

# Eurex 10yr Spanish Euro-Bono Futures

July 2019



# Agenda

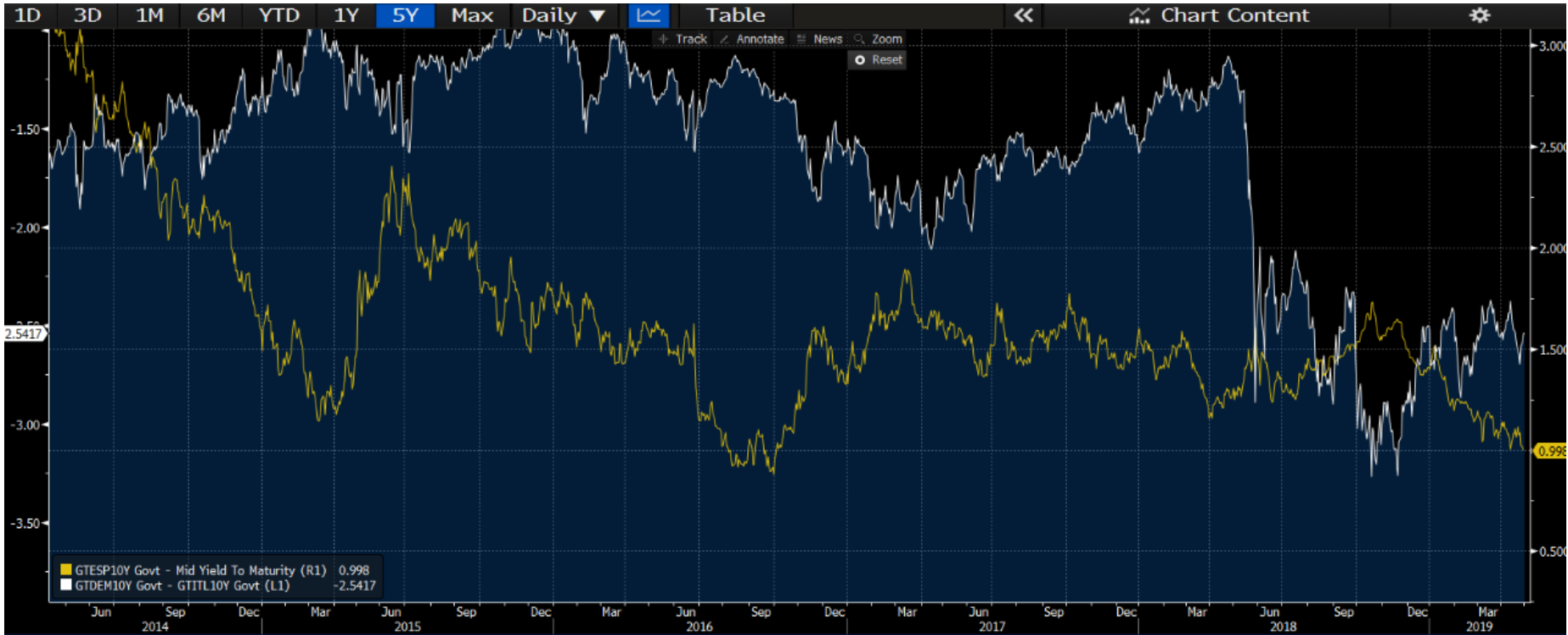
- Background
- 10y Spanish Euro-Bono Futures (FBON)
- Eurex Euro-Bono Futures: Contract specifications
- Opportunities in Trading and Clearing
- Wholesale Offering
- Further Information and Contacts
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# Background

- From the beginning of the European sovereign crisis till recently Spanish and Italian government bond yields were closely correlated (please see next slide).
- Therefore Euro-BTP Futures were considered a good proxy hedging instrument for Spanish government bond portfolios.
- However, starting from 2016 a variety of factors created a divergence between Spanish and Italian government bond yields raising the prospect of the BTP Futures no longer being an appropriate hedge for Spanish government bonds.
- Market participants stated that up to 30% of their Euro-BTP Futures trades are hedges for positions on Spanish government bonds. Therefore, for accuracy in the current interest rate environment, they prefer to use a dedicated futures instrument to avoid the basis risk.

