



# ***FMDQ SPOTLIGHT***

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# C O N T E N T S

## ■ New Stories

- 60<sup>th</sup> FX Futures Contract Matures and Settles on FMDQ

## ■ At a Glance

- Update on Clearing and Settlement Activities
- Update of Onboarded Securities on FMDQ Depository

## ■ FMDQ Listings & Quotations

- FMDQ Exchange Welcomes the International Breweries PLC Pioneer CP Programme on its Platform
- FMDQ Exchange Admits the Union Bank of Nigeria PLC Series 8 and 9 Commercial Papers on its Platform
- Coronation Merchant Bank Limited Quotes Additional CP – Series 18 on FMDQ Exchange
- FMDQ Exchange Admits Mixta Real Estate Series 36 Commercial Paper
- FMDQ Exchange Admits Coleman Technical Industries Limited CP Programme on its Platform

## ■ FMDQ Turnover and Dealing Member (Banks) League Table

- FMDQ Market Turnover Report (January - May 2021)
- Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - May 2021)

## ■ FMDQ Learning

- Introduction to Bond Futures – Part II





## ***NEW STORIES***

### **60<sup>th</sup> FX Futures Contract Matures and Settles on FMDQ**

On Wednesday June 30, 2021, the 60<sup>th</sup> FX Futures contract – NGUSJUN 30 2021 with a nominal value of \$289.82 million, matured and settled on FMDQ Securities Exchange Limited (“FMDQ Exchange” or “the Exchange”). This maturity brings the total value of matured currency futures contracts on the Exchange, since the inception of the market in June 2016, to circa \$51.40 billion; with a total of about \$55.55 billion so far traded.

The matured contract was valued for settlement against the NAFEX – the Nigerian Autonomous Foreign Exchange Fixing – the FMDQ Exchange reference Spot FX rate published same day. The associated clearing/settlement activities were effected accordingly by FMDQ Clear Limited (“FMDQ Clear”).

The Central Bank of Nigeria (CBN), as observed over the last fifty-nine (59) maturities, introduced a new contract, NGUSJUN 24 2026 for \$1.00 billion at \$/₦613.76 to replace the matured contract. The apex bank also refreshed its quotes on the existing 1 to 60-month contracts.

The contracts quotes are published daily on FMDQ’s website at [www.fmdqgroup.com](http://www.fmdqgroup.com)

[Click here to view Open Contracts](#)

[Back to Top](#)

## At a Glance: Update from FMDQ Clear

Following the receipt of an approval to perform the function of a Central Counterparty (CCP), FMDQ Clear, continued to drive efficiency in its operations, delivering value to the Nigerian financial market and making it seamless for investors to clear and manage their risks effectively.

The tables below provide an overview of the clearing and settlement activities cutting across the derivatives (currency futures) and fixed income markets.

**Table 1: Clearing and Settlement Activities in the Currency Futures (Derivatives) Market**

S/N	Currency Futures (as of May 31, 2021)	April	May	Change (%)
<b>Clearing</b>				
1	No. of Traded & Cleared Contracts	5,363	5,400	0.69
2	Value of Traded & Cleared Contracts (\$'bn)	54.74	55.07	0.60
3	Value of Open Contracts (as of May 31, 2021) (\$'bn)	4.63	3.96	(14.47)
<b>Settlement</b>				
4	No. of Matured & Settled Contracts	4,973	5,017	0.88
5	Value of Matured & Settled Contracts (\$'bn)	50.11	51.11	2.00

**Table 2: Clearing and Settlement Activities in the Sovereign Fixed Income Market**

S/N	Sovereign Fixed Income	April	May	Change (%)
1	Total Value of Trades Processed (₦'bn)	3,920.50	2,385.06	(39.16)
2	Value of Trades Settled (₦'bn)	3,616.07	2,161.53	(40.22)
3	Value of Unsettled Trades (₦'bn)	304.43	223.54	(26.57)

**Table 3: Clearing and Settlement Activities in the Non-Sovereign Fixed Income Market**

S/N	Non-Sovereign Fixed Income	April	May	Change (%)
1	Total Value of Trades Processed (₦'bn)	3.23	1.75	(45.93)
2	Value of Trades Settled (₦'bn)	0.38	0.49	28.77
3	Value of Unsettled Trades (₦'bn)	2.84	1.26	(55.74)

