



**APAD 2015 Special Symposium**

# **Global Trends and the Rise of China in Derivatives Markets**

August 24, 2015

KRX Derivatives R&D Center

Aejin Ha, Ph.D.

# Agenda

Introduction

Overview of Global Derivatives Markets

Recent Trends of Derivatives Markets

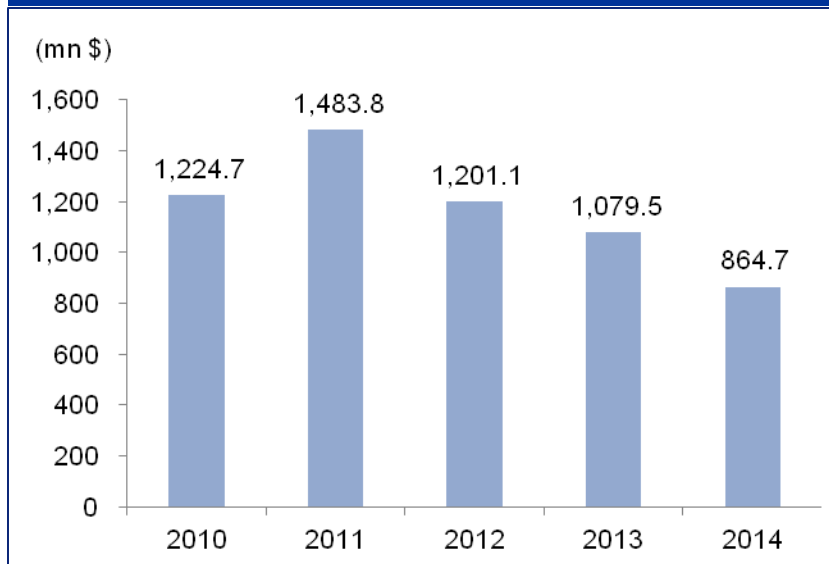
Implications for Korean Derivatives Market

# Introduction

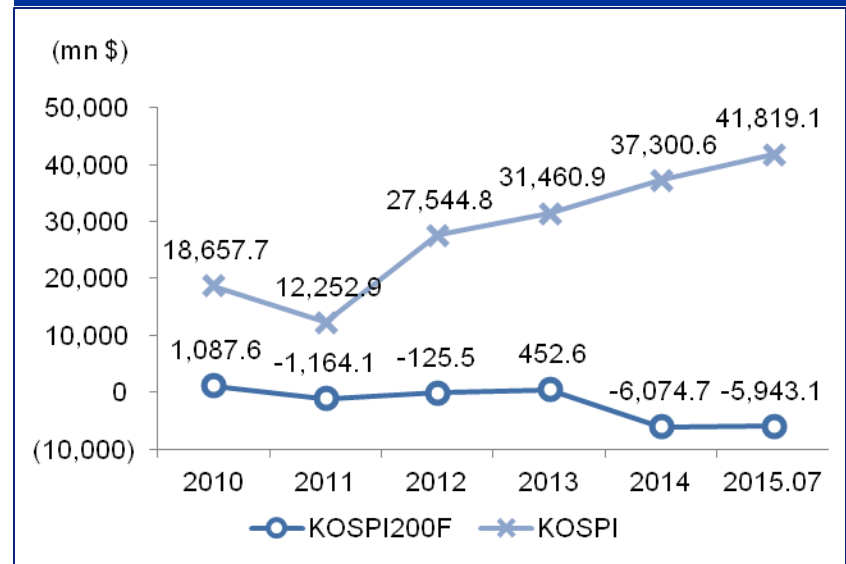
## Research Backgrounds

- Continuous decrease of trading value
- Leave of foreign investors

### ETD volumes traded in KRX



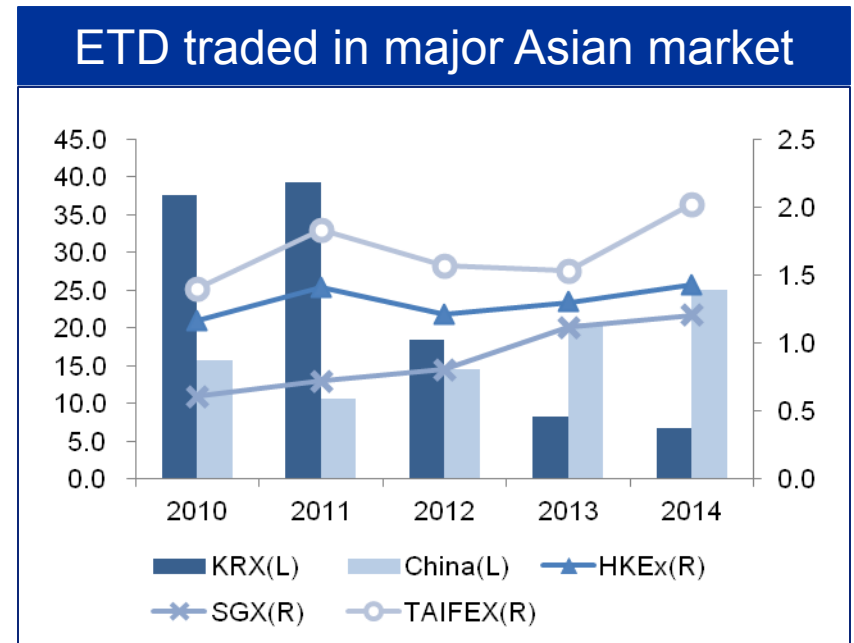
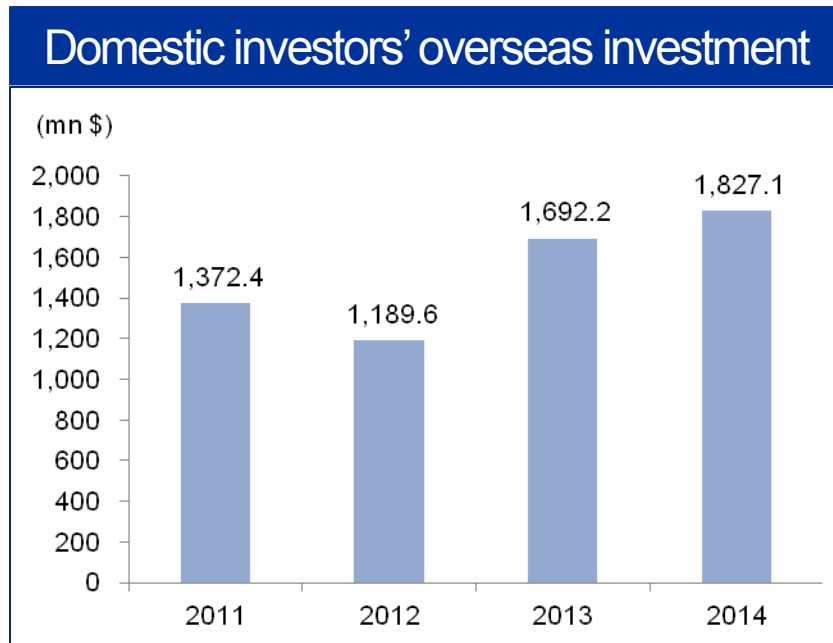
### Foreign investors' cumulative net buys



