



**Screen Dealing Bulletin No:** 21/03

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**LAUNCH OF ADDITIONAL 90 DAY BANK BILL/THREE YEAR TREASURY BOND LAGGED INTER-COMMODITY SPREAD CONTRACTS INCORPORATING A SPREAD RATIO CHANGE FOR THE SPREAD AND STRIP CONTRACTS**

Sydney Futures Exchange (SFE) currently lists the spot month 90-Day Bank Bill Future (IR) against the spot 3 Year Bond Future (YT) contract.

Following market consultation, SFE will extend the spread facility for Bank Bill contracts against the spot Three Year Bond contract for the next three quarter contracts from trade date July 1. This consultation also determined that a more accurate ratio for these Spread contracts is 20:17 rather than 10:9 or 10:8 as it reflects the most accurate hedge ratio.

**Order System Maintenance**

Participants with Order Systems (ISV or In-house) should ensure that these spreads are downloaded on Monday afternoon so that their users will have access to these new spread contracts. If further instruction is required please contact Interface Support at [interface@sfe.com.au](mailto:interface@sfe.com.au) or contact your ISV.

**Change of the pre-defined spread ratio quotation**

In conjunction with the listing of lagged 90 Day Bank Bill/Three Year Bond Inter-commodity spreads an adjustment will be made in the quotation of the pre-defined spread ratio.

Currently the 90 Day Bank Bill/Three Year Bond Inter-commodity spread ratio is calculated with the Bank Bill at a constant of 10 lots on a daily basis. The calculation will be altered such that the Bank Bill will be at a constant ratio of **20** Bank Bill contracts.

For Example

YTU3 tick value at 95.67	=	28.62
IRU3 tick value at 95.68	=	24.14
<b>20</b> x \$24.14 (IR tick value)	=	482.80
divided by \$28.62 (YT tick value)	=	16.87
rounded	=	17

Therefore using a Three Year Bond price of 95.67 and a Bank Bill price of 95.68 generates a 90 Day Bank Bill/Three Year Bond Inter-commodity spread ratio of 20:17.

As a consequence an order for 1 lot in the 90 Day Bank Bill/Three Year Bond Inter-commodity spread will **now** be equivalent to 17 Three Year Bond contracts and 20 Bank Bill contracts when traded.

This adjustment will allow a more accurate hedge for the 90 Day Bank Bill/ Three Year Bond Inter-commodity spread.

### **Strip Trading**

The calculation of the Three Year Bond volume for a Strip trade will also use the same pre-defined ratio specified for the spot 90 Day Bank Bill/ Three Year Bond Inter-commodity spread.

For Example

If the Eight Strip (STM5) trades 25 lots on SYCOM the ratio is calculated by the following equation.

90 Day Bank Bill total volume (8 legs x 25 lots)	=	200 lots
90 Day Bank Bill/Three Year Bond Inter-commodity spread ratio	=	20:17
Three Year Bond strip volume (200 x 0.85)	=	170 lots

### **Specific Pre-defined Market**

Please note the following Trading Rule will apply to the new lagged 90 Day Bank Bill/Three Year Bond Inter-commodity spread in the same respect that it already exists with other spreads.

TR.16.3 Orders which may otherwise be traded on SYCOM where there is a specific pre-defined market designated by the Exchange, cannot be traded on the Custom Market.

For further information regarding Schedule DA Strip trading and general Trading Rules, please select the hyperlink below.

[http://www.sfe.com.au/site/html/rules/sydfutex/sydfutex\\_005.pdf](http://www.sfe.com.au/site/html/rules/sydfutex/sydfutex_005.pdf)

### **Expiry Phase**

All 90 day Bank Bill/ Three Year Bond Inter-commodity spreads will be de-listed one day prior to the spot Bank Bill expiry. On the last trading day of the spot Bank Bill contract all 90 Day Bank Bill/Three Year Bond Inter-commodity spreads will be re-listed against the second month of the Three Year Bond.

For Example



Should you have any queries please contact the SYCOM Helpdesk on 9256-0677 or [sycom@sfe.com.au](mailto:sycom@sfe.com.au)

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