For more on FMDQ Clear, please click [here](#)

[Back to Top](#)

## **At a Glance: Update from FMDQ Depository**

Leveraging on the active support and collaboration of its stakeholders across the Nigerian capital market value chain, FMDQ Depository Limited (“FMDQ Depository”) has continued to deliver on its mandate to provide excellent and unrivalled custody and settlement services for the market. FMDQ Depository is a client focused depository, offering innovative and seamless services, and affording market participants the unique opportunity to benefit from its efficient processes. With the support of its market stakeholders, FMDQ Depository, within the period in view, has successfully onboarded the following securities:

- Union Bank of Nigeria PLC ₦2.58 billion Series 8 and ₦32.38 billion Series 9 CPs under its ₦100.00 billion CP Issuance Programme
- TrustBanc Holdings Limited ₦200.00 million Series 1 CP under its ₦10.00 billion CP Issuance Programme

FMDQ Depository will continue to deliver on its operational mandate through the support of its market stakeholders, to implement value-added products and service offerings, for the Nigerian capital market. Assets lodged with FMDQ Depository are provided with credible asset servicing, reliable data, and information, as well as efficient value chain linkages guaranteed by FMDQ's vertically integrated structure (Exchange, Central Counterparty & Depository), amongst other value-added services.

For more on FMDQ Depository service offerings, please click [here](#)

[Back to Top](#)



## FMDQ LISTINGS & QUOTATIONS

### **FMDQ Exchange Welcomes the International Breweries PLC Pioneer CP Programme on its Platform**

As the largest fixed income Exchange in Nigeria, FMDQ Exchange continues to avail its credible platform, as well as tailor its Registration, Listings and Quotations services to suit the needs of institutions seeking to raise capital from the Nigerian debt capital market (DCM). In keeping with this mandate, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the **Registration of the International Breweries PLC ₦65.00 billion Commercial Paper (CP) Issuance Programme** on its platform in anticipation of raising short-term finance from the Nigerian DCM.

International Breweries PLC ("the Issuer") is a Nigeria-based brewery that manufactures, packages and markets beer and other non-alcoholic beverages, with four (4) production facilities across Nigeria. The short-term finance will be raised via CP issues within the approved CP Programme limit and quoted on FMDQ Exchange for visibility of the issue and desired transparency for investors. CPs quoted on FMDQ Exchange benefit from the commendable and efficient CP quotation process, in addition to continuous provision of invaluable information and price formation as part of the Exchange's commitment to organise, govern and enforce transparency in the Nigerian fixed income market space.

[Back to Top](#)

### **FMDQ Exchange Admits the Union Bank of Nigeria PLC Series 8 and 9 Commercial Papers on its Platform**

Committed to delivering exceptional value to the Nigerian financial market and its stakeholders, FMDQ Exchange once again demonstrated operational excellence in the processing and approval of the **Quotation of the Union Bank of Nigeria PLC ₦2.58 billion Series 8 and ₦32.38 billion Series 9 Commercial Papers** under its ₦100.00 billion Commercial Paper Issuance Programme on the Exchange platform.

These admissions on FMDQ Exchange are yet again reflective of the potential of the Nigerian debt capital market and the commendable level of confidence demonstrated by both issuers and investors

in the market. They also validate the efficient processes and integrated systems through which FMDQ Holdings PLC (“FMDQ Group” or “FMDQ”) and its wholly owned subsidiaries – FMDQ Exchange, FMDQ Clear, and FMDQ Depository - has sustained its integrated service delivery to the market and its diverse stakeholders.

The proceeds from the quotation of these issuances, which were co-sponsored by FMDQ Exchange Registration Member (Quotations) - Renaissance Securities (Nigeria) Limited – *lead sponsor*; Standard Chartered Capital & Advisory Nigeria Limited; and UCML Capital Limited - will be used to support Union Bank’s short-term funding requirements, thus validating the Exchange’s mandate to provide a reliable platform to support the capital raising needs of the stakeholders.