# Introduction

## Research Backgrounds

- Sharp increase of domestic investors' overseas investment
- Rapid development of other Asian markets



# Introduction

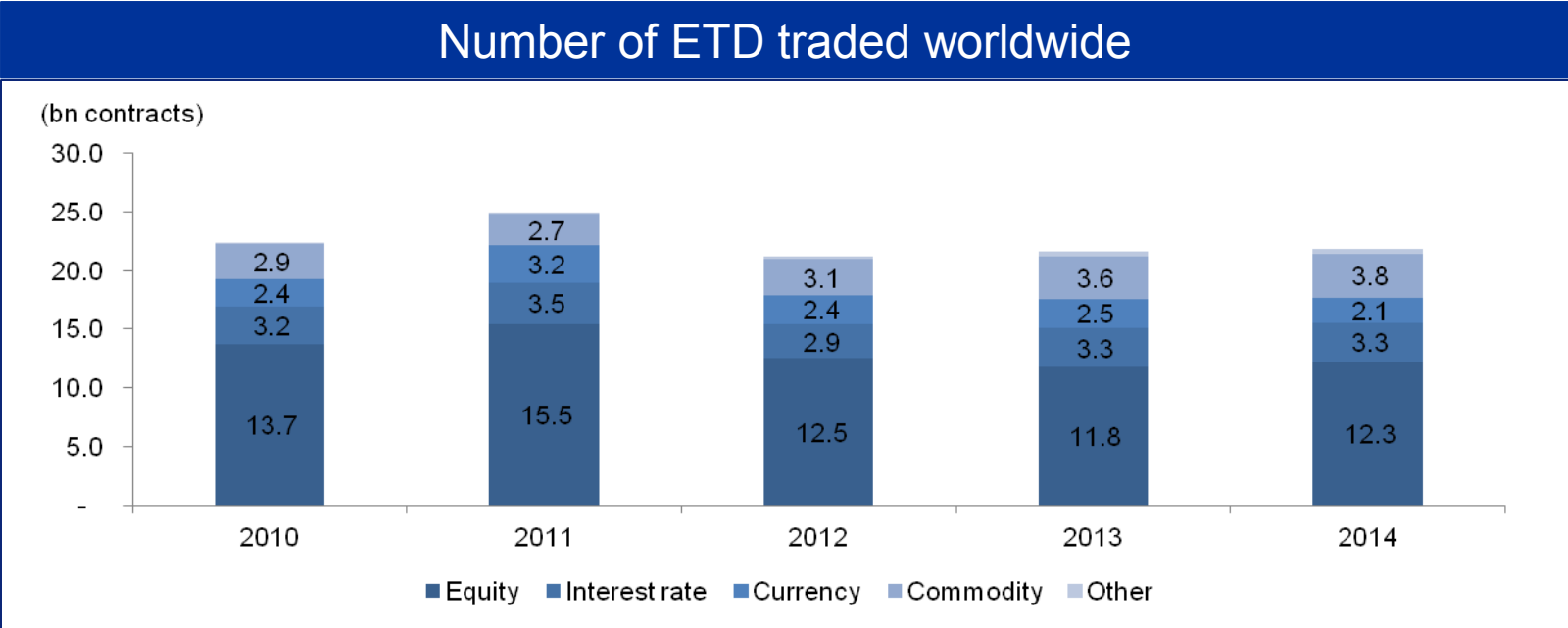
## Research Objectives

- To overview of the global derivatives markets
- To analyze the recent trends in global derivatives markets
- To draw several implications for Korean derivatives market

# Overview of Global Derivatives Market

## Increase of overall market activity

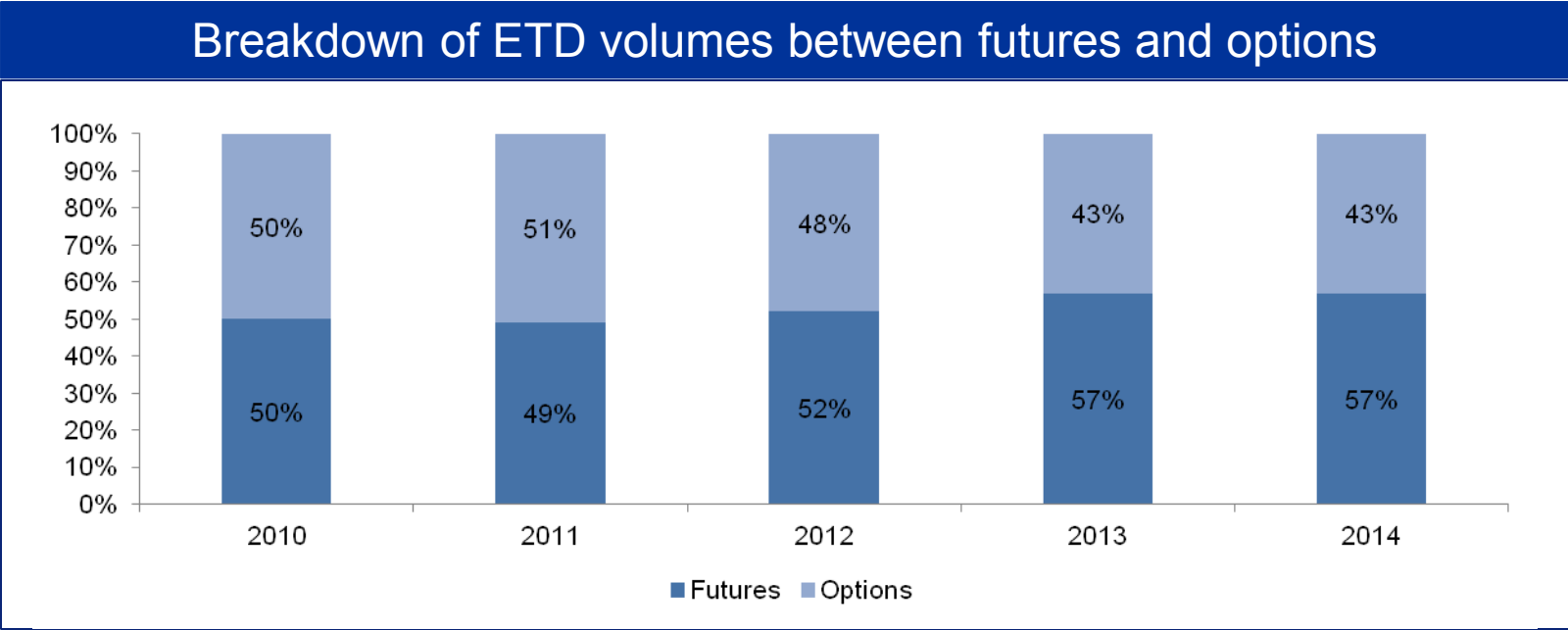
- Modest increase of 2.8% to 20.5 bn contracts
- Upward trend since 2012
- Mostly driven by commodity derivatives



