

# Trading Volume

## A Remarkable Start in 2006

By Rebecca Holz

The world's derivatives exchanges experienced an above-average burst in trading activity in the first two months of 2006. Global futures and options volume reached 1.9 billion contracts, up 34.3% over the same period last year. Just as remarkable was the breadth of the trend. Trading volume grew by double-digit rates in every category tracked by the FIA, and only two exchanges out of the top 20 reported a decline in volume.

The international market saw one of the most significant growth leaps in this decade, with an increase of 34.6% over last year's January-February volume to 1.2 billion contracts. That compares to an annual growth rate of 5% in 2005. This may not come as a surprise to those who have kept an eye on the revitalization of the Korean derivatives market. After years of decline, volume in the Kospi 200 index options, the world's most heavily traded derivatives contract, picked up again in mid-2005. The first two months of 2006 showed that investors have returned in force to this market. Volume in Kospi options surged 57% to 502.4 million contracts. This contract alone makes up more than 40% of the international volume and more than a quarter of the global volume total.

Korea cannot be given all the credit for the swell in international volume, however. Excluding the Kospi, international figures were up 22% over the same two-month period

last year. The growth rate was especially strong in markets outside of Europe, such as India, Taiwan, South Africa, and China. Volume at the National Stock Exchange of India jumped 106.9% to 28.8 million contracts in the first two months of the year. Taiwan's Taifex nearly doubled its two-month total with 17.4 million contracts and JSE Securities Exchange in South Africa grew 113.3% to 11.5 million. China's Dalian Commodity Exchange had the most impressive growth rate, with volume soaring 193.2% to 22.2 million contracts.

Among the established markets, the U.S. derivatives exchanges again led the way. A total of 688.5 million futures and options contracts changed hands in the first two months of the year, an increase of 33.9% over the same two-month period in the previous year.

Figures in this article are based on data received from 58 exchanges worldwide. The data include derivatives contracts traded over the counter that were converted into futures through clearing facilities such as the New York Mercantile Exchange's Clearport and Euronext.liffe's Bclear. The figures also include volume in the Trakrs contracts listed at the Chicago Mercantile Exchange. New developments include the addition of the Turkish Derivatives Exchange to the list of participating exchanges and the merger of the Budapest Commodity Exchange with the Budapest Stock Exchange in November 2005.

## Rapid Growth in Equity Index Products

Futures and options on equity indices constitute the industry's largest sector, representing 41.7% of the total global volume in the first two months of 2006. Volume in this category rose 51% to 787.1 million contracts.

One of the fastest growing equity index contracts was the National Stock Exchange of India's futures on the S&P CNX Nifty Index. Volume jumped by nearly 200% to 11 million contracts. Trading activity in the options on the same index also took off, with volume rising 278.5% to 2.4 million.

Elsewhere in Asia, volume in Nikkei 225 futures soared both at the Osaka Securities Exchange and the Singapore Exchange. Trading in OSE's contract rose 130.7% to 4.1 million Nikkei futures contracts, while SGX's version grew 168.1% to 3.2 million contracts. On the Nikkei options side, OSE held onto its dominant position, with 5.6 million contracts traded in the two-month period compared to just 53,895 at SGX.

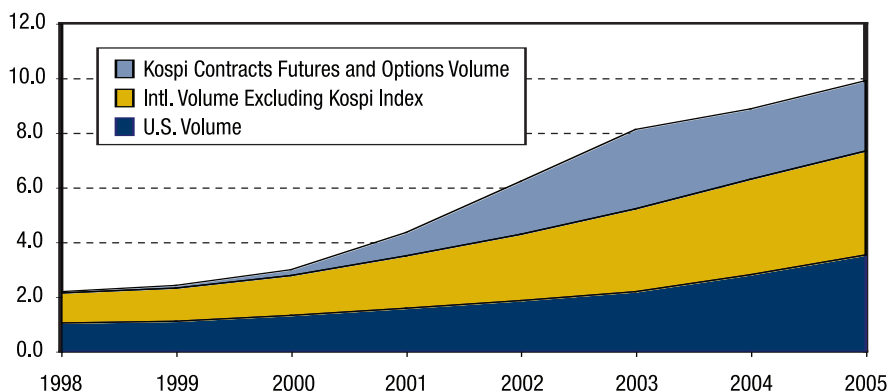
Futures on the Dow Jones Euro Stoxx 50, the most heavily traded equity index product in Europe, surged 42.2% to 24.4 million contracts traded. Options on the same index, also listed at Eurex, gained 55% to 21.3 million.

