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TMX – Montréal Exchange

Trading Canadian Equity Index Futures

Tony Zhang
OptionsPlay

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Introduction to Canadian Derivatives S&P/TSX 60 Mini Futures

Aug 11th, 2021 – Starting @ 12:00 PM EST

Tony Zhang, Chief Strategist @ OptionsPlay

Options Action – Fridays on CNBC @ 5:30 PM EST



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Agenda

- **Intro to Futures Contracts**
- **Canadian Futures Products**
- **S&P/TSX 60 Index**
- **Capital Efficiency**
- **Trading Strategies**
- **Leverage Example**

What is a Futures Contract?

A futures contract is an agreement to buy or sell a financial instrument, such as the S&P/TSX 60 Index, for future delivery on a regulated futures exchange.

- All futures contracts are “standardized,” and spell out certain specifications, including:
- Quality and quantity of an index or commodity
- Unit pricing of the asset and minimum price fluctuation (tick size)
- Date of delivery and expiration

Canadian Futures Products



S&P/TSX 60 Index*, S&P/TSX Composite Index*, S&P/TSX 60 ESG Index*, S&P/MX International Cannabis Index**, Bonds, etc.

Benefits

Capital Efficient

Potential Tax Benefits

**No pattern Day
Trading Rules**

Learning Curve

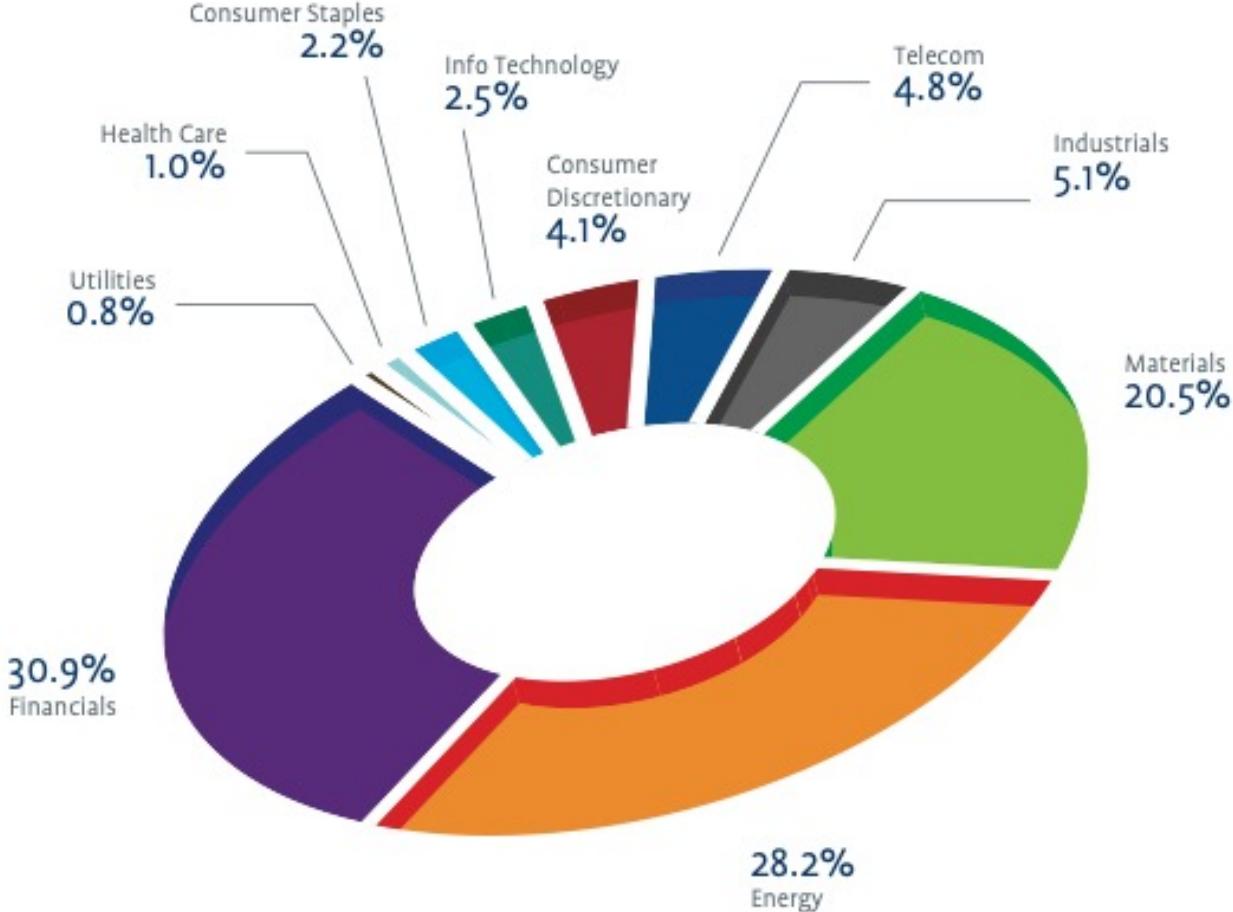
Various Contract Sizes

Various Tick Sizes

**Contracts expire
quarterly**

**AM/PM Expiration
Settlement**

S&P/TSX 60 Index



Source: Standard and Poor's

Direct exposure to the S&P/TSX 60 Index (\$1221.30)

Contract

SXM® - 50x Mini
SXF® - 200x Full

4-5% Margin
Requirement

2:00 AM – 9:15 AM
9:30 AM - 4:30 PM

Expiration

March, June, September
and December Contracts

3rd Friday of the Month

AM Settlement

Settlement

Cash Settled

Last trade on close prior
to expiration date