# Overall market activity

## Overall market activity: more futures

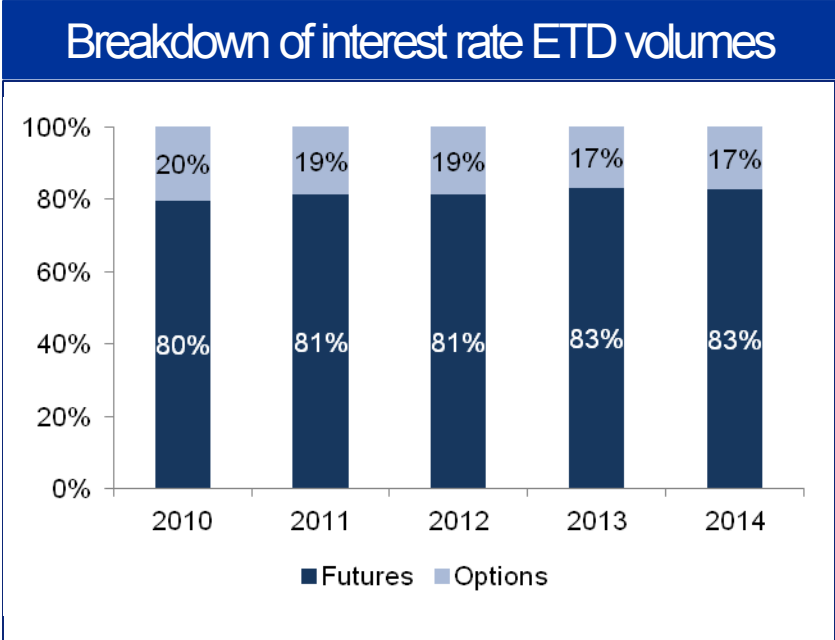
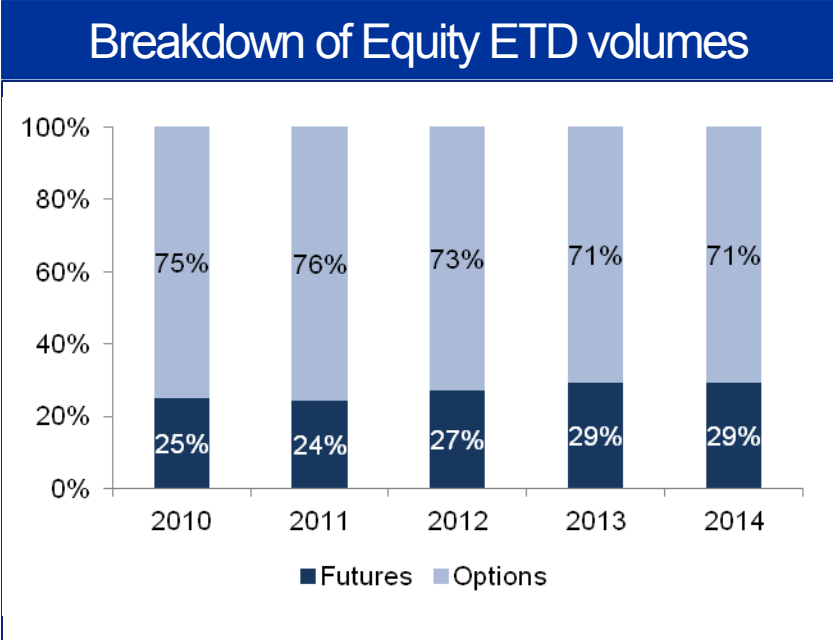
- Futures decreased 0.11%
- Options increased 2.8%



# Overall market activity

## Overall market activity: futures vs. options

- Equity derivatives: mostly options(over 70%)
- Interest rate derivatives: mostly futures(over 80%)

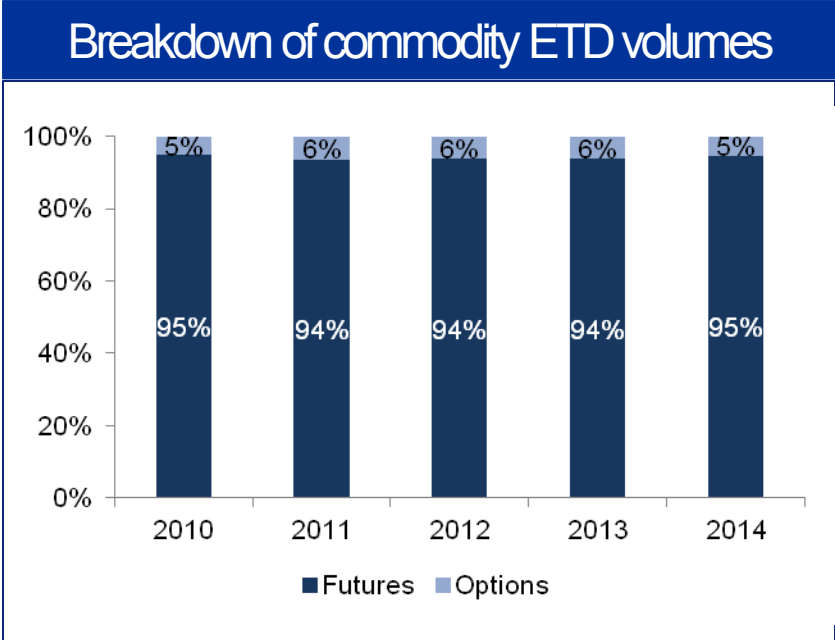
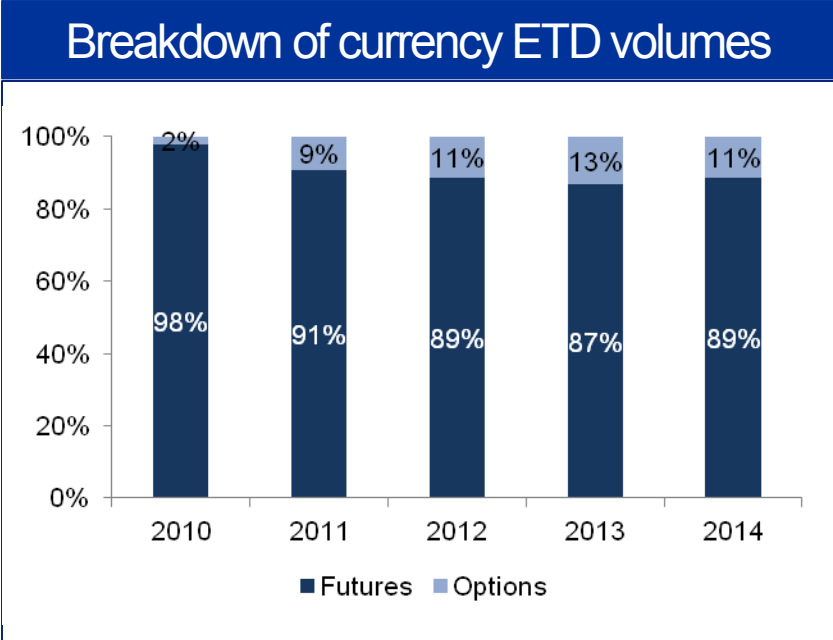




