



## MARKET ANNOUNCEMENT

3 December 2008

### ASX Monthly Activity Report - November 2008

November saw continued volatility in equity and debt markets across the globe. However, there were signs, particularly in the US, of an easing in the worst of the credit market dislocations as market interest rates declined significantly. Australian equity values fell sharply before rallying toward the end of November in line with trends in other major markets.

Trading volumes in cash equities remained robust despite the volatility in markets and an overall decline in market indices, with ASIC's removal of the ban on covered short selling of non-financial stocks on 19 November 2008 coinciding with an uplift in the number and value of cash market trades late in the month.

While volatility and declining equity values continued to deter initial public offerings (IPOs), the strength of secondary capital raisings continued into November as companies with a need for capital looked for opportunities to strengthen balance sheets or to finance corporate activities. During November, there were several large individual capital raisings including National Australia Bank (\$3 billion), GPT Group (\$1.3 billion), and Goodman Group (\$950 million).

ASX's trading, clearing and settlement systems provided market users with reliable uptime availability throughout the month.

#### Listings and capital raisings

- In November 2008 there were 4 entities admitted for listing, compared to 27 in the previous corresponding period (pcp). Total listed entities at end November 2008 were 2,227<sup>1</sup>, up 3% on the 2,159 as at end November 2007.
- Total capital raised in November 2008 amounted to \$8.3 billion, up 60% on the pcp. There was no new capital raised through IPOs and \$8.3 billion in secondary raisings, up 102% on pcp.

#### Trading – Cash markets (including equities, interest rates and warrants trades)

Equity values oscillated in the first part of the month before trending sharply lower around the middle of the month. At its low point on 21 November, the All Ordinaries Index had declined 18% from its October close, and was 53% down on its November 2007 peak.

The ASIC ban on short selling of non-financial stocks was lifted on 19 November 2008 with the ban on short selling of financial stocks remaining in place until 27 January 2009. While there are a range of interconnected factors that drive market activity levels, both economic/financial factors and those related to market microstructure, some useful information on the impact of the interim prohibition can be gleaned from activity levels:

- There were declines of 15% in orders and 9% in trades during the period of the ban (ie 22 September to 18 November) when compared to the period from the start of July 2008 to the commencement of the ban; and

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<sup>1</sup> Entities include companies and trusts with quoted equities (including individual entities that trade as stapled securities) and also other entities with debt securities only.

- In the trading days after the removal of the ban on non-financial stocks, orders increased 40% and trades 10% when compared to the period of the ban.

As a consequence of the removal of the ASIC ban on short selling of non-financial stocks, ASX established processes to support the daily reporting of all short trades. These reports are released to the market, including being posted on the ASX website on the following business day.

- Total cash market trades for November 2008 were 8.3 million, up 6% on the pcp, notwithstanding the short-term ban on short selling which remained in place for the first half of the month, and current investor sentiment.
- Average daily trades of 413,197 were 16% up on the pcp.
- Total cash market traded value was \$85.2 billion in November 2008, down 44% on the pcp, with a daily average value of \$4.262 billion, down 39% on the pcp. The All Ordinaries index fell 7.8% during the month of November 2008 and was 44.3% lower than at the end of November 2007.
- In November 2008 the average value per trade was \$10,314, down 47% on the pcp (\$19,580 pcp), and the percentage of traded value crossed was 20% (26% pcp).

### Trading - Derivatives markets

SPI 200 index futures contract volumes have continued their strong recent performance from October facilitating significant price discovery, in keeping with the trend in leading index futures contracts in overseas markets.

Australian market interest rates fell sharply across the board during November following the larger than expected 75 basis point cut in official interest rates on 4 November, and expectations of further cuts (borne out in yesterday's RBA announcement) in response to weakening economic conditions. Revised forecasts for Australian and global growth were released during November by the Treasury, RBA, IMF and OECD, pointing to the likelihood of a global recession and a much lower growth rate for Australia.

Trading in Australian interest rate futures contracts spiked in advance of the RBA's early November interest rate decision, but was generally subdued during something of a hiatus month for debt issuance as clarification around bank deposit guarantee arrangements was sought and emerged, and term funding from banks was reduced. Short-term interest rates futures volumes in offshore markets were also markedly lower.

- Equity derivatives volume (excluding SPI 200) for November 2008 was 1.6 million contracts, down 22% on the pcp, with a daily average of 80,428 contracts, down 14% on pcp.
- Total futures and options on futures contracts volume (excluding equity derivatives and CFDs) for November 2008 was 3.4 million, down 56% on the pcp, with a notional value of \$1.5 trillion. Average daily contracts volume during November 2008 of 172,076 was down 51% on the pcp.
- A total of 5,258 ASX CFD trades were transacted in November 2008 comprising a volume of 2.8 million contracts. The total notional value of all CFD trades for November was \$96.6 million, and the value of CFD open interest at the end of November was \$39.0 million.

### Clearing

All on-market trades are novated by ASX's two (equities and derivatives market) central counterparty clearing house subsidiaries (CCPs), which act as counterparties to those trades and replace bilateral counterparty exposures.

Continued market volatility during November 2008 guided a range of actions and changes to risk parameters by ASX's CCPs. The steps taken by the CCPs to deal with this environment included:

- Intra-day margin calls on the CCPs' clearing participants across all ASX and SFE-traded markets, totalling \$2.4 billion over 17 days (to 28 November 2008). Initial margin rates on debt, equity and commodity derivatives positions were unadjusted during November.

Initial margins have been set at levels that reflect current market volatility and conditions. They are designed to ensure the CCPs are adequately collateralised, given current market volatility and conditions, to appropriately risk-manage clearing participant exposures.