In the U.S., CME's E-mini S&P 500 futures led the way, with volume up 24.3% to 34.8 million. The E-mini Nasdaq 100 futures did not do as well, however, with volume falling 6.7% to 12.4 million contracts. The S&P 500 Index options traded at the Chicago Board Options Exchange, the most actively traded equity options contract in the U.S., surged 52.8% to 13.8 million.

The biggest decline in this category was in the CAC 40 index options traded at Euronext's Paris market, with volume down 86.1% to 1.2 million. This decline, however, was due mainly to a change in the notional value. In May 2005, the contract size was changed from 1 euro to 10 euros per index point. According to Euronext.liffe, volume in this contract actually increased 39% after adjusting for the increased size.

### The Kospi Effect

In billions of contracts



## Continued Growth in Eurodollar Futures and Options

Volume in the interest rate sector rose 16.3% to 461.4 million contracts, equivalent to almost a quarter of all futures and options contracts traded worldwide. The level of trading activity at CME in Eurodollar futures, the industry's most actively traded futures contract, continued its steady growth. Volume was up 23.9% to 69.8 million contracts in the first two months of the year.

The Chicago Board of Trade also got off to a good start this year, with futures on the 10-year Treasury note, its flagship product, up 14.9% to 38.5 million contracts. The 2-year Treasury futures were the real surprise, however, with volume up 78.8% to 5.3 million.

Eurex fared less well. Activity in its Euro-Bund and Euro-Bobl contracts both fell slightly compared to the year-ago period. Its Euro-Schatz futures, however, rose 21.7% to 27.3 million contracts.

On the options side, CME's Eurodollar contract saw a big jump in trading activity. Volume in Eurodollar options rose 45% to 38.8 million contracts. That made it the third most actively traded interest rate product in the world, ahead of even the 10-year Treasury futures traded at the CBOT.

## Single Stock Futures Take Off

Global futures and options on individual equities saw a 27.1% rate of growth in the first two months of the year. With 458 million contracts traded, this sector made up another quarter of global derivatives volume. Single stock futures grew especially fast, with several exchanges reporting triple-digit rates of growth in the trading of these products.

The National Stock Exchange of India, the world's most active market for single stock futures, continued to see very rapid growth in this area. Total trading of single stock futures at NSE reached 14.6 million contracts in January and February, up 67.2% from the year-ago period. South Africa's JSE took a big jump, with volume in its single stock futures

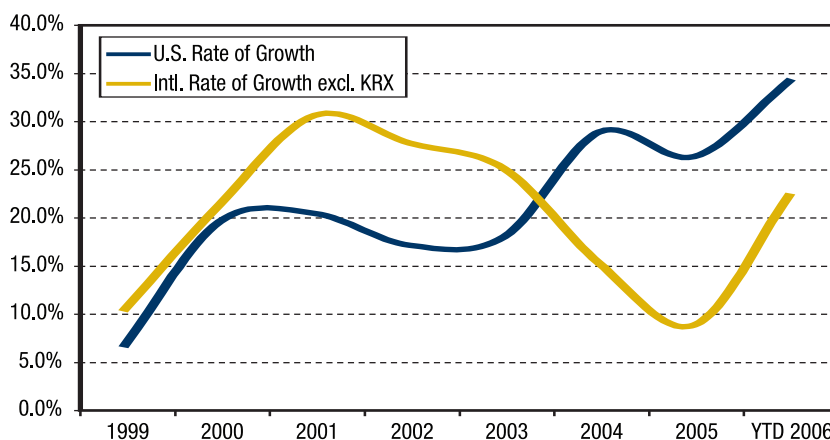
## Global Futures and Options Volume by Sector

*In millions of contracts*

Sector	Jan-Feb 2006	Jan-Feb 2005	% Change
Equity Index	787.11	521.33	51.0%
Interest Rate	461.41	396.78	16.3%
Individual Equity	457.95	360.28	27.1%
Agricultural	64.51	44.08	46.4%
Energy	54.29	39.35	37.9%
Foreign Currency	31.57	20.66	52.8%
Non-Precious Metals	19.28	15.06	28.0%
Precious Metals	12.03	8.15	47.7%
Other	0.36	0.21	74.4%
<b>TOTAL</b>	<b>1,888.51</b>	<b>1,405.89</b>	<b>34.3%</b>

## U.S. Exchanges in High Gear: Growth Rate Outstrips Rest of World

The graph below shows the rate of growth in percentage terms for U.S. and non-U.S. exchanges since 1999. As the line graph demonstrates, the rate of growth for international exchanges was significantly higher than the U.S. between 2001 and 2003. Roles reversed in 2004 and 2005, when the U.S. exchanges outpaced the international exchanges. Year to date figures, which cover only January and February, show explosive growth at both sets of exchanges.