# Overall market activity

## Overall market activity: futures vs. options

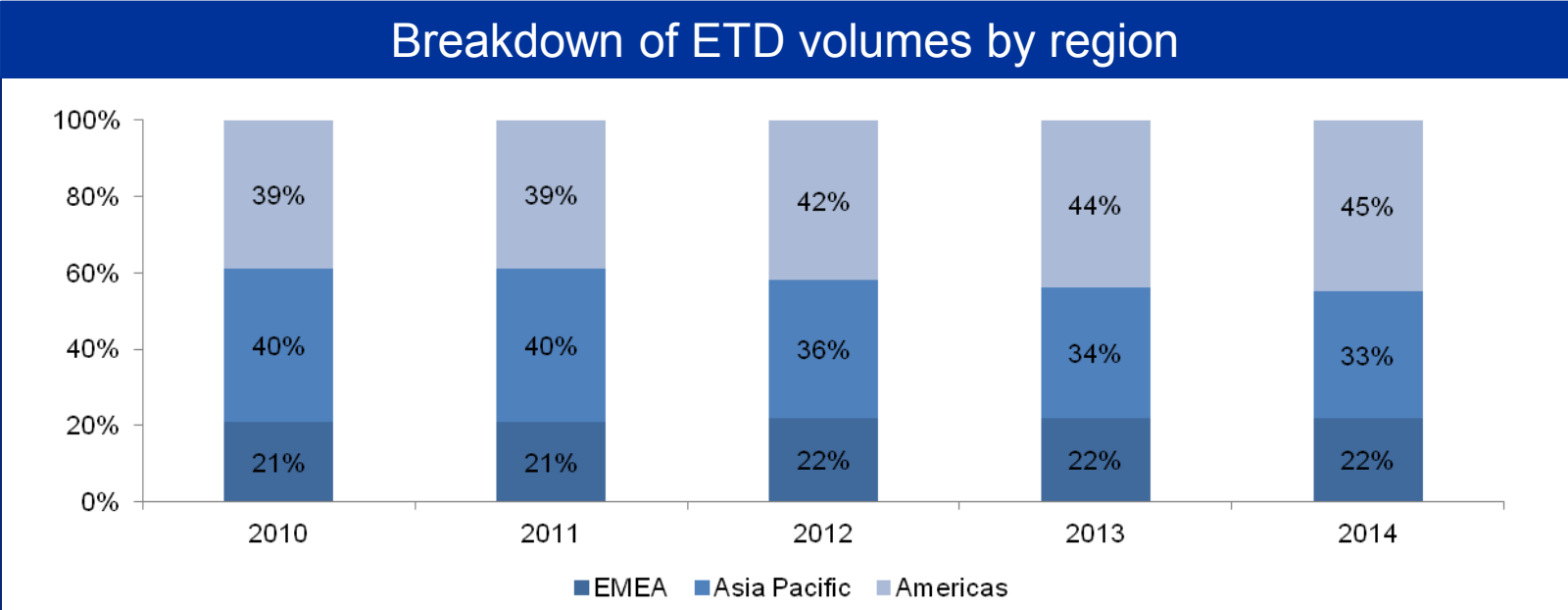
- Currency derivatives: mostly futures(over 85%)
- Commodity derivatives: mostly futures(over 90%)



# Overall market activity

## Overall market activity: regions

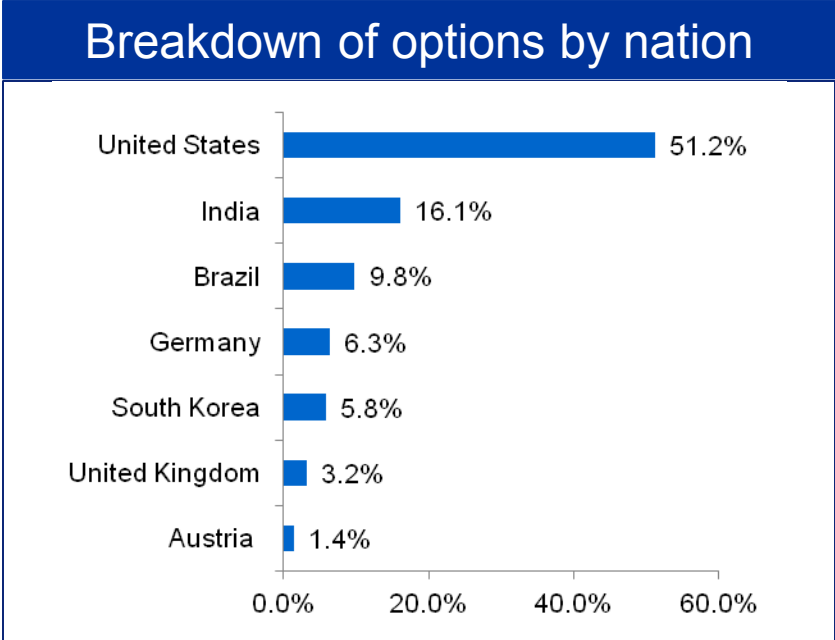
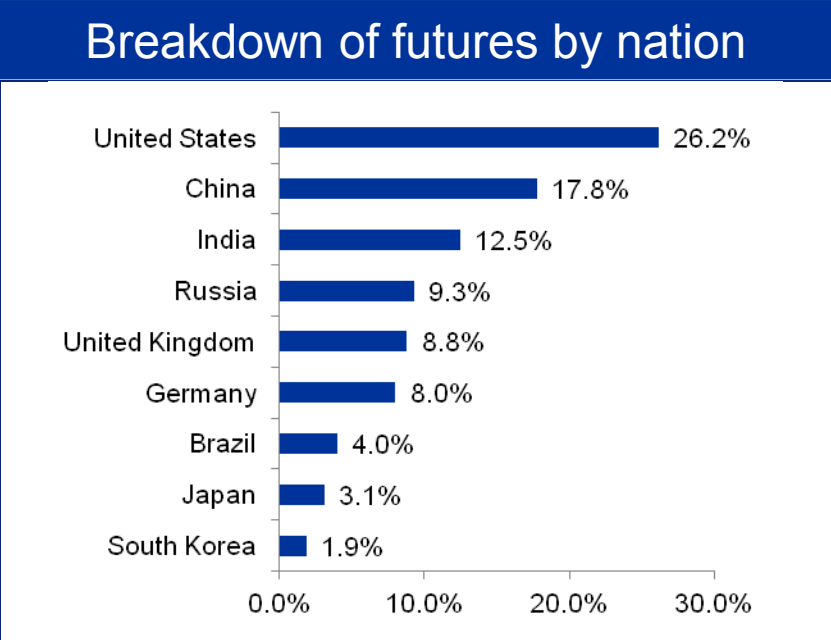
- Volumes were up 2.3% in the Americas and 1.3% in EMEA, but down 0.3% in Asia Pacific
- Excluding KOSPI200 options, Asia Pacific showed the strongest growth: 13%