# Background (cont.)

## Italian and Spanish Bond Yield Spreads over Germany since 2014

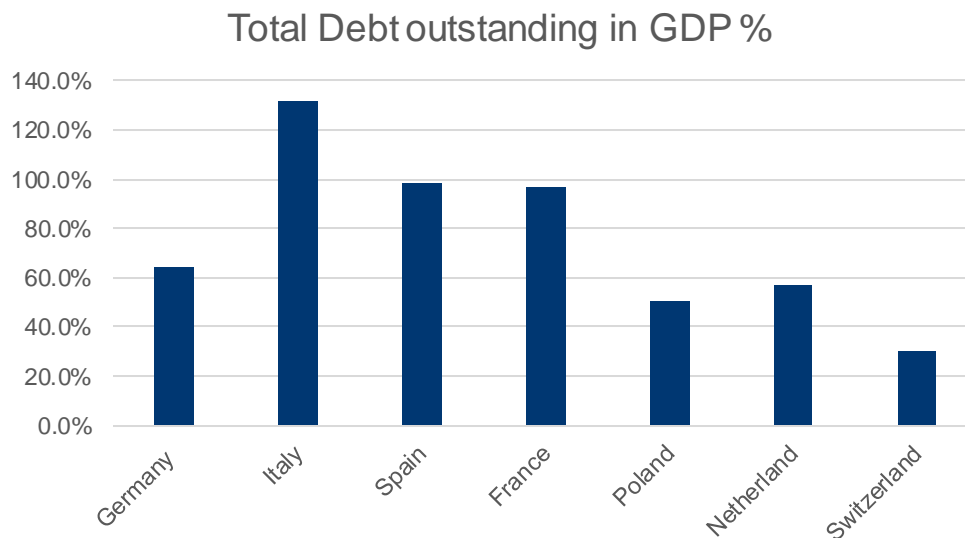


# Background (cont.)

## Government Debt\* outstanding by country

	Total Debt in % of GDP	S&P/ Moody's
Germany	63.9%	AAA/ Aaa
Italy	132.1%	BBB/Baa3
Spain	97.2%	A-/ Baa1
France	97.0%	AA/ Aa2
Poland	50.6%	A-/A2
Netherlands	56.7%	AAA/Aaa
Switzerland	29.7%	AAA/Aaa

Source:  
<http://www.tradingeconomics.com/poland/rating>



\* Data as 1<sup>st</sup> May 2019

## Eurex 10y Spanish Euro-Bono Futures (FBON) 1/4

- On 26 October 2015, Eurex Exchange launched futures on 10-year Spanish government bonds (Bonos y Obligaciones del Estado - BONOs) in order to provide a dedicated instrument suited to the needs of Spanish investors.
- The Eurex 10Y Spanish BONO Futures offer market participants a listed futures product which can address the demands of the Spanish market during a time when specific Spanish factors have the potential to influence yield spreads.

# Eurex 10y Spanish Euro-Bono Futures (FBON) 2/4

## Contract Specifications

Eurex Euro-Bono Futures	
<b>Contract Standard</b>	Notional long-term debt instrument issued by the Kingdom of Spain with a remaining term of <b>8.5 to 10.5 years</b> and a <b>six percent coupon</b> (excluding bonds with an original maturity greater than 20 years).
<b>Contract Value</b>	EUR 100,000
<b>Fee and Pricing</b>	EUR 0.20 per contract; TES: EUR 0.30 per contract
<b>Settlement</b>	Spanish government bonds with a remaining term of 8.5 to 10.5 years on the delivery day, a minimum issue amount of EUR 5 billion already 10 exchange days prior to the last trading day of current month and a nominal fixed payment. Such debt securities must be issued by the Kingdom of Spain no later than ten exchange days prior to the Last Trading Day of the current maturity month, otherwise, they shall not be deliverable until the delivery day of the current maturity month.
<b>Price Quotation Tick Size / Value</b>	In percentage of the par value, with two decimal places 0.01% / EUR 10
<b>Contract Months</b>	The three nearest quarterly months of the March, June, September and December cycle.
<b>Delivery Day</b>	Tenth calendar day of the respective quarterly month (Mar, Jun, Sep, and Dec).
<b>Last Trading Day</b>	Two exchange trading days prior to the delivery day of the relevant delivery month. Trading in the maturing delivery month ceases at 12:30 p.m. CET.
<b>Trading Hours</b>	8:00 a.m. to 7:00 p.m. CET.
<b>Market Making</b>	9:00 a.m. to 5:30 p.m. CET
<b>CFTC Approval</b>	Available for trading directly via terminals located in the U.S.
<b>Vendor Codes</b>	Bloomberg: KOAA Comdty Reuters: <0#FBON: > CQG: FBON