The Chief Executive Officer of Union Bank, Emeka Okonkwo, commented that “the series 8 and 9 commercial paper issuance under our ₦100.00 billion Domestic Debt Issuance programme is another strategic milestone in our bid to establish Union Bank as a leading financial institution in Nigeria. The net proceeds from the issuance will further diversify our sources of capital as we continue to accelerate business growth and drive our long-term strategy. Since the registration of the Debt Issuance Programme in 2018, we have continued to see active participation from the market, demonstrating continued investor confidence in Union Bank and its growth trajectory”. Also commenting on the issue, the Ag. Chief Executive Officer and Director Financing, Renaissance Securities (Nigeria) Limited, Samuel Sule, expressed that “Renaissance Capital is pleased to have partnered with Union Bank on successfully accessing the domestic commercial paper markets once again. Union Bank is an established and sophisticated issuer and has proven its ability to navigate our everchanging rate and liquidity environments on numerous occasions. The solid participation by institutional investors on this oversubscribed dual series issuance underscores the sustained confidence in Union Bank’s medium-term strategy and highlights the Bank’s attractive credit story”.

In keeping with its commitment to the development of the DCM, FMDQ Exchange shall continue to provide, in collaboration with market stakeholders, innovative and efficient services aimed at deepening and effectively positioning the Nigerian DCM for growth, in support of the realisation of a globally competitive financial market and vibrant economy.

[Back to Top](#)



## **Coronation Merchant Bank Limited Quotes Additional CP – Series 18 on FMDQ Exchange**

FMDQ Exchange, through its Board Listings and Markets Committee has approved the **quotation of the Coronation Merchant Bank Limited ₦11.36 billion Series 18 Commercial Papers under its ₦100.00 billion CP Issuance Programme**, on its platform. Coronation Merchant Bank Limited (“Coronation MB” or “the Issuer”) in 2018, joined the league of other companies whose debt profiles have been raised via the value-packed quotations service offered by FMDQ Exchange. The continuous admission of securities to FMDQ Exchange’s platform is reflective of the potential of the Nigerian debt capital market and the commendable level of confidence demonstrated by both issuers and investors in the market.

Coronation MB is Africa’s premier investment bank that provides innovative merchant banking solutions to the need of corporations, governments and other financial services organisations. The Coronation MB CP, which was co-sponsored on the Exchange by Coronation Merchant Bank Limited and Chapel Hill Denham Advisory Limited, Registration Member (Quotations) of FMDQ Exchange, like other securities, will be availed all the benefits of FMDQ Exchange’s prestigious quotations service including global visibility through its website and systems, governance, credible price formation and continuous information disclosure to protect investor interest, amongst others. The proceeds from the quotation of this CP will be used to finance the Issuer’s working capital requirements.

As the market participants and a host of other stakeholders continue to meet their funding needs effectively and invariably contribute to the development of the nation’s capital markets through FMDQ Exchange’s platform, the Exchange remains committed to taking crucial steps, in close collaboration with market stakeholders, to deliver on its agenda of making the Nigerian financial markets globally competitive, operationally excellent, liquid and diverse.

[Back to Top](#)

## **FMDQ Exchange Admits Mixta Real Estate Series 36 Commercial Paper**

The Nigerian commercial paper market continues to demonstrate resilience and consistency in providing succour to corporates across diverse sectors by offering a viable platform for these institutions to raise finance to fund their capital requirements. As the leading organiser for the Nigerian debt capital market and in its role as a catalyst for infrastructure development, FMDQ Exchange is pleased to announce the approval of the quotation of the Mixta Real Estate PLC ₦1.02 billion Series 36 Commercial Paper under its ₦20.00 billion Commercial Paper Issuance Programme.



Mixta Real Estate PLC (“Mixta”), a subsidiary of Mixta Africa, is a leading real estate development company in Nigeria with a strong track record, diverse real estate portfolio, and operations spanning the residential, commercial, and retail sectors of the Nigerian real estate industry. The admission of this CP on FMDQ Exchange which is sponsored by FBNQuest Merchant Bank - a Registration Member (Quotation), serves to re-affirm FMDQ Exchange’s efforts in boosting investor confidence and reinventing the Nigerian CP market. As an Exchange positioned to bring about revolutionary changes in the Nigerian capital market, FMDQ Exchange, through the collective efforts of its varied stakeholders shall continue to deliver value-adding initiatives, ranging from the continuous upgrade of its Listings & Quotations Service to product & market innovations, amongst others.