*Note: In order to provide a clearer view of aggregate growth trends in international markets, data for the Korea Exchange have been excluded from the international data. Kospi Stock Index futures and options, which are traded on the KRX, account for more than 40% of international volume.*

# Trading Volume *continued*

rising 255.3% to 7.1 million. OneChicago took a huge leap forward as well, with volume up a stunning 406.3% to 1.2 million.

U.S. exchanges continued to dominate the single stock options business. The International Securities Exchange topped the charts, with volume up 42.4% to 97.5 million contracts. Trading activity in the CBOE's single stock options rose 51.9% to 63 million contracts. In contrast, volume in single stock options at Euronext.liffe tumbled 32.2% to 32.2 million. This decline was entirely due to a steep drop-off in the number of options traded on its Paris market, mainly due to a change in the notional value. During 2005, Euronext.liffe changed the contract size for its

Paris American-style single stock options from 10 shares to 100 shares. Euronext.liffe reported that volume across the exchange in American-style single stock options—after rebasing the volume statistics to take into account the change in contract size—rose 56% to 23.3 million.

## Foreign Exchange: BM&F Leads the Pack

Volume in the foreign currency sector grew 52.8% over this period last year to 31.6 million contracts, with a number of the sector's top contracts more than doubling in volume. Brazil's Bolsa de Mercadorias & Futuros'

U.S. dollar contract was the leading foreign currency futures contract in terms of overall volume. Trading reached 7.2 million contracts in the January-February period, up 58.3%. CME followed with its Euro FX, up 12.4% to 5.5 million contracts and Japanese Yen, up 55.7% to 2.3 million.

Among the fastest growing foreign currency contracts were futures on the U.S. dollar traded on Mercado a Termino de Rosario, which rose 172.8% to 2.1 million contracts, and CME's British pound, which grew 157.3% to two million contracts. The most heavily traded contract at the Turkish Derivatives Exchange was its U.S. dollar futures contract, which made significant gains over last year's results and recorded 270,947 contracts.

Trading in BM&F's foreign currency options was also very active during the January-February period. Volume in its U.S. dollar options rose 28.1% to 1.2 million, and the number of transactions in its U.S. dollar volatility mechanism, which allows for the simultaneous trading of options and futures, jumped 279.2% to 222,975 contracts. The largest contract in this category, however, was the Shekel-dollar rate options at the Tel-Aviv Stock Exchange. Volume in this contract grew 29.6% to 1.3 million. Meanwhile, CME's Euro FX options took a plunge, down 29.4% to 295,290 contracts.

## Agricultural Products: Spectacular Growth in China

After an unspectacular year in 2005, the Dalian Commodity Exchange is suddenly climbing the charts again. More than 22 million contracts changed hands during January and February, up 193.2% compared to this period last year. DCE led the world's exchanges with corn and soy meal futures, the two most actively traded agricultural products. Volume in its corn futures contract soared 288.5% to 9.6 million contracts in the two-month period. Volume in its soy meal contract grew even more rapidly, up 389.3% to 7.7 million contracts. The Shanghai Futures Exchange takes the prize for having far and

## Top 20 Derivatives Exchanges by Volume

*In millions of contracts*

Exchange	Jan-Feb 2006	Jan-Feb 2005	% Change
Korea Exchange	513.07	328.46	56.2%
Eurex	226.04	195.48	15.6%
Chicago Mercantile Exchange	192.47	147.51	30.5%
Chicago Board of Trade	122.19	106.56	14.7%
Euronext.liffe	115.02	125.87	-8.6%
Chicago Board Options Exchange	99.24	66.44	49.4%
International Securities Exchange	98.61	68.49	44.0%
Bovespa	42.88	42.51	0.9%
New York Mercantile Exchange	42.15	28.10	50.0%
Bolsa de Mercadorias & Futuros	41.80	25.75	62.4%
Philadelphia Stock Exchange	40.43	21.08	91.8%
Pacific Exchange	34.34	24.83	38.3%
American Stock Exchange	31.72	33.97	-6.6%
National Stock Exchange of India	28.78	13.91	106.9%
OMX Exchanges	23.55	18.10	30.1%
Mexican Derivatives Exchange	23.32	22.79	2.3%
Dalian Commodity Exchange	22.22	7.58	193.2%
Taiwan Futures Exchange	17.42	9.09	91.6%

away the fastest growing agricultural futures contract, however. Its rubber contract rose an incredible 1,178% to 2.2 million contracts—already almost a quarter of Shanghai's 2005 rubber volume.