Settled at open on
expiration date

Capital Efficiency & Leverage

SXM – S&P/TSX 60 Index (\$1221.30) x 50 = \$61,065

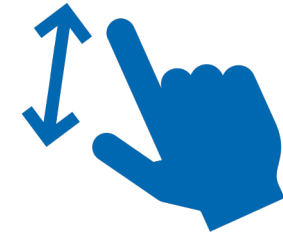
Roughly 2,000 Shares of XIU



Requires \$3,000
4-5% margin to
establish the
position



“Marked to
Market” each
day with the
daily profit/loss



Provides implied
leverage of 20-
25x the margin
requirement

Swing Trading/Long Term Investing

Positioning

- Bullish/Bearish view of market
- Long/Short Position
- Hedge for equity portfolio
- Moving Averages & Indicators

XIU ETF vs. SXM

- XIU bid/ask spread are about 4x larger
- Commissions \$2.50 contract for SXM
- ER 18bps for XIU vs. -20bps SXM (average over 5 years)
- Positions marked to market at EOD



Day Trading/Active Trading

Positioning

- Long/Short Positions
- Daily Trading Ranges
- Momentum Indicators
- Volume Profile

XIU ETF vs. SXM

- XIU bid/ask spread are about 4x larger
- Same margin for long/short positions
- Control larger position than portfolio size for intraday swings



Leverage Example

SXM – S&P/TSX 60 Index (\$1221.30) x 50 = \$61,065
\$25,000 Portfolio



Establish 2
Contracts Long of
SXM requires
\$6,000 margin



Position size of
\$122,130 on
the TSX 60
Index



If S&P/TSX 60
drops ~15%,
\$19,000 loss would
liquidate position

FAQ Futures Questions



- What products can I trade futures on?
- How do I apply for futures approval?
- What happens if I hold a futures contract to expiration?
- How much leverage can I receive from trading futures?

YOUR QUESTIONS

The background of the slide is a solid blue color. In the lower right quadrant, there is a faint, semi-transparent image of a spiral-bound notebook and a pen, suggesting a theme of learning or inquiry.

The Montréal Exchange provides e-learning tools:



OptionsPlay

Page 1 of 88 [25 / 2,191 results]