With a vision to be “the most attractive Exchange in Africa by 2025”; and a mission to “collaborate to empower markets for economic progress towards delivering prosperity”, FMDQ Exchange is committed to articulating and pioneering, innovative ways to improve and make the Nigerian financial markets globally competitive, operationally excellent, liquid, and diverse.

### **FMDQ Exchange Admits Coleman Technical Industries Limited CP Programme on its Platform**

The Nigeria debt market capital plays an important role in the efficient mobilisation and allocation of resources in the economy and despite the impact of the current times, the market has continued to effectively support corporates looking to expand their business operations. It is in this regard, FMDQ Exchange is pleased to welcome the registration of Coleman Technical Industries Limited ₦20.00 billion Commercial Paper (CP) Programme on its platform. The successful registration of this CP programme is testament to the opportunities which the Nigerian DCM avails to corporates in diverse business areas.

Coleman Technical Industries Limited (“CTIL” or “the Issuer”) is West Africa’s largest producer and distributor of electrical wires and cables. The registration of this CP Programme strategically positions CTIL to raise short-term finance from the DCM easily and quickly at a time in the future it determines suitable, through CP issues, within the CP Programme limit. As is tradition, CPs quoted on FMDQ Exchange benefit from the commendable and efficient CP quotation process, in addition to continuous provision of invaluable information and price formation as part of the Exchange’s commitment to organise, govern and enforce transparency in the Nigerian capital market space.

Speaking on the registration of the CP programme, the Managing Director/CEO, CTIL, Mr. George Onafowokan, stated “as a first-time Issuer, the successful registration of the ₦20.00 billion CP Programme will broaden CTIL’s funding base and allow us tap finance for working capital and general corporate purposes from the Nigerian DCM – an essential part of our corporate strategy to reduce overall borrowing costs. With investment grade ratings from Agosto (BBB-) and GCR [A3(NG)], we view this as a strong reflection and validation of our customer proposition, business model, governance structure and CTIL’s unwavering capacity to continue to deliver on its set short to mid-term corporate objectives which is anchored on our aspirations to expand production capacity, and diversify product offerings to include fibre optics and power transmission cables such that market reliance on imports will be significantly reduced and/or eliminated. We congratulate the professional parties involved in the process and remain optimistic that the registration of this CP Programme on FMDQ Exchange will avail us global visibility needed to deepen execution and delivery of our long-term growth strategy”.

In support of the development of the Nigerian DCM and growth of the Nigerian economy, FMDQ shall continue to ensure the markets under its purview emerge as globally competitive, operationally excellent, liquid, and diverse. Also, the Exchange shall continue to sustain its efforts in supporting issuers with tailored financing options to enable them achieve their strategic objectives, in support of the realisation of a resilient and vibrant economy.

FMDQ Group is Africa’s first vertically integrated financial market infrastructure (FMI) group which provides a one-stop platform for the seamless and cost-efficient execution, risk management, clearing, settlement, depository and data and information services for the Nigerian financial market, through its subsidiaries – FMDQ Exchange, FMDQ Clear, FMDQ Depository and FMDQ Private Markets Limited.

[Back to Top](#)

# FMDQ TURNOVER & DEALING MEMBER (BANKS) LEAGUE TABLE

## FMDQ Turnover & Dealing Member (Banks)' League Table Report

The FMDQ Market Turnover Report shows the turnover on all products traded on the FMDQ secondary market – Foreign Exchange (FX), Treasury Bills (T.bills), OMO Bills, Bonds (FGN Bonds, other Bonds (Agency, Sub-national, Corporate & Supranational) Eurobonds & Promissory Notes)) Commercial Papers, CBN Special Bills and Money Market (Repos/Buy-Backs and Unsecured Placements/Takings). These figures exclude primary market auctions in T.bills and Bonds.

The data, collated from the weekly trade data submissions by FMDQ Dealing Member (Banks), represents trades executed amongst the Dealing Member (Banks), Dealing Member (Banks) & Clients, and Dealing Member (Banks) & the Central Bank of Nigeria (CBN).