Trading of agriculture commodities on the whole was up 46.4% to 64.5 million contracts in the first two months of the year. The Chicago Board of Trade led the U.S. exchanges with its corn futures contract, up 46.9% to 6.1 million contracts. The New York Board of Trade's sugar futures contract gained 34.7% to 3.1 million. Nybot's equivalent contract on the options side, now the most actively traded agriculture options contract in the world, accumulated 1.3 million contracts in the first two months of the year, a growth rate of 140.7%.

## Energy & Metals

Global energy trading in futures and options on futures was up 37.9% with 54.3 million contracts. One of the sector's fastest growing futures contracts was the Shanghai Futures Exchange's fuel oil contract, which began trading in August 2004. Within the first two months of the year, volume saw an incredible 887.6% increase to 2.2 million contracts. Another contract quickly climbing the charts was the New York Mercantile Exchange's electronic mini crude oil contract. Volume was at 1.6 million contracts in the first two months of the year, up 488.4% over the comparable period in 2005.

The leaders in the sector were Nymex's crude oil futures contract, with volume up 32.1% to 11.1 million, and the Brent crude oil futures contract traded at ICE Futures, with volume up 63.3% to 6.4 million contracts. Also at ICE Futures, the new WTI crude oil futures contract, which was launched on Feb. 3, got off to a fast start, with 38,633 contracts traded on the first day.

Gold and silver prices have been rising rapidly in 2006, and activity in the precious metals derivatives market certainly reflected the growing interest. Tokyo Commodity Exchange topped the precious metals chart with 3.7 million gold futures contracts traded in the first two months, an increase of 48%

over the year-ago period. The Comex division of Nymex recorded trading of 3.2 million gold futures contracts, up 30% over last year's figure. Volume in the Comex silver futures contract jumped 40.2% to 1.1 million contracts.

Trading activity in the non-precious metals sector grew 28% to 19.3 million contracts. London Metal Exchange led with the top three futures contracts—aluminium, copper and zinc. Volume in LME aluminium futures was up 37.6% to 6.5 million contracts. LME's copper futures contract traded 3.5 million, a growth of 28.3%. Copper futures trading in

other markets was down on the year, however. Copper futures volume at the Shanghai Futures Exchange plunged 72.9% to 668,853 contracts, while the Comex contract gained just 7.4% to 635,699 contracts.

Options in the non-precious metals sector made significant gains over this time last year, with a cumulative growth of 87%. LME's aluminium options topped the chart with 1.1 million contracts and a growth of 118.6%.

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## Top 20 Contracts by Volume

*In millions of contracts*

Contract	Jan-Feb 2006	Jan-Feb 2005	% Change
Kospi 200 Index Options, KRX	502.40	319.92	57.0%
Eurodollar Futures, CME	69.82	56.34	23.9%
Euro-Bund Futures, Eurex	50.27	52.79	-4.8%
Eurodollar Options, CME	38.77	26.75	45.0%
10-Year T-Note Futures, CBOT	38.45	33.47	14.9%
E-mini S&P 500 Index Futures, CME	34.81	28.01	24.3%
Euribor Futures, Euronext.liffe	30.10	26.48	13.7%
Euro-Schatz Futures, Eurex	27.32	22.44	21.7%
Euro-Bobl Futures, Eurex	26.43	26.83	-1.5%
1-Day Interbank Deposit Futures, BM&F	25.10	14.00	79.3%
DJ Euro Stoxx 50 Index Futures, Eurex	24.35	17.12	42.2%
TIIE 28-Day Interbank Rate Futures, Mexder	21.85	21.24	2.9%
5-Year T-Note Futures, CBOT	21.53	18.97	13.5%
DJ Euro Stoxx 50 Index Options, Eurex	21.29	13.74	55.0%
30-Year T-Bond Futures, CBOT	15.56	15.11	3.0%
Taiex Index Options, Taifex	15.11	7.31	106.8%
TA-25 Index Options, TASE	14.03	8.82	59.0%
S&P 500 Index Options, CBOE	13.82	9.05	52.8%
E-mini Nasdaq 100 Index Futures, CME	12.43	13.32	-6.7%
Sterling Futures, Euronext.liffe	11.77	10.42	12.9%