
Canadian Annual Derivatives Conference Summary

June 8th, 2023, Montreal, Canada

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FIX recently attended the Canadian Annual Derivatives Conference, Canada's leading derivatives conference which is a 1-day event held in Montreal, Canada. Hosted by TMX, the event had an agenda full of industry-relevant topics covering trading & execution, digital assets, regulatory drivers as well as changes to interest rates in the Canadian market. Add in a market opening ceremony live from the event and it was a great day of thoughtful content and networking.

The event kicked off with a welcome from TMX and then into a 'Leader's exchange' where the panellists discussed the current market landscape, the view that equity markets (both Canadian as well as US) are pricing very high on certain stocks, and that the recent large spikes from companies such as NVDA may see an expected soft landing become more of a hard landing if the high pricing continues. One panellist noted that the main gain in the S&P500 is from 7 listed stocks; removing those to become an S&P493 would look relatively flat.

There was a lot of discussion on ETF markets and the key players in this space. NBC were the first in Canada to offer a synthetic ETF and ETF option volumes were up 70% YoY at TMX. The FIX community is actively discussing ETFs across APAC, EMEA and the Americas and with the moves to T+1 settlement there is far more focus on ETF's.

TMX stated that they have been becoming more global and have been making it easier for market participants outside of Canada to access. However, with the move to T+1, this could have a reverse effect on the opportunities for participants located in EMEA and APAC.

'The market is acting like it was in the late 70's or early 80's. The most volatile quarter since 2000 happened last quarter'.

As the event moved into the mid-morning-sessions, a lively panel discussed how the market has been acting like it was in the late 70's or early 80's and that volatility has been at its highest since 2000. Despite unemployment being low and inflation pulling back slightly, there was some view from the panel that the outlook is bearish and that the market is just delaying the inevitable. The longer the recession is delayed, the harder the fall will be. A softer landing and a step down would be much better for the market.

'History doesn't repeat, but it does rhyme'.



Another session of interest was the digital assets session. The FIX community launched its standards for the trading of digital assets in the summer of 2022 and the panellists gave a good update on some of the headwinds that the digital asset space is facing, as well as some of the regulatory pressures that are coming down off the back of the issues the market saw in Q3 and Q4 of 2022.

Coindesk have recently filed for a Bitcoin futures contract which will be listed on TMX. Coindesk are the largest and oldest digital asset indices company and with over 500 tokens in their indices stack are looking to expand into the Canadian markets. Coindesk are seeing far greater adoption of digital assets within traditional institutions but did refer to the technology and workflows that underpin the capital markets today not being fit for purpose to support digital assets.

There was also the discussion of a composite ether staking rate, which would look and act like a swap transaction where a fixed (validator rate received as income) vs. floating (Settlement rate) position would open. ISDA is currently reviewing this to see if this would fall under their definitions of a swap and therefore would need to adhere to the terms of an ISDA template.

As expected, a great event with lots of great networking opportunities through the day and a very interesting lunch session from a Canadian Olympic medallist in cycling. The FIX Community is continuing its discussions and partnerships within the Canadian region and is looking to host its first event in Canada for several years in early 2024.

We regularly welcome new firms to the community that wish to adopt FIX and enhance their business models by using FIX, and to contribute to the regular discussions and forums that keep FIX moving forward and at the forefront of capital markets workflows.

If you would like to understand more, please contact us at fix@fixtrading.org.