# Overall market activity

## Overall market activity: nations

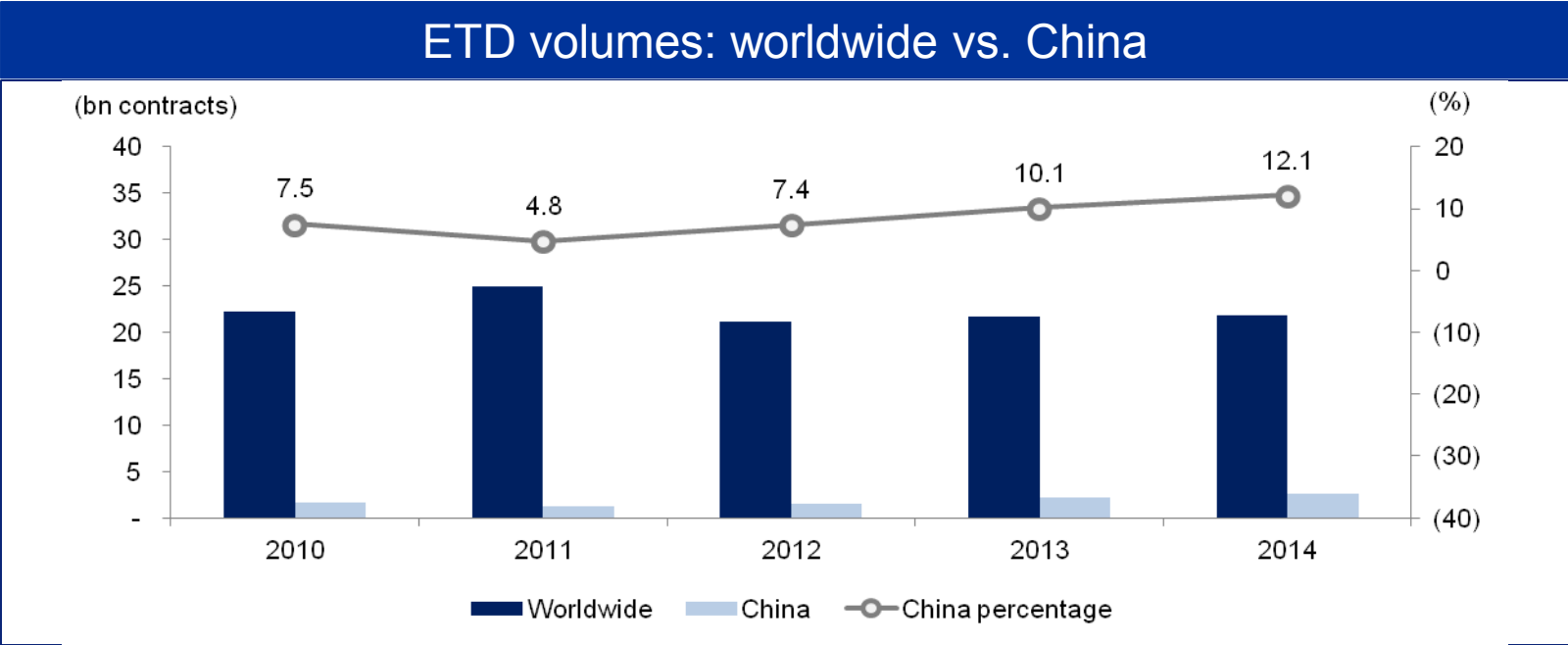
- Futures: top 9 nations accounted for 93% of ETD traded worldwide
- Options: top 7 nations accounted for 94% of ETD traded worldwide



# Overall market activity

## Overall market activity: nations

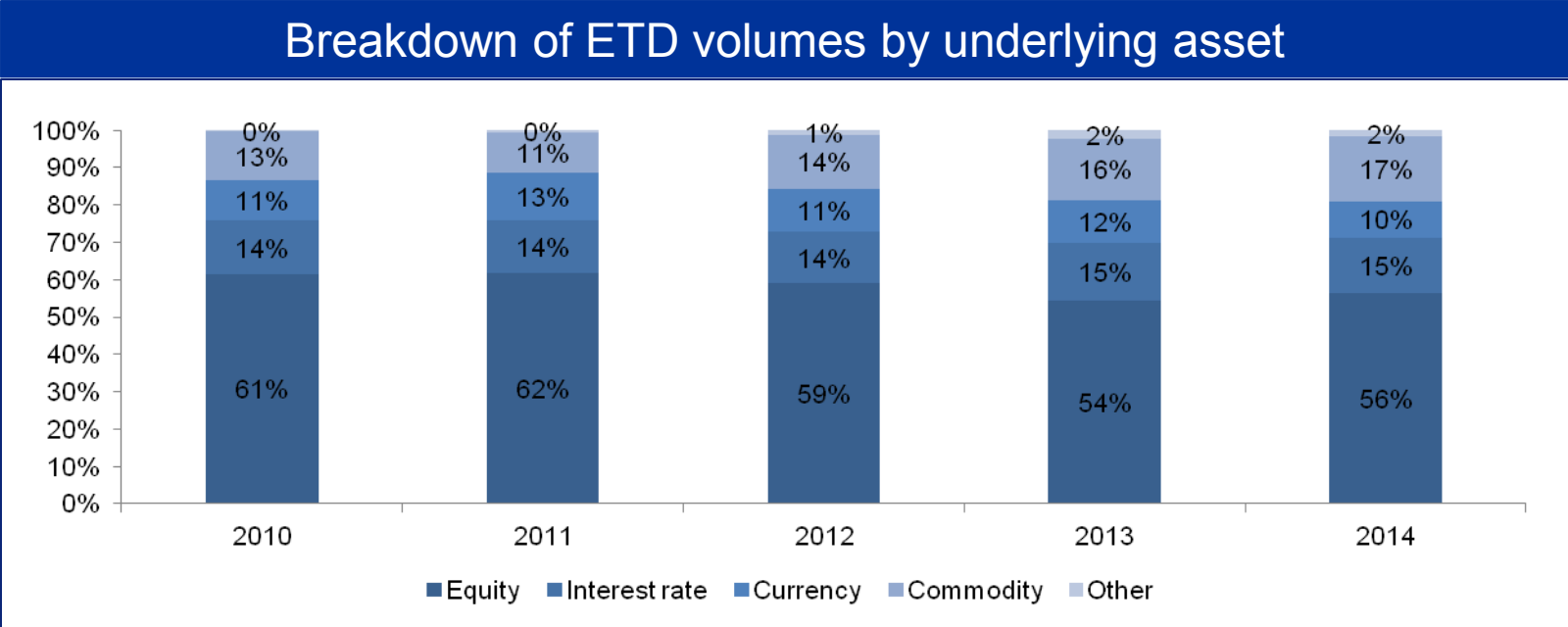
- China showed the strongest growth
- Chinese share grew significantly



