

MARKETS IN MOTION

developments that matter in financial markets

China Begins Trading in Equity Futures

"The China Securities Regulatory Commission will further improve the basic system for stable market operation, make unremitting efforts to do a good job of market regulation to guide and regulate the capital markets toward healthy development and give full play to the capital market's function of serving the economy."

Shang Fulin, Chairman, CSRC

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China has started trading stock index futures contracts based on the CSI 300 Index on April 16, 2010, tracking the 300 biggest stocks on the Shanghai and Shenzhen bourses. The futures contracts on the first day of trading reached over 60.5 billion yuan (\$8.86 billion) in combined turnover. China's increased trading in equities from index futures will help them challenge the US as the world's busiest stock market.

Overtaking Japan

Shanghai overtook Tokyo as Asia's biggest stock market by trading value last year. Only the NASDAQ stock market and the New York Stock Exchange have higher trading turnover than Shanghai.

Largest Exchanges by Value of Share Trading			
Exchange	USD bn 2009	USD bn 2008	% change
NYSE Euronext US	17,521	27,651	-36.6%
NASDAQ OMX US	13,608	23,845	-42.9%
Shanghai Stock Exchange	5,056	2,584	95.7%
Tokyo Stock Exchange Group	3,704	5,243	-29.4%
Shenzhen Stock Exchange	2,772	1,242	123.2%
NYSE Euronext Europe	1,935	3,837	-49.6%
London Stock Exchange	1,772	3,844	-53.9%
Korea Exchange	1,570	1,435	9.4%
Deutsche Borse	1,516	3,148	-51.8%
Hong Kong Exchanges	1,416	1,562	-9.3%

Source: World Federation of Exchanges

A comparative study of the stock markets in the US, India and China reveals that the value of share trading in Chinese bourses has grown significantly since 2007. China's rapid growth in stock market in terms of value and volumes traded has been one of the most remarkable developments in recent times.

Index Futures Market

The first index futures contracts to trade in China will be for May, June, September and December months and the contract values are points of the CSI 300 multiplied by 300 Yuan.

Currently, the following exchanges occupy the top five positions in world rankings in terms of trading volumes in stock index futures contracts.

A comparison of China with India and USA

Value of Share Trading (in USD bn)						
Year (end December)	USA NASDAQ	USA NYSE	India BSE	India NSE	China Shanghai	China Shenzhen
2001	10934	10489	100	147	290	203
2002	7254	10310	68	128	211	140
2003	7068	9691	89	202	255	140
2004	8767	11618	118	260	322	194
2005	10086	14125	158	314	238	154
2006	11800	21790	214	423	736	422
2007	28116	29113	343	752	4028	2046
2008	23845	27651	301	725	2584	1242
2009	13608	17521	263	791	5056	2772

Source: World Federation of Exchanges

Top 5 Exchange by Number of Stock Index Futures Contracts Traded in 2009			
Exchange	Number of contracts traded in 2009	Number of contracts traded in 2008	% change
CME Group	703,072,175	882,432,628	-20.30%
Eurex	367,546,179	511,748,879	-28.20%
National Stock Exchange India	195,759,414	202,390,223	-3.30%
Osaka Securities Exchange	130,107,633	131,028,334	-0.70%
Korea Exchange	83,117,062	66,436,912	25.10%

Source: World Federation of Exchanges

The Shanghai Stock Exchange and the Shenzhen Stock Exchange, both founded in 1990, are growing at a very fast pace with state-of-the-art automatic trading system and centralized order matching. ChiNext, a new Chinese stock market, modelled on the US-based NASDAQ and meant to nurture small start-ups and high-tech firms, began operation in Shenzhen in November 2009. China's entry into the equity futures market space on April 16, 2010 will help consolidate its position as the world's fastest growing stock market.

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