

# ASX 3 and 10 Year Treasury Bonds Futures and Options

Interest Rate Markets Fact Sheet | Australia

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ASX's 3 and 10 Year Treasury Bond Futures and Options are the benchmark derivative products for investors trading and hedging medium to long term Australian Dollar interest rates. The 3 and 10 Year Treasury Bond contracts are cost effective tools for enhancing portfolio performance, managing risk and outright trading.

The 3 and 10 Year Treasury Bond contracts provide an efficient way to gain exposure to the Australian debt markets. This makes them ideal for short term trading, long term trend following, and hedging of medium to long term AUD fixed interest securities and interest rate swaps.

Completing the suite of bond derivative products, the Exchange also offers One Session Options – Intra-day Options and Overnight Options.

The 3 and 10 Year Treasury Bond Futures and Options are approved for trading by:

- US Commodities Futures Trading Commission (CFTC)
- UK Financial Services Authority (FSA)
- Monetary Authority of Singapore (MAS) and
- Hong Kong Securities and Futures Commission (SFC Hong Kong)

## The Commonwealth Government Securities Market

The Commonwealth Government of Australia is the benchmark issuer in the medium to long term debt market. Fixed coupon Commonwealth Government Bonds constitute the bulk of debt issued by the Australian Federal Government. Currently there are twenty-four benchmark lines issued with a maximum maturity of 30 years and totaling approximately A\$470 billion on issue<sup>1</sup>.

## 3 and 10 Year Treasury Bond Futures

### Features

- The 3 and 10 Year Treasury Bond Futures contracts are ranked amongst the 15<sup>2</sup> most traded long term interest rate futures contracts in the world today.
- Average daily turnover in 2016 was 202,000 and 156,000 contracts for the 3 and 10 Year Treasury Bond Futures, respectively.
- *Cash Settled* – 3 and 10 Year Treasury Bond Futures are cash settled against the average price of a basket of Commonwealth Government Bonds.
- *Variable Tick Value* – 3 Year and 10 Year Treasury Bond Futures are traded on the basis of their yield with the futures price quoted as 100 minus the yield to maturity expressed in per cent per annum. Due to this convention the dollar value of the minimum price movement, or tick value, does not remain constant but rather changes in accordance with movements in the underlying interest rate.

For information on the pricing of the 3 and 10 Year Treasury Bond Futures contracts please see:

[Interest Rate Derivatives Price and Valuation Guide](#)<sup>3</sup>

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<sup>1</sup> AOFM website as at Feb 2017

<sup>2</sup> WFE/IOMA Derivatives Markets Survey 2015

<sup>3</sup> [asx.com.au/documents/products/asx-24-interest-rate-price-and-valuation-guide.pdf](http://asx.com.au/documents/products/asx-24-interest-rate-price-and-valuation-guide.pdf)



## Quarterly and Serial Options

- Both quarterly and serial options on 3 Year and 10 Year Treasury Bond Futures are available. Quarterly options expire in the same calendar month as the underlying futures contract. Serial options are listed in non-financial quarter months.
- Pre-negotiated Business Rules are applicable to quarterly and serial 3 Year and 10 Year Treasury Bond Options. These rules provide Participants the opportunity to facilitate client business off-market prior to disclosing and then crossing orders on the derivatives trading platform, ASX 24 NTP.

## One Session Options

There are two forms of One Session Options listed on 3 and 10 Year Treasury Bond Futures: Intra-day Options and Overnight Options.

- One Session Options are European style options, trading for one trading session only and expiring prior to the start of the next trading session.
- One Session Options provide market users with a flexible and cost effective means of managing short term exposure and hedging positions from event risk. They also provide excellent opportunities to profit from outright trading.
- No initial margin is required for One Session Options. However, normal margin requirements will apply if an option is exercised, resulting in a futures position.

(For more information, contract specifications and data vendor access codes see separate fact sheet on [One Session Options](#)<sup>1</sup>.)

## Trading ASX Bond Futures and Options

- Trading in ASX's 3 and 10 Year Treasury Bond Futures and Options is conducted 'On market' via ASX 24's electronic platform ASX 24 NTP and 'Off market' through 'Exchange for Physicals' transactions and the Block Trade Facility (night sessions only).
- Spread trading functionality is available for calendar and inter commodity spreads.
- Attractive spread concessions are available on calendar spreads as well as inter commodity spreads for offsetting positions held in the 3 Year and 10 Year Treasury Bond and Swap Futures contracts, and 90 Day Bank Bill Futures.