Symbol	Serie / Strike price	Last price	Potential total return [%]	Premium return [%]	Potential capital gain [%]	Bid size	Bid price	Ask price	Ask size	Volume	Open interest
APHA	03/19/2021 C 27.00	25.19	1,590.00	232.00	1,358.00	10	0.32	0.51	20	8	105
PD	03/19/2021 C 31.00	29.07	1,344.00	132.00	1,212.00	16	0.21	0.50	60	0	35
TRIL	04/16/2021 C 28.00	13.40	1,335.00	23.00	1,312.00	30	0.25	0.75	30	0	0
LSPD	03/19/2021 C 88.00	82.24	1,322.00	89.00	1,233.00	10	0.40	0.85	21	12	149
TRIL	03/19/2021 C 14.00	13.40	1,192.00	474.00	718.00	20	0.35	1.10	10	0	0
TRIL	04/16/2021 C 26.00	13.40	1,159.00	27.00	1,132.00	30	0.30	0.80	30	0	0
MAXR	03/19/2021 C 56.00	53.34	1,135.00	189.00	946.00	16	0.55	1.30	10	0	5
APHA	03/19/2021 C 26.00	25.19	1,104.00	472.00	632.00	4	0.65	0.69	10	0	492
TRIL	04/16/2021 C 25.00	13.40	1,073.00	32.00	1,041.00	30	0.35	0.85	30	0	0
ACB	04/16/2021 C 24.00	12.93	1,060.00	20.00	1,040.00	10	0.21	0.30	10	0	25
GLXY	03/19/2021 C 21.50	20.35	1,054.00	266.00	788.00	10	0.30	0.80	10	0	0

OPTION MATTERS
A MONTRÉAL EXCHANGE INITIATIVE

4 MONTHS AGO
CONSIDERING A LONG CALL POSITION IN AIR CANADA

4 MONTHS AGO
THERE'S NO FREE LUNCH IN THE MARKET...BUT...

5 MONTHS AGO
CHOOSING A CALL OPTION STRIKE PRICE TO OPTIMIZE...

2 WEEKS AGO
MARCH – EDUCATIONAL EVENTS

1 YEAR AGO
REDUCE THE RISK ASSOCIATED WITH TIME VALUE DECAY

1 YEAR AGO
WRITING COVERED CALL OPTIONS: AN INTRODUCTION

Option Blog

OptionsPlay TMX

Trade Ideas Watchlists

16 Ideas

Bullish Bearish

Small Cap Medium Cap Large Cap Mega Cap

All Sectors All Scales

Company Name Price Score View

AGB 55.88 7

AEM 558.16 7

AGI 56.31 7

ATD.B 80.07 10

CG 87.12 10

DRM 57.64 10

EFN 88.37 7

ENB 50.56 10

ENB 513.35 10

MAG 50.30 10

ALIMENTATION COUCHE-TARD INC. Class B Subordinate Voting Shares is near its 52week high.

Technical Score 10 (Very Strong)

Support 77.33 -3.42% Resistance 80.71 +0.80%

OptionsPlay Score: 102, 84, 105

P&L Simulator

Buy 100 Shares Buy 1 May 17 80 Call Buy 1 May 17 80.84 Call

Go to this price: \$84.25

By this date: 5/17/2021

OptionsPlay

TMX Trading Simulator

Learn more about USX

Dashboard Quotes Trade

SUMMARY AS OF 20/01

\$30,342.35

CASH \$22,251.35

UNREALIZED GAINS \$561.00

STRATEGY POSITIONS

Name	Value \$	Gain/Loss \$	Daily Change %	Price \$	Qty	Avg. \$	Cost Basis \$
XIU TSX	8,091.00	\$61.00 + 7.45%	6.00 + 0.07%	26.98	300	25.10	7,530.00

Account Balance: \$11,505.55

Account Value: \$11,505.55

Current Position Value: \$11,505.55

Cash Value: \$0.00

Outstanding Buy Orders Value: \$0.00

Outstanding Sell Orders Value: \$0.00

Trading Simulator

MONTRÉAL EXCHANGE

Currency Options (USX)

Reference Manual

Part 1: Welcome to the world of currencies

Part 2: Covered Call (Buy/Write)

Part 3: Currency Derivatives

Part 4: Equity Options Strategy

Part 5: Covered Call (Buy/Write)

Part 6: Currency Derivatives

Part 7: Equity Options Strategy

Part 8: Covered Call (Buy/Write)

Part 9: Currency Derivatives

Part 10: Equity Options Strategy

Part 11: Covered Call (Buy/Write)

Part 12: Currency Derivatives

Part 13: Equity Options Strategy

Part 14: Covered Call (Buy/Write)

Part 15: Currency Derivatives

Part 16: Equity Options Strategy

Part 17: Covered Call (Buy/Write)