# Eurex 10y Spanish Euro-Bono Futures (FBON) 3/4

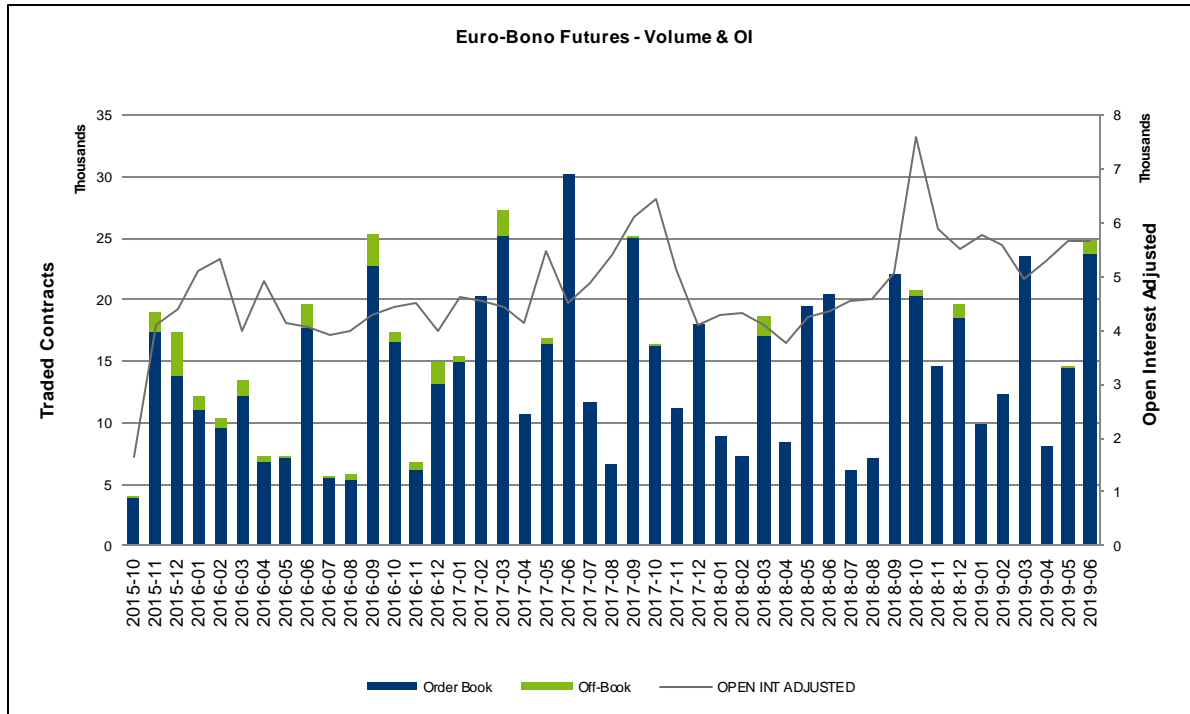
## Amendment of original term for debt securities for Euro-Bono Futures

- On 8 December 2017 the Management Board of Eurex Deutschland and the Executive Board of Eurex Zürich AG took the decision to amend the original term for the underlying debt securities for futures contracts on notional debt securities of the Kingdom of Spain (FBON)
- The original term for the Euro-Bono Futures will be amended from 20 years to 15 years for all contracts from and including the September 2018 contract. All contracts prior to September 2018 will maintain an original term of 20 years.



# Eurex 10y Spanish Euro-Bono Futures (FBON) 4/4

## Development in Euro-BONO Futures



### Euro-Bono Future

- Total contracts traded since launch: 663,055
- ADV 2018: 727 contracts
- ADV 2019: 747 contracts
- Traded contracts 2018: 173,450
- Traded Contracts YTD 2019: 93,376
- Open Interest end of May 2019: 5,659

# Opportunities in Trading and Clearing Eurex Euro-Bono Futures

## Hedging

Offer the market an instrument to hedge Spanish debt on-exchange, and remove the basis risk currently present when hedging with BTP Futures.

## Spread Opportunities

Offer the market an alternative to cash bonds to trade the respective yield spread between German (or other European sovereign) and Spanish debt.

## Basis Trading

Present an opportunity to trade the basis on Spanish debt instruments and therefore complement the Spanish cash market.

## Eurex Clearing

Offer reduced counterparty risk and margin off-sets against all other Eurex Fixed Income Futures positions.

# Trade Entry Services (TES)

The Eurex Euro-Bono Futures can also be traded outside the order book on a bilateral basis, and subsequently booked to Eurex Clearing through the use of our Trade Entry Services.

## Block Trading

Members are able to enter bilaterally agreed off-order book transactions into the trading and clearing system. Registered block trades are then automatically cleared like regular exchange transactions. The block trade entry facility is fully electronic and integrated into members' processes (the exchange defines a minimum number of contracts for Block trade – see below).

## Basis Trading

Basis trading can also be facilitated by the Exchange for Physicals (EFP) and Exchange for Swaps (EFS) functionalities.

## Minimum Entry Size for Block Trades

250 contracts. There are no minimum entry size restrictions for EFP or EFS.