# Overall market activity

## Overall market activity: Asset classes

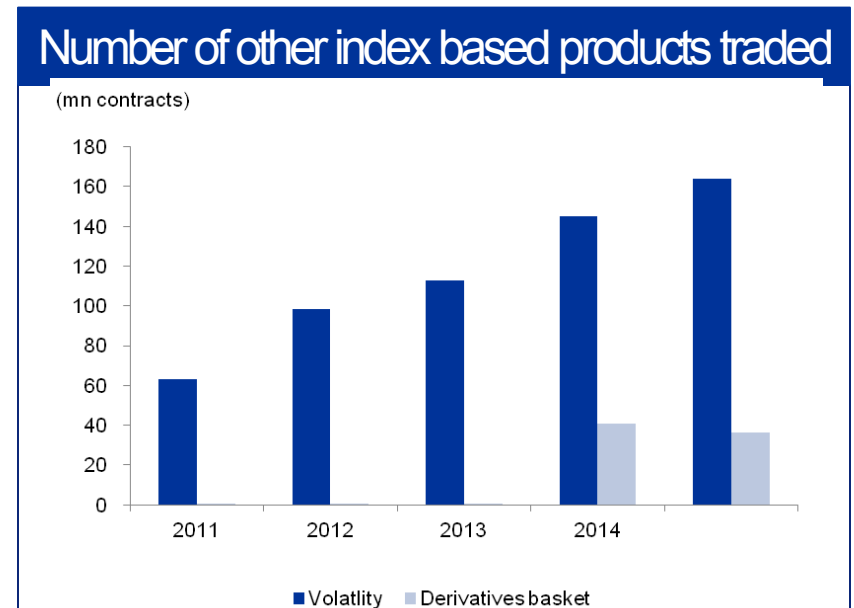
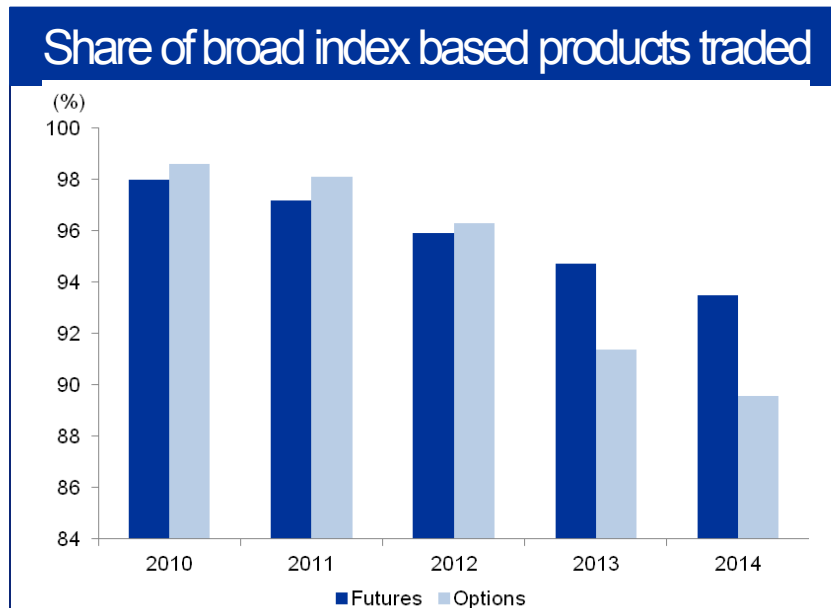
- Share of equity derivatives in total volumes continued to decline but remained largely dominant(56% compared to 61% 5 years before)
- Significant increase in weight of commodities derivatives