Part 18: Currency Derivatives

Part 19: Equity Options Strategy

Part 20: Covered Call (Buy/Write)

Part 21: Currency Derivatives

Part 22: Equity Options Strategy

Part 23: Covered Call (Buy/Write)

Part 24: Currency Derivatives

Part 25: Equity Options Strategy

Part 26: Covered Call (Buy/Write)

Part 27: Currency Derivatives

Part 28: Equity Options Strategy

Part 29: Covered Call (Buy/Write)

Part 30: Currency Derivatives

Part 31: Equity Options Strategy

Part 32: Covered Call (Buy/Write)

Part 33: Currency Derivatives

Part 34: Equity Options Strategy

Part 35: Covered Call (Buy/Write)

Part 36: Currency Derivatives

Part 37: Equity Options Strategy

Part 38: Covered Call (Buy/Write)

Part 39: Currency Derivatives

Part 40: Equity Options Strategy

Part 41: Covered Call (Buy/Write)

Part 42: Currency Derivatives

Part 43: Equity Options Strategy

Part 44: Covered Call (Buy/Write)

Part 45: Currency Derivatives

Part 46: Equity Options Strategy

Part 47: Covered Call (Buy/Write)

Part 48: Currency Derivatives

Part 49: Equity Options Strategy

Part 50: Covered Call (Buy/Write)

Part 51: Currency Derivatives

Part 52: Equity Options Strategy

Part 53: Covered Call (Buy/Write)

Part 54: Currency Derivatives

Part 55: Equity Options Strategy

Part 56: Covered Call (Buy/Write)

Part 57: Currency Derivatives

Part 58: Equity Options Strategy

Part 59: Covered Call (Buy/Write)

Part 60: Currency Derivatives

Part 61: Equity Options Strategy

Part 62: Covered Call (Buy/Write)

Part 63: Currency Derivatives

Part 64: Equity Options Strategy

Part 65: Covered Call (Buy/Write)

Part 66: Currency Derivatives

Part 67: Equity Options Strategy

Part 68: Covered Call (Buy/Write)

Part 69: Currency Derivatives

Part 70: Equity Options Strategy

Part 71: Covered Call (Buy/Write)

Part 72: Currency Derivatives

Part 73: Equity Options Strategy

Part 74: Covered Call (Buy/Write)

Part 75: Currency Derivatives

Part 76: Equity Options Strategy

Part 77: Covered Call (Buy/Write)

Part 78: Currency Derivatives

Part 79: Equity Options Strategy

Part 80: Covered Call (Buy/Write)

Part 81: Currency Derivatives

Part 82: Equity Options Strategy

Part 83: Covered Call (Buy/Write)

Part 84: Currency Derivatives

Part 85: Equity Options Strategy

Part 86: Covered Call (Buy/Write)

Part 87: Currency Derivatives

Part 88: Equity Options Strategy

Part 89: Covered Call (Buy/Write)

Part 90: Currency Derivatives

Part 91: Equity Options Strategy

Part 92: Covered Call (Buy/Write)

Part 93: Currency Derivatives

Part 94: Equity Options Strategy

Part 95: Covered Call (Buy/Write)

Part 96: Currency Derivatives

Part 97: Equity Options Strategy

Part 98: Covered Call (Buy/Write)

Part 99: Currency Derivatives

Part 100: Equity Options Strategy

Option Strategy Guides

Select an option

Symbol: CM19 MAR 2021 125.00 Call

Inputs:

Underlying Price (\$): 125.62

Volatility (%): 16.65

Interest Rate (%): 0.12

Dividend Amount (\$): 1.46

Dividend Frequency: Quarterly

Expected Dividend Date: 26/03/2021

Option Type: American

Type of Underlying: Stock/ETF

Option Type: Call

Expiration Date: 19/03/2021

Days to Expiration: 2

Strike Price (\$): 125.00

No of steps (max 100): 30

THEORETICAL PRICE: \$0.98

DELTA: 0.6583

GAMMA: 0.2392

VEGA: 0.0348

THETA: -0.1435

PSI: 0.0045

Implied Volatility: 22.96

Options Calculator

For more information, visit www.m-x.ca/Education