# Contacts

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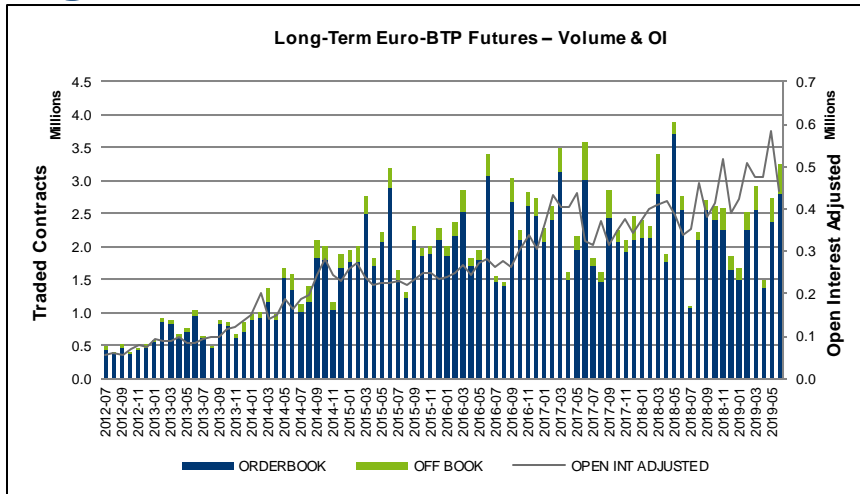
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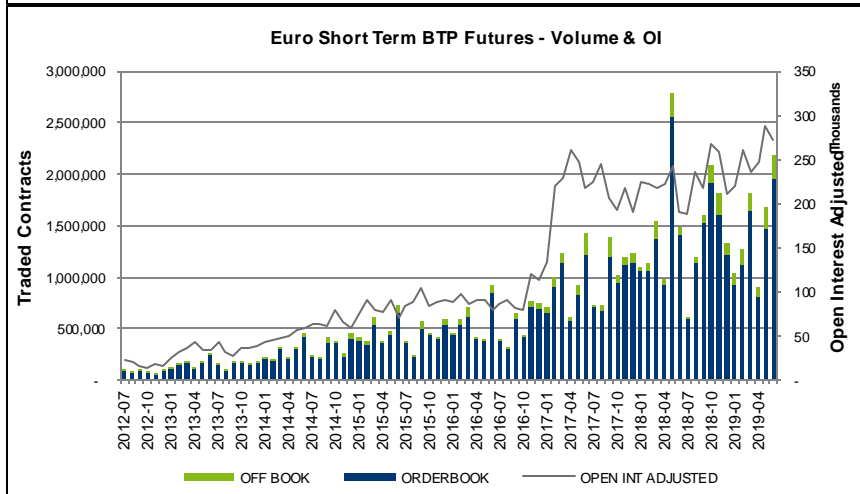
# Appendix 1

## Monthly Volume and OI Development in Short- and Long-Term Euro-BTP Futures



### Long-Term Euro-BTP

- Total contracts traded since 2017: 73.32 Million
- Traded contracts 2018: 29.77 Million
- Traded contracts YTD 2019 : 14,60 Million
- Open Interest e/o June 2019: 440,804



### Short-Term Euro-BTP

- Total contracts traded since 2017: 38.75 Million
- Traded contracts 2018: 17.7 Million
- Traded contracts YTD 2019 : 8.9 Million
- Open Interest e/o June 2019: 272,097

\* Data as of 30th June 2019

## Appendix 2 Delivery Baskets and Conversion Factors

KOAM8	<b>146.65</b>	<b>-.37</b>		146.70 / 146.78		1x3	Prev	147.02
At 9:52d	Vol	284	Op	146.95	Hi	146.95	Lo	146.60
							OpenInt	4046
KOAM8 Comdty	97) Export to Excel		98) Settings		Cheapest-to-Deliver			
Euro-BONO Sp Gov Jun18	Price	146.65	Trade	04/19/18	Delivery	06/11/18		
Sort By			Settle	04/23/18	Cheapest IRP	-0.798		
Implied Repo	Decreasing				Days	49	Act /	360
Cash Security	Price	Source	Conven Yield	Conver Factor	Gross Basis	Implied Repo%	Actual Repo%	Net Basis
Adjust Value								
1) SPGB 5.15 10/31/28	138.0070	BGN	1.2683	0.935309	0.844	-0.798	-0.355	0.085
2) SPGB 1 ½ 04/30/27	103.3440	BGN	1.1083	0.696866	1.149	-6.722	-0.355	0.897
3) SPGB 1.45 10/31/27	102.4170	BGN	1.1796	0.680268	2.656	-17.536	-0.355	2.411
4) SPGB 1.4 04/30/28	101.3870	BGN	1.2512	0.664093	3.998	-27.601	-0.355	3.761

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