## Benefits of Exchange Traded Markets

Trading on ASX 24 offers the following specific benefits of exchange traded markets, such as:

- Price transparency and liquidity
- Immediate execution and confirmation
- Reduction of counterparty risk
- Centralised clearing supported by a clearing guarantee

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<sup>1</sup> [asx.com.au/documents/products/one-session-options.pdf](http://asx.com.au/documents/products/one-session-options.pdf)



## Contract Specifications for Australian 3 Year Treasury Bond Futures

| CONTRACT                            | 3 YEAR TREASURY BOND FUTURES  | OPTIONS ON 3 YEAR TREASURY BOND FUTURES   |
|-------------------------------------|---|---|
| Commodity Code                      | YT  | YT  |
| Option Style                        | –   | American  |
| Contract Unit                       | Commonwealth Government Treasury Bonds with a face value of A\$100,000, a coupon rate of 6% per annum and a term to maturity of ten years, no tax rebate allowed.   | One unit of futures contract for a specified contract month on ASX 24.  |
| Contract Months                     | March/June/September/December up to two quarter months ahead.   | <p><b>Quarterly Options</b></p> <p>Put and call options available on futures contracts up to two quarter months ahead.</p> <p><b>Serial Options</b></p> <p>Listed in non-financial quarter months with two serial option months listed at all times. Put and call options are available based on a futures contract which expires in the financial quarter month immediately following the respective serial month.</p> |
| Minimum Price Movement <sup>1</sup> | Prices are quoted in yield per cent per annum in multiples of 0.005 per cent. The minimum fluctuation of 0.005 per cent equals approximately \$15 per contract, varying with the level of interest rates. | Quoted in yield per cent per annum in multiples of 0.005 per cent.  |
| Exercise Prices                     | –   | Set at intervals of 0.10 per cent per annum yield. New option exercise prices created automatically as the underlying futures contract price moves.   |
| Contract Expiry <sup>2</sup>        | The fifteenth day of the contract month (or the next succeeding business day where the fifteenth day is not a business day). Trading ceases at 12.00 noon.  | <p><b>Quarterly Options</b></p> <p>At 12.30pm on the last business day prior to the last day of trading in the underlying futures contract.</p> <p><b>Serial Options</b></p> <p>At 12.30pm on the fifteenth day of the Serial Option month or should the fifteenth not be a business day, the next succeeding business day.</p>   |

<sup>1</sup> The minimum price movement is applied to all contract months

<sup>2</sup> Unless otherwise indicated, all times are Australian Eastern Standard Time / Australian Eastern Daylight time. For full contract specifications refer to [www.asx.com.au](http://www.asx.com.au)



|                                |  |  |
|--------------------------------|--|--|
| Settlement Method <sup>2</sup> | For each bond in the bond basket ASX will take the best bid and best offer available in the market by reference to live market prices taken from bond trading venues as determined by the Exchange. The average of the best bid and best offer for each bond will be calculated at 9.45am, 10.30am and 11.15am. An indicative session price, calculated as an arithmetic mean, will be published after each session. The Expiry settlement price will be the average of the best bids and offers from all sessions rounded to the nearest tradable increment and subtracted from 100. Expiry settlement price will be published by 12pm on the Last Trading Day. | Options may be exercised on any business day up to and including the day of expiry. In-the-money options are automatically exercised at expiry unless abandoned. |
| Trading Hours <sup>2</sup>     | 5.10pm to 7.00am and 8.30am to 4.30pm (for period from second Sunday in March to first Sunday in November) 5.10pm to 7.30am and 8.30am to 4.30pm (for period from first Sunday in November to second Sunday in March)  | As for 3 Year Treasury Bond Futures contract.  |
| Settlement Day                 | The business day following the last permitted day of trading.  | –  |

<sup>2</sup> Unless otherwise indicated, all times are Australian Eastern Standard Time / Australian Eastern Daylight time. For full contract specifications refer to [www.asx.com.au](http://www.asx.com.au)