### FMDQ Market Turnover (January - May 2021)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	9,397,662	23,112
Foreign Exchange Derivatives	11,966,033	29,449
Treasury Bills	6,420,448	15,816
OMO Bills	20,845,727	51,470
CBN Special Bills	2,620,697	6,403
FGN Bonds	8,608,259	21,225
Promissory Notes	103,822	262
Other Bonds*	800	2
Eurobond	197,765	488
Repurchase Agreements/Buy-Backs	15,252,184	37,560
Unsecured Placements/Takings	1,306,015	3,202
Money Market Derivatives	12,110	31
Commercial Papers	-	-
<b>Total</b>	<b>76,731,522</b>	<b>189,020</b>
<b>No. of Business Days</b>	<b>100</b>	<b>100</b>
<b>Average Daily Turnover</b>	<b>767,315</b>	<b>1,890</b>

Average YTD \$/₦ @404.48

mm – million

\* Other Bonds include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

Note: Figures may be subject to change due to potential adjustments from Dealing Member (Banks)

Source: FMDQ Data Portal as @ June 8, 2021; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January – May 2021 period amounted to ₦76.73 trillion. Transactions in FX (Spot FX and FX Derivatives) contributed the largest to overall turnover for 27.81%. Trading activities in OMO Bills accounted for 27.23% of the market, whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 19.87%. Bonds, Treasury Bills, Unsecured Placements & Takings, CBN Special Bills and Money Market Derivatives accounted for 11.63%, 8.37%, 1.69%, 3.39%, and 0.02% respectively, of overall market turnover.

### **Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - May 2021)**

The FMDQ League Table shows the rankings of its top ten (10) Dealing Member (Banks) by overall market turnover in the FMDQ Markets.

RANK	DEALING MEMBER (BANKS)
1	ACCESS BANK PLC
2	STANBIC IBTC BANK PLC
3	UNITED BANK FOR AFRICA PLC
4	ZENITH BANK PLC
5	FIRST BANK OF NIGERIA LIMITED
6	POLARIS BANK LIMITED
7	CORONATION MERCHANT BANK LIMITED
8	STANDARD CHARTERED BANK NIGERIA LIMITED
9	CITIBANK NIGERIA LIMITED
10	FBNQUEST MERCHANT BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 75.85% (₦58.20 trillion) of the overall turnover in the market, with the top three (3) accounting for 65.58% (₦38.17 trillion) of this sub-section of the market. Access Bank PLC, Stanbic IBTC Bank PLC and United Bank for Africa PLC gained 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> positions respectively, in the value traded for the review period.

[Back to Top](#)





## Introduction to Bond Futures – Part II

In the previous edition of FMDQ Learning, we introduced readers to Bond Futures – definition of Bond Futures, their users in financial markets, benefits of these products, and key features of their contract specification(s). A quick recap of some of the key learnings from our previous article on Bond Futures are as follows:

1. Bond Futures are Exchange-Traded Derivatives (ETDs) that have bonds (usually sovereign bonds e.g., Federal Government of Nigeria [FGN] Bonds) as their underlying asset/security
2. Like any Futures contract, a Bond Futures contract creates an obligation for both the buyer and seller of the contract to buy and sell the underlying bond(s), respectively or exchange cash flows based on the underlying bond at a predetermined price/rate on a specified date in the future
3. Like other ETDs, Bond Futures are standardised contracts, centrally and anonymously traded on an organised Exchange and novated by a CCP. *Read about the role of a CCP in the April 2021 Edition of FMDQ Learning.*

In this edition, we will discuss some of the uses of Bond Futures and how they are used by specific types of participants in the financial markets.

### Uses of Bond Futures

Bond Futures, like other derivatives can be used to achieve any of the three (3) main use of derivatives:

- **Hedging:** They can be used to protect a portfolio of bonds against losses arising from adverse movement in interest rates (yields), thereby reducing the unwanted fluctuations in the return on the bond portfolio
- **Guaranteeing Arbitrage Profits:** They can also be used to lock-in profits generated from short-term variances in the prices of the underlying bond in the secondary market. Such variances in the prices of the underlying bond often arise due to the slow transmission of information relevant to the pricing of the underlying bond in the financial market. As a result, a market participant may earn a profit by simultaneously buying and selling the underlying bond
- **Taking Positions (Investment Exposure to the Underlying Bond):** Finally, Bond Futures can be used to create exposures (i.e., gains and losses due to the movement in the prices) to the underlying bond, similar to holding the actual the underlying bond. This allows financial market

participants take investment positions based on their projections or estimated future trend in the prices of the underlying bond

### Application of Bond Futures

An example of how Bond Futures are applied for each of the use cases discussed above is provided below, using these three (3) institutions as case studies:

1. Adesons Holdings PLC (“Adesons”), a fast-moving consumer goods company which invests its excess cash in sovereign bonds (e.g., FGN Bonds). Adesons will typically sell its bond investments when it requires cash to meet unplanned expenditure and may incur losses on such sales due to general market conditions at the time the company needs to sell its bonds.

