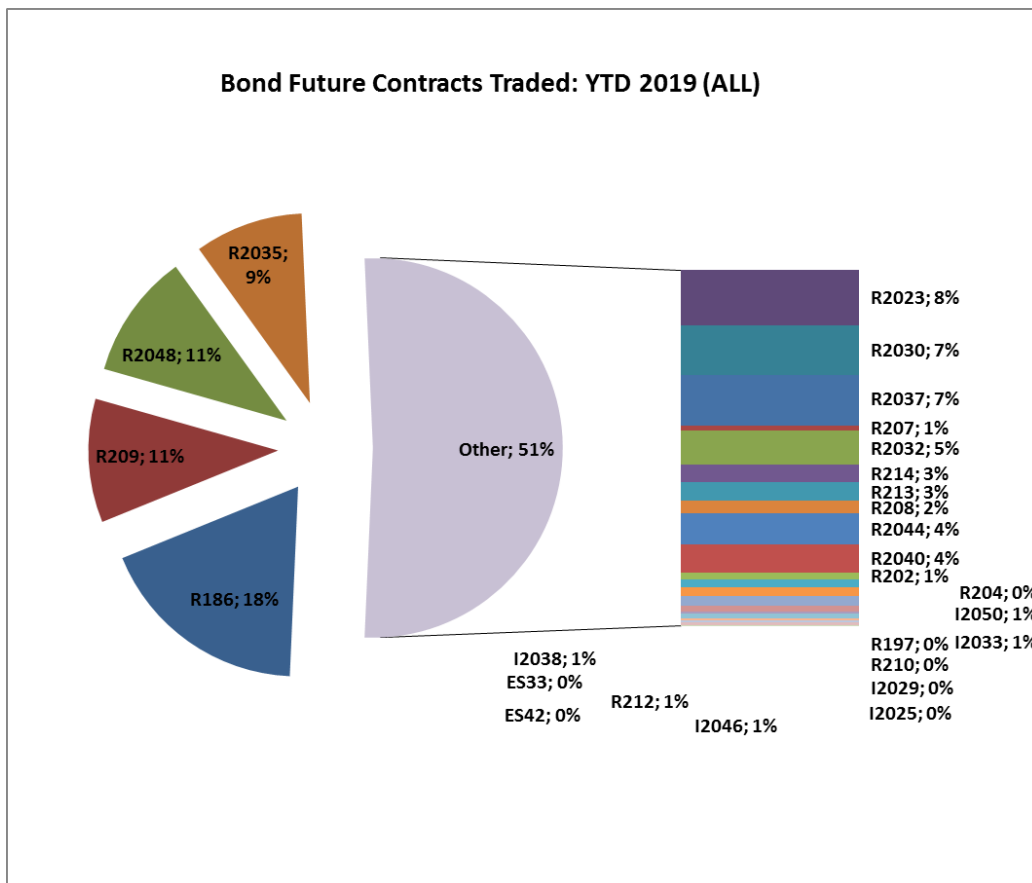


Figure 1

Figure 2 below provides 18 single nominal Bond Futures traded year to date and ranks them in ascending order according to contracts traded.

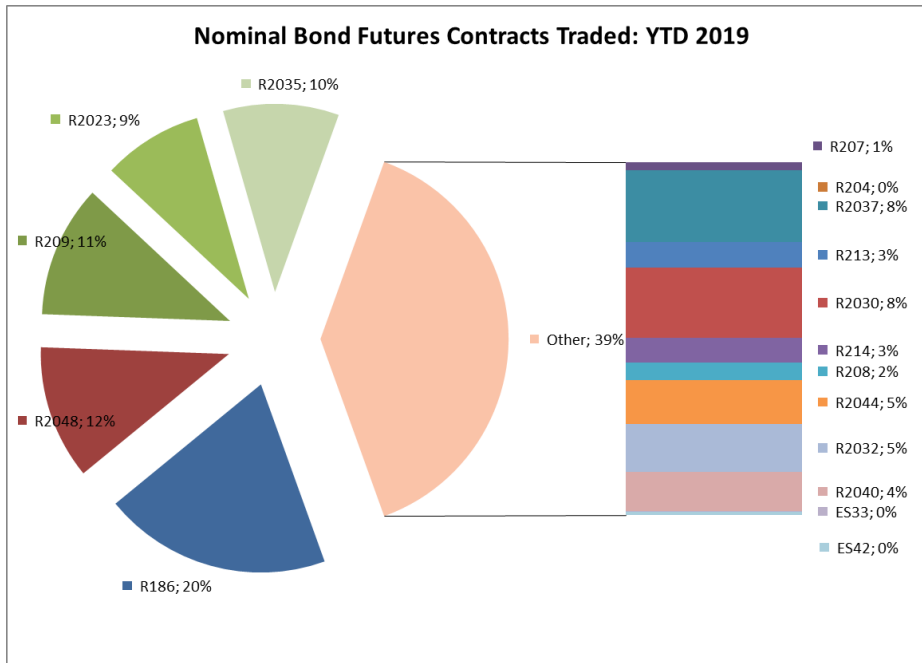


Figure 2

Figure 3 below provides 10 single inflation-linked Bond Futures traded year to date and ranks them in ascending order according to contracts traded.