## Contract Specifications for Australian 10 Year Treasury Bond Futures and Options

| CONTRACT                     | 10 YEAR TREASURY BOND FUTURES   | OPTIONS ON 10 YEAR TREASURY BOND FUTURES  |
|------------------------------|---|---|
| Commodity Code               | XT  | XT  |
| Option Style                 | –   | American  |
| Contract Unit                | Commonwealth Government Treasury Bonds with a face value of A\$100,000, a coupon rate of 6% per annum and a term to maturity of ten years, no tax rebate allowed.   | One unit of futures contract for a specified contract month on ASX 24.  |
| Contract Months              | March/June/September/December up to two quarter months ahead to two quarter months ahead.   | <p><b>Quarterly Options</b><br/>Put and call options available on futures contracts up.</p> <p><b>Serial Options</b><br/>Listed in non-financial quarter months with two serial option months listed at all times. Put and call options are available based on a futures contract which expires in the financial quarter month immediately following the respective serial month.</p> |
| Minimum Price Movement       | Prices are quoted in yield per cent per annum in multiples of 0.0025 per cent during the period 5.12pm on the 8th of the expiry month, or next business day if the 8th is not a business day, to 4.30pm on the day of the expiry. At all other times the minimum price increment will be 0.005 per cent. For quotation purposes the yield is deducted from an index of 100. The minimum fluctuation of 0.005 per cent equals approximately \$48 per contract, varying with the level of interest rates. | Quoted in yield per cent per annum in multiples of 0.005 per cent.  |
| Exercise Prices              | –   | Set at intervals of 0.10 per cent per annum yield. New option exercise prices created automatically as the underlying futures contract price moves.   |
| Contract Expiry <sup>2</sup> | The fifteenth day of the contract month (or the next succeeding business day where the fifteenth day is not a business day). Trading ceases at 12.00 noon.  | <p><b>Quarterly Options</b><br/>At 12.30pm on the last business day prior to the last day of trading in the underlying futures contract.</p> <p><b>Serial Options</b><br/>At 12.30pm on the fifteenth day of the Serial Option month or should the fifteenth not be a business day, the next succeeding business day.</p>   |

<sup>2</sup> Unless otherwise indicated, all times are Australian Eastern Standard Time / Australian Eastern Daylight time. For full contract specifications refer to [www.asx.com.au](http://www.asx.com.au)



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|                                |  |  |
|--------------------------------|--|--|
| Settlement Method <sup>2</sup> | For each bond in the bond basket ASX will take the best bid and best offer available in the market by reference to live market prices taken from bond trading venues as determined by the Exchange. The average of the best bid and best offer for each bond will be calculated at 9.45am, 10.30am and 11.15am. An indicative session price, calculated as an arithmetic mean, will be published after each session. The Expiry settlement price will be the average of the best bids and offers from all sessions rounded to the nearest tradable increment and subtracted from 100. Expiry settlement price will be published by 12pm on the Last Trading Day. | Options may be exercised on any business day up to and including the day of expiry. In-the-money options are automatically exercised at expiry unless abandoned. |
| Trading Hours <sup>2</sup>     | 5.12pm to 7.00am and 8.32am to 4.30pm (for period from second Sunday in March to first Sunday in November) 5.12pm to 7.30am and 8.32am to 4.30pm (for period from first Sunday in November to second Sunday in March)  | As for 10 Year Treasury Bond Futures contract.   |
| Settlement Day                 | The business day following the last permitted day of trading.  | –  |

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<sup>2</sup> Unless otherwise indicated, all times are Australian Eastern Standard Time / Australian Eastern Daylight time. For full contract specifications refer to [www.asx.com.au](http://www.asx.com.au)



## Data Vendor Access Codes<sup>1</sup>

|                            | 3 YEAR TREASURY<br>BOND FUTURES                | 3 YEAR TREASURY<br>BOND OPTIONS         | 10 YEAR TREASURY<br>BOND FUTURES               | 10 YEAR TREASURY<br>BOND FUTURES        |
|----------------------------|--|---|--|---|
| ASX 24 Code                | YT   | YT                                      | XT   | XT                                      |
| Bloomberg                  | YMA<CMDTY>                                     | YMA<CMDTY> OMON                         | YMA<CMDTY>                                     | YMA<CMDTY> OMON                         |
| CQG                        | HT   | HT                                      | HX   | HX                                      |
| Interactive Data           | YTmy   | YTmytypestrike                          | XTmy   | XTmytypestrike                          |
| Infodirect                 | FA3Y2  | –                                       | FA10Y  | –                                       |
| IRESS Market<br>Technology | YTmy   | YTmyXssss                               | XTmy   | XTmyXssss                               |
| Reuters                    | Full: 0#YTT:<br>Night: 0#1YTT:<br>Day: 0#2YTT: | Day: 0#2YTTmy+<br>Night: 0#1YTTmy+      | Full: 0#YTC:<br>Night: 0#1YTC:<br>Day: 0#2YTC: | Day: 0#2YTCmy+<br>Night: 0#1YTCmy+      |
| Telekurs                   | 3,YTym,359                                     | 3,YTympestrike,359<br>3,YTymcstrike,359 | 3,XTym,359                                     | 3,XTympestrike,359<br>3,XTymcstrike,359 |
| Thomson Reuters            | YT/YYM   | YT/YYM/Strike                           | XT/YYM   | XT/YYM/Strike                           |

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For these contracts the market is operated by Australian Securities Exchange Limited ABN 83 000 943 377

<sup>1</sup> Data vendor codes are current as at November 2017. The most recent vendor codes are available at [asx.com.au/prices/asx24-data\\_vendor\\_codes.htm](http://asx.com.au/prices/asx24-data_vendor_codes.htm)