

ASX 5 Year Treasury Bond Future

Interest Rate Markets Fact Sheet | Australia

The 5 Year Treasury Bond Future is designed to complement the existing interest rate futures complex and support the evolving structure of the underlying market. The contract will provide an additional liquidity point and hedging tool at the mid part of the curve, allowing participants to manage their risk exposure in a more efficient and effective manner.

Launching late Q4 2020, the 5 Year Treasury Bond Future provides an efficient way to gain exposure to the Australian debt markets. With an increasing number of bonds at the 5 year part of the curve and a natural user base among issuers and investors alike, there is heightened need and demand for an additional point on the curve. The 5 Year Bond Future introduces new spread and relative value trading opportunities and is ideal for short term trading, long term trend following and hedging of medium term AUD fixed interest securities and interest rate swaps.

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-nine benchmark lines issued with a maximum maturity of 30 years, totaling approximately A\$660 billion on issue¹.

A significant amount of Treasury Bonds sit in between the lines that underpin the 3 and 10 Year Treasury Bond Futures. These bonds represent approximately \$235 billion² in physical exposure that could be more effectively hedged using a 5 Year contract. The 5 Year Treasury Bond Future will help to support the underlying market by introducing an additional transparent price point with which to manage risk exposures.

ASX Treasury Bond Futures are approved for trading by:

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

Key features

- *Cash Settled* – ASX Treasury Bond Futures are cash settled against the average price of a basket of Treasury Bonds.
- *Variable Tick Value* – 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.
- *Spreads* – spread trading functionality will be available for calendar and inter-commodity spreads (against 3 and 10 Year Treasury Bonds).
- *Attractive spread concessions for initial margins* – available on calendar spreads as well as inter-commodity spreads for offsetting positions held in the 3, 10 and 20 Year Treasury Bond Futures as well as AU Bank Bill Futures and Cash Futures.

For information on the pricing of the 5 Year Treasury Bond Future please see:

[Interest Rate Derivatives Price and Valuation Guide³](#)

Benefits of Exchange Traded Markets

- Price transparency and liquidity
- Immediate execution and confirmation
- Reduction of counterparty risk
- Centralised clearing supported by a clearing guarantee, centralised risk management, collateral management and operational efficiency

¹ AOFM website as at September 2020

² As at September 2020

³ asx.com.au/documents/products/ird-pricing-guide.pdf



Contract Specifications for the Australian 5 Year Treasury Bond Future

Commodity Code	VT
Launch date	Trade date 30 November 2020 (calendar date 27 th November from 5:10pm)
Contract Unit	Australian Government Treasury Bonds with a face value of A\$100,000, a coupon rate of 2% per annum and a term to maturity of five years.
Contract Months	March/June/September/December up to two quarter months ahead.
Minimum Price Movement	Prices are quoted in yield per cent per annum in multiples of 0.005 per cent except during the period of the roll. During the roll (5:10pm on the 8 th of the expiry month, or next business day if the 8 th is not a business day, to 4:30pm on the day of expiry) prices are quoted in multiples of 0.0025 per cent ¹ . For quotation purposes the yield is deducted from an index of 100. The minimum fluctuation of 0.005 per cent equals approximately \$25.66 per contract, varying with the level of interest rates.
Contract Expiry	The 15 th day of the contract month (or the next succeeding business day where the 15 th day is not a business day). Trading ceases at 12:00pm.
Settlement Method	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 12:00pm on the Last Trading Day.
Trading Hours	5:10pm-7:00am and 8:30am- 4:30pm (for period from 2nd Sunday in March to 1st Sunday in November) 5:10pm- 7:30am and 8:30am- 4:30pm (for period from 1st Sunday in November to 2nd Sunday in March)
Last Trading Day	The 15 th day of the contract month (or the next succeeding business day where the fifteenth day is not a business day). Trading ceases as 12:00 noon.
Settlement Day	The business day following the last permitted day of trading.
Block trade threshold	1000 (permitted on the spot month ² during the night session)
Expiry Position Limits	15,000 contracts ³

Data Vendor Access Codes⁴

ASX 24 Code	VT
Bloomberg	VTAA<Comdty>
Refinitiv	YYTmy ⁵

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¹ Note that the first expiring 5 Year Bond Future will be the March 2021 contract. For the December 2020 expiry period, the 5 Year contract will remain at 0.005bps

² Change of spot month occurs 5 trading days prior to expiry (including expiry day)

³ Applies to spot month net open positions, at the close of trading on the day before expiry (T-1)

⁴ Data vendor codes are current as at September 2020. The most recent vendor codes are available at asx.com.au/prices/asx24-data_vendor_codes.htm

⁵ m = month y = year



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