# Recent Trends in Derivatives Markets

## Equity: more diversified index

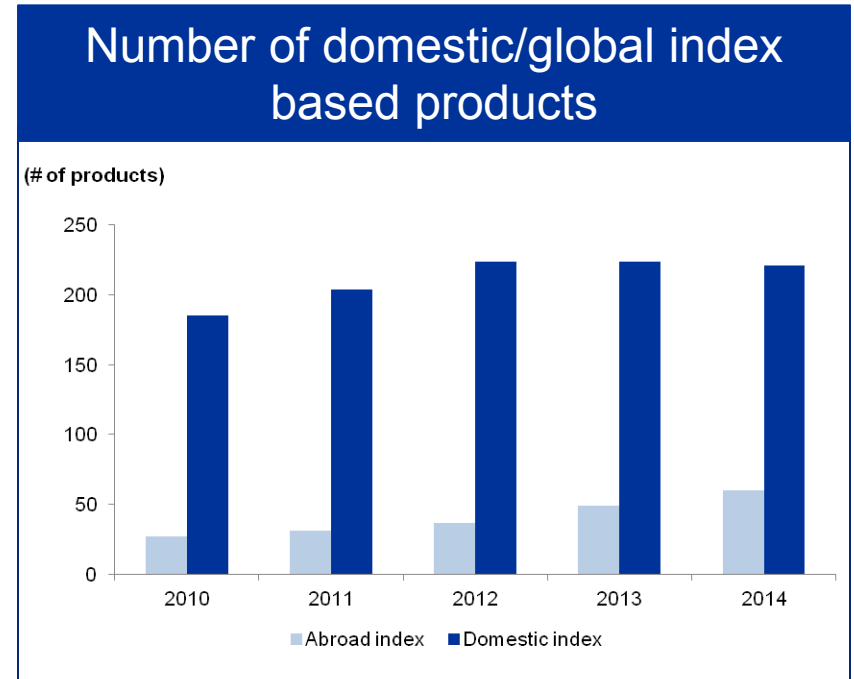
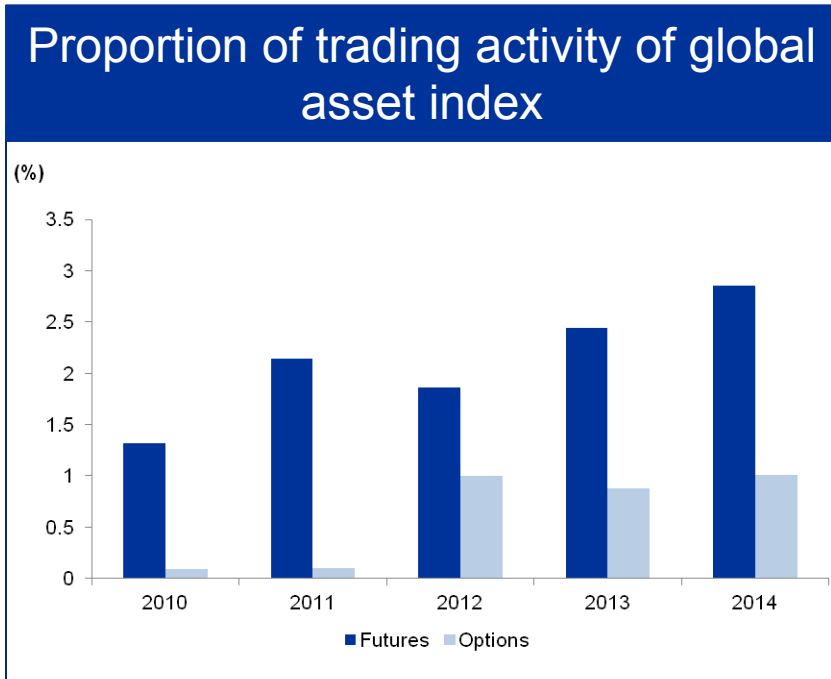
- Number of broad index based products traded were dominant but market share continued to decline
- Number of other index based products(eg. volatility index futures) traded were increasing



# Recent Trends in Derivatives Markets

## Product trends: more global index

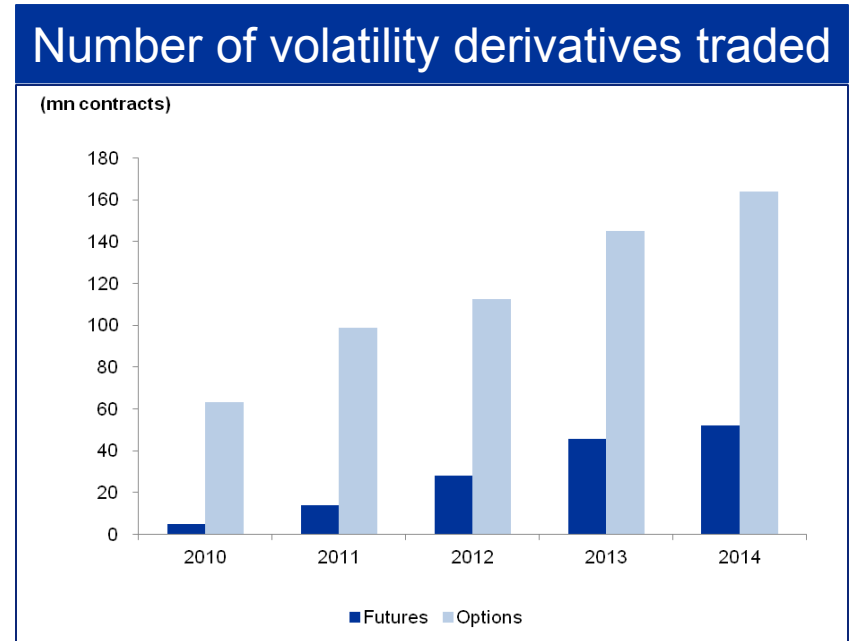
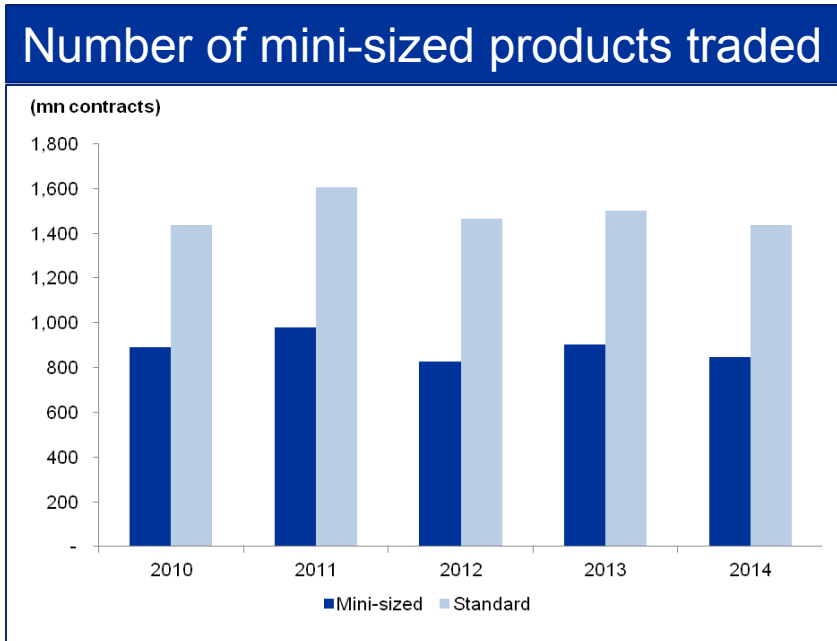
- Share of global index based products remained insignificant
- Both the proportion of trading activity and the number of global index based products continued to increase



# Recent Trends in Derivatives Markets

## Product trends: growth of mini-sized and volatility products

- Mini sized products continued to increase
- Volatility products increased significantly