Hedging by Adesons: To minimise the losses incurred on its bond investments, Adesons can sell Bond Futures on its bonds portfolio on a Securities Exchange. For example, *if Adesons purchased the bonds in its portfolio at a price of 95.00, it can sell Bond Futures at 100.00. Through this Bond Future transaction, Adesons has effectively hedged its bond investments against future fluctuation in the price of the bonds until the maturity of the Bond Futures. For illustration, if the price of the bond falls to 92.00, the price of the Bond Futures is expected to fall as well to say 97.00. Hence, instead of Adesons incurring a loss of 3.00 (i.e., Sale Price of 92.00 LESS Purchase Price of 95.00), it will not incur a loss because the 3.00 loss will be offset by a gain of 3.00 on the Bond Futures (Adesons sold the Bond Futures at 100.00 LESS the current price of 97.00).*

2. ABC Securities Limited (“ABC Securities”), a securities-dealing firm which trades bonds in the financial market. ABC Securities uses advanced financial models to monitor the prices of bond in the market to identify pricing variances and opportunities to make profits.

Arbitrage Profits for ABC Securities: As indicated in the Adesons example above, Bond Futures prices move in tandem with the prices of the underlying bonds. This relationship between the prices of the underlying bonds and the Bond Futures helps to maintain the efficiency of the financial markets by ensuring the prices of assets are reflective of their real value given the level of demand and supply for those assets. If this relationship does not hold, then there will be an opportunity for financial market participants to make arbitrage profits by buying the bond cheaply in the market segment with excess supply and simultaneously selling the bond (at higher prices) in the market segment with excess demand. *For example, if the price of the bond from the earlier example declined from 95.00 to 92.00 and the Bond Futures price increased from 100.00 to 105.00 (instead of declining to 97.00), ABC Securities may simultaneously buy the bonds at 92.00 and sell Bond Futures at 105.00, thereby locking in an arbitrage profit of 13.00 (i.e., Bond Futures Sale Price of 105.00 LESS Purchase Price of underlying bond of 92.00)*

3. XYZ Pension Managers PLC (“XYZ Pensions”), a licenced Pension Fund Administrator (PFA) which pools a fixed amount of funds (savings) from employees of various private companies on a monthly basis for investment in a portfolio of bond securities managed to meet the employees’ retirement needs. Due to the scheduled nature of the savings received by XYZ Pensions, it is sometimes forced to invest (buy) bonds at unfavourable prices (when the savings are received) or unable to take advantage of favourable prices in the bond market (before savings are received).

Investment Exposure for XYZ Pensions: Using the same scenario from Adesons where the prices of the underlying bond and Bond Futures declined, XYZ Pensions expects the price of the underlying bond (and the Bond Futures) to increase over the next two (2) weeks in reaction to lower interest rate announcement by the Central Bank. However, XYZ Pensions is not scheduled to receive employees’ savings funds until the end of the month (in 4 weeks), hence it is concerned about missing out on buying the underlying bonds at the current cheap prices. XYZ Pensions may buy Bond Futures immediately because Futures and ETDs cost only a fraction of the value of the underlying bond to acquire and sell the underlying bond at a future date when it would have received employees’ savings funds, thereby avoiding the need to purchase the underlying bonds at its projected higher prices.

## Conclusion

As explained and illustrated in the examples above, Bond Futures allow market participants to effectively hedge their risks, as well as taking advantage of investment opportunities and expressing their sentiments around the future trends in the financial markets. Consequently, Bond Futures help improve the efficiency of financial markets by encouraging participation and improving the depth and liquidity of the financial markets, ultimately boosting economic growth in a country.

[Back to Top](#)

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