



Circular Derivatives

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News Release: SGX leads with new derivatives on MSCI Emerging Markets indices

- The first multi-country, multi-currency EM derivatives in Asia, matching the growing sophistication of strategic asset allocation into the region.
- Home time zone edge to lead EM price formation during Asian stock and currency market hours.
- Collaborating with MSCI for 25 years, SGX is the main source of MSCI price formation and liquidity in Asia for global institutional investors.

Singapore Exchange (SGX) today announced that it has launched net total return and price return futures on the MSCI Emerging Markets (EM) and MSCI EM Asia indices, making it the first and only exchange in Asia to offer investors exposure to these fast-growing market segments.

Asia is the dominant risk and investment factor to the EM basket, with over 70% capital weightage of the index. The introduction of these new futures contracts is the next stage of evolution in SGX's comprehensive portfolio of Asian country-specific equity and currency indices, and reflects both MSCI and SGX's belief that Asian investment exposure will grow in sophistication from a historic focus on single country indices towards a more strategic, regional asset allocation.

Michael Syn, Head of Derivatives at SGX, said, "SGX created the Asian marketplace for equity risk premia and is the prime venue in Asia for price discovery of emerging market products through our pan-Asian portfolio of liquid single country equity and currency derivatives. As the first in Asia to offer exposure to multi-country and multi-currency emerging market composites, we are once again leading the way in market evolution for international institutional investors. The trading overlap with the main underlyings of the MSCI emerging markets basket will become more important to growing liquidity as Asia grows in influence on its price formation."

Theodore Niggli, Managing Director and Head of Asia-Pac Index at MSCI, said, "We are pleased to expand our longstanding relationship with SGX as they broaden their MSCI linked offerings with the launch of new equity index futures based on the MSCI Emerging Markets Index and the MSCI Emerging Markets Asia Index. As a leader in international equity benchmarks, with nearly \$1.7 trillion tracking the MSCI Emerging Markets, we are excited to work with SGX as they continue to expand the futures and options segment."

Gregoire Thomas, Managing Director, Delta One Asia Pacific Trading, Bank of America Merrill Lynch, said, "The move to introduce these new MSCI products will address the growing demand from global investors for increased capital efficiency when trading across different Asian equity and FX derivatives products on SGX."

According to the International Monetary Fund, year-to-date purchases of EM stocks and bonds to August more than doubled the total for 2015 and 2016, and with the projected per capital GDP growth in EM and developing economies of 3.7% between 2017 and 2022, compared to 1.4% for advanced economies, these capital and portfolio flows are expected to grow.

SGX offers cross margining with existing equity and FX derivatives, a centrally cleared trading solution which is of growing value with the upcoming implementation of new margin requirements for uncleared derivatives, and the flexibility for both liquid screen and block trading.

[1] As of June 30, 2017, as reported on September 30, 2017 by eVestment, Morningstar and Bloomberg. Assets are measured across mutual funds, institutional funds, separate accounts and MSCI only portion of hybrid/blended benchmarks.

[2] IMF Economic Outlook, October 2017

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