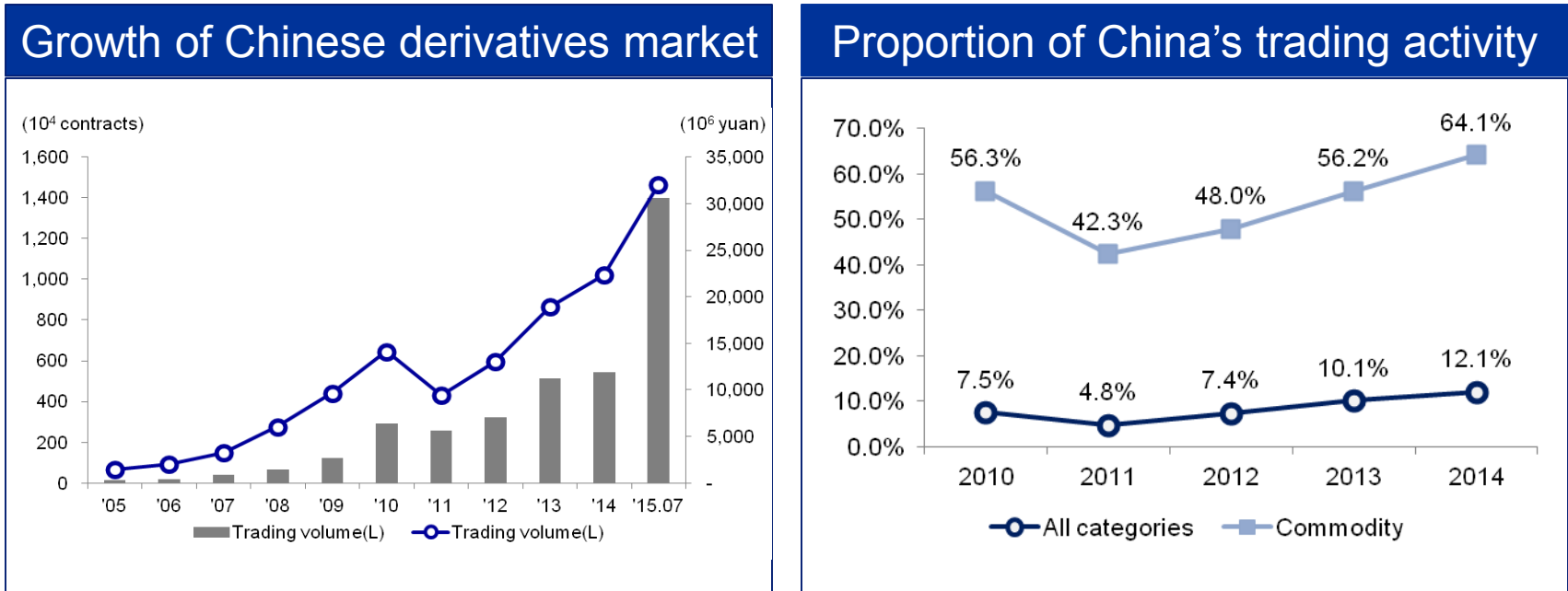




# Recent Trends in Derivatives Markets

## Market trends: rise of China's exchange

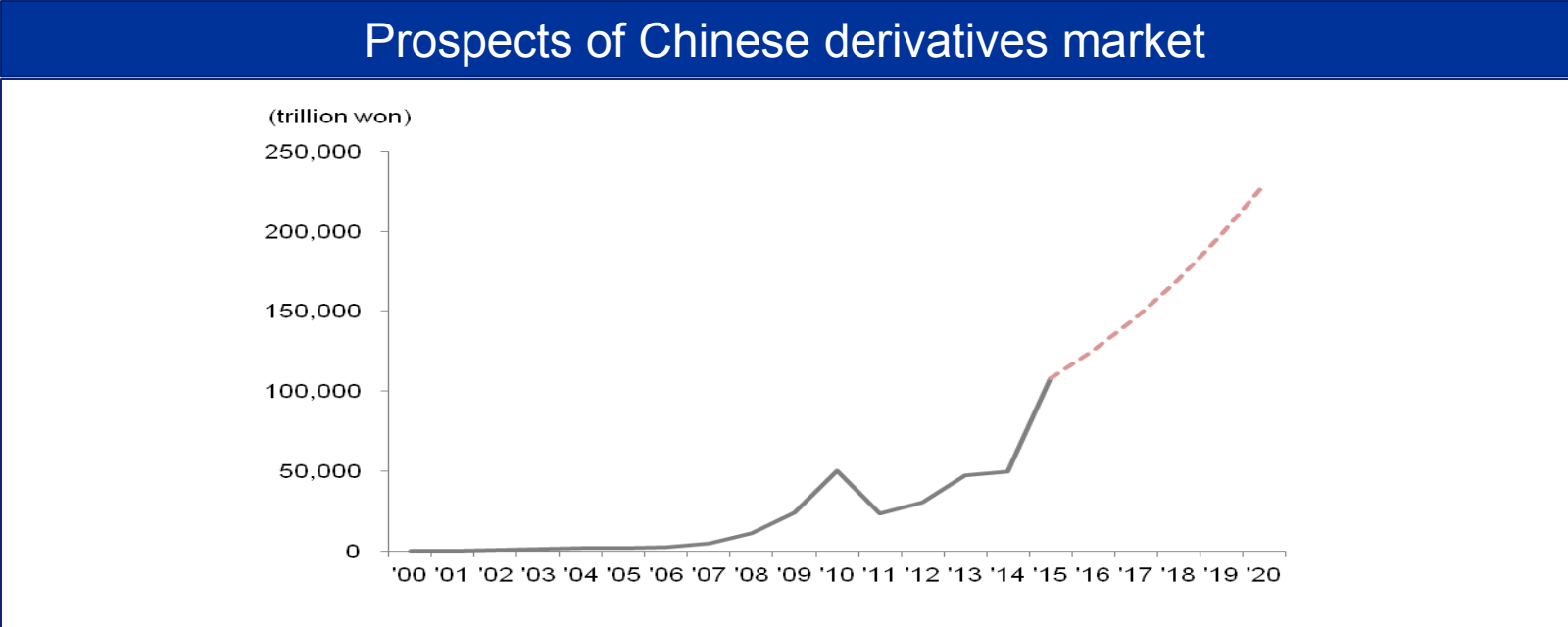
- The share of Chinese exchanges increased to 12.1%
- China got a predominant weight in commodity derivatives; 64.1%



# Recent Trends in Derivatives Markets

## Market trends: rise of China's exchange

- Chinese exchanges plan to launch several products including CSI300 options, crude oil futures
- Expect growth in trading value to triple by 2020



# Implications for Korean Derivatives Market

## Expand product line

- Identify profitable global index and launch global index based derivatives
- Introduce other index based derivatives(e.g. Dividend index futures)
- Launch commodity, interest rate, currency derivatives

## Launch China-related products

- Launch derivatives underlying China ETFs
- Launch China index(e.g. CSI300, FTSE China A50) products
- Introduce RMB/KRW futures & RMB/USD futures



Thank You !

---