- Ongoing review of, and adjustments where necessary to, limits and risk model parameters to ensure the CCPs' variable capital protection levels remained appropriate.

## Settlement

The removal of the short selling ban on non-financial stocks has not been accompanied by any deterioration in settlement performance; in fact settlement performance measures continue to improve. Initial (ie source of failure) settlement delays remain below normal levels of less than 1%, with a record low rate of 0.11% on 7 November 2008.

There were no delays with the completion of batch settlement in the equities market during November and fixed income settlement through Austraclear was conducted normally.

In response to guarantee arrangements for deposits and wholesale funding of eligible authorised deposit taking institutions announced by the Australian Government, Austraclear has moved to provide approved participants with the ability to distinguish Electronic Negotiable Certificates of Deposit and Electronic Bank Accepted Bills as guaranteed in the Austraclear system from 1 December 2008.

## Supervisory monitoring and enforcement activity

The primary focus of ASX's surveillance activity remained on insider trading and manipulative price support, particularly in less liquid stocks. Attention was also given to identifying apparent short selling contrary to ASIC's prohibition on short selling.

Following the limited removal of the ban, focus was upon the nature of reporting by ASX trading participants. New short selling obligations announced by ASIC that took effect on 19 November 2008 required trading participants to report gross short sales executed during the trading day. As expected with any significant change introduced over a truncated timeframe, there were issues with the timeliness and accuracy of the information provided in the initial daily reports. A program of intensive ASX contact with relevant participants has resulted in raised awareness of the errors and improved standards of reporting. It is expected that quality of reporting will improve as trading participants implement improved procedures.

Although futures markets were highly volatile throughout November, ASX's futures surveillance observed that trading activity in all contracts remained orderly and efficient.

- In November 2008, there were:
  - 10,929 company announcements processed, down 18% on pcp;
  - 28 price queries issued to listed entities, down 33% on pcp; and
  - 112 trading halts granted, down 36% on pcp.

A detailed activity statement for ASX group markets for November 2008 is attached.

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	Nov 2008	Nov 2007	November 2008 Financial YTD	November 2007 Financial YTD
<b>Cash Markets</b>				
Total Trading Days	20	22	109	110
<b>Cash Market Volume</b>				
Total Trades	8,263,941	7,827,984	48,477,259	34,266,666
Change on PCP	6%		41%	
Average Daily Trades	413,197	355,817	444,745	311,515
Change on PCP	16%		43%	
<b>Cash Market Value (including Value of Crossed Trades)</b>				
Total Value (\$billion)	85.238	153.269	561.292	731.335
Change on PCP	(44%)		(23%)	
Average Daily Value (\$billion)	4.262	6.967	5.149	6.649
Change on PCP	(39%)		(23%)	
<b>Cash Market Behaviour Statistics</b>				
Percentage of Turnover Crosses (%)	20%	26%	26%	27%
Off-Market Crossings Represent 9% and On-Market 11% of Turnover				
Non Billable Value (Above Cap) (\$billion)	3.841	5.401	18.366	27.117
Total Billable Value (\$billion)	81.397	147.868	542.926	704.218
Billable Value - Off-Market Crossings (%)	10%	10%	11%	10%
Billable Value - On-Market Crossings (%)	13%	13%	13%	14%
Note - Cash Market includes Equity, Warrant and Interest Rate Market Transactions				
<b>Derivatives Markets</b>				
Equity Derivatives Total Trading Days	20	22	109	110
<b>Equity Derivatives Volume (excluding SPI 200)</b>				
Total Contracts	1,608,565	2,059,287	8,466,279	11,025,585
Change on PCP	(22%)		(23%)	
Average Daily Contracts	80,428	93,604	77,672	100,233
Change on PCP	(14%)		(23%)	
<b>Futures &amp; Options Total Trading Days</b>				
	20	22	109	110
<b>CFD Market (commenced 5 Nov 2007)</b>				
Total Trades	5,258	4,660	38,184	4,660
Notional Value Traded (\$million)	96.6	153.8	846.4	153.8
Total Open Interest Value as at 30 November (\$million)	39.0	38.3	39.0	38.3
Total Contracts	2,814,389	4,760,437	24,011,258	4,760,437
<b>Futures Volume (including SPI 200)</b>				
Total Contracts	3,340,394	7,572,423	28,396,799	37,420,740
Change on PCP	(56%)		(24%)	
Average Daily Contracts	167,020	344,201	260,521	340,189
Change on PCP	(51%)		(23%)	
<b>Options on Futures Volume</b>				
Total Contracts	101,132	208,779	811,439	1,210,594
Change on PCP	(52%)		(33%)	
Average Daily Contracts	5,057	9,490	7,444	11,005
Change on PCP	(47%)		(32%)	
<b>Total Future &amp; Options (Derivatives) Volume</b>				
Total Contracts	3,441,526	7,781,202	29,208,238	38,631,334
Change on PCP	(56%)		(24%)	
Average Daily Contracts	172,076	353,691	267,965	351,194
Change on PCP	(51%)		(24%)	
<b>Listings and Capital Raisings</b>				
New Listed Entities Admitted	4	27	32	119
Change on PCP	(85%)		(73%)	
Total Listed Entities (at End of Month)	2,227	2,159		
Change on PCP	3%			
Initial Capital Raised (\$million)	0	1,100	1,400	6,587
Secondary Capital Raised (\$million)	8,344	4,129	28,391	26,979
Total Capital Raised (\$million)	8,344	5,229	29,791	33,566
<b>Margin Balances - at End of Month</b>				
Cash Margins Held (\$billion)	7.6	4.3		
Cash Equivalents Held (\$billion)	0.0	0.0		
Collateral Cash Cover Held (Equities and Guarantees)	1.9	3.0		