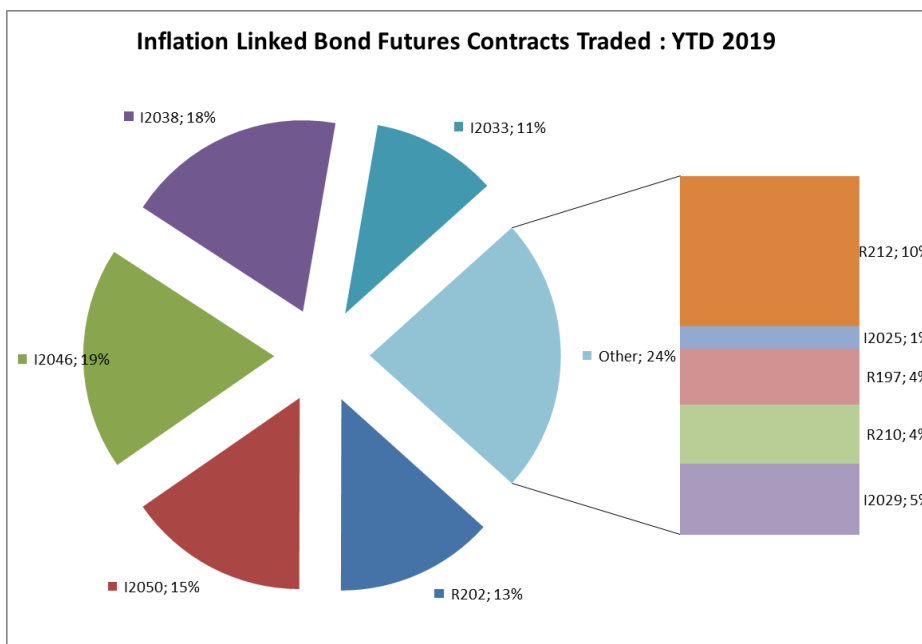
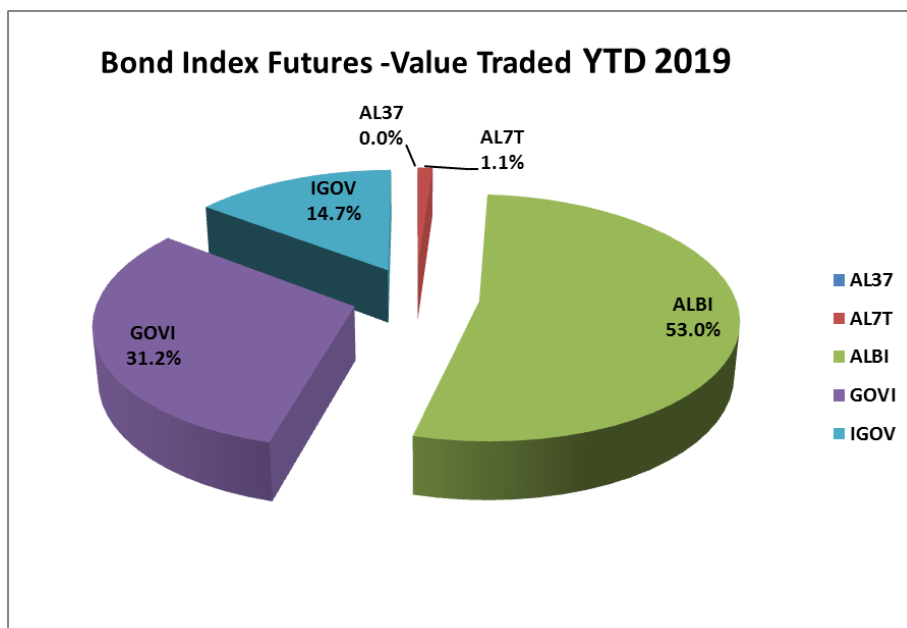


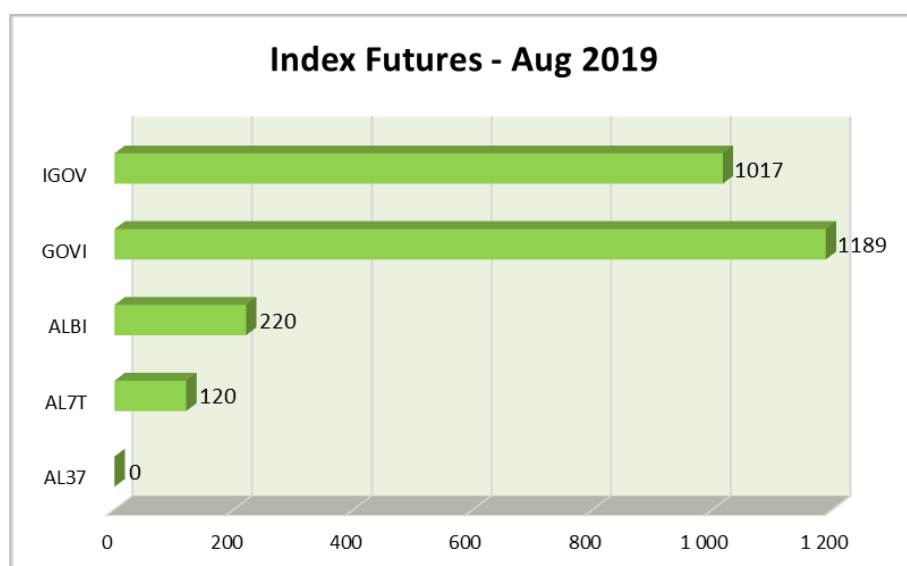
Figure 3

BOND INDEX FUTURES: VALUE TRADED YTD 2019

The chart below provides a breakdown of the various Bond Index Futures and ranks them in terms of value traded year to date.



The chart below provides the amount of open interest per Index Future as at month end.



Please contact irc@jse.co.za should you have any questions on this document or require further information.