



## **MARKET ANNOUNCEMENT**

3 June 2009

### **ASX Group Monthly Activity Report - May 2009 (Including Fee and Rebate Scheme Changes for FY2010)**

Equity values of ASX listed stocks rose for the third consecutive month during May 2009 as volatility remained relatively moderate. Both capital raising and secondary trading activity were strong. The rally in world equity markets since the lows of March 2009 has occurred despite economic indicators continuing to highlight the weakness in the global economy. However, the recovery appears to be driven, in part, by growing confidence that the risk of a re-emergence of extreme global financial instability may have dissipated somewhat.

Credit market conditions continued to moderate in Australia and abroad during May. Government bond markets saw some increased volatility, particularly in the US and UK, as the scale of borrowing to fund large prospective budget deficits raised questions around the ability of fixed income markets to absorb large volumes of issuance. While the Australian Government's Budget (released on 12 May) also anticipated significant debt issuance over coming years, concerns around the market's appetite have not been as prominent in Australia, despite a rise in long-term bond yields, given the recent historic scarcity of Commonwealth bonds on issue.

Volatility in Australian equity markets (as measured by daily movements in the All Ordinaries Index) remained around levels experienced in the previous two months, with average daily movements of 1.1%. Australian volatility during May remained below that in the US where movements in the S&P500 Index averaged 1.4% a day. However, US volatility has declined significantly in the past two months and is moving towards levels experienced prior to the collapse of Lehman Brothers in September last year. Expectations of future volatility (as measured by the (VIX) CBOE Volatility Index) have also declined sharply, with the index falling below 30 by the end of May after reaching a peak above 80 late last year.

The Australian Securities and Investments Commission (ASIC) announced on 25 May that it was, with immediate effect, removing the ban on covered short selling of financial securities that it had introduced in September 2008. Over the course of the ban, the All Ordinaries Index (which has a large weighting of financial stocks) fell 22.4% compared to a 24.6% fall in the S&P/ASX200 (Financials), although the financial index traded in a significantly wider range over that period. At the same time, average daily volatility of the All Ordinaries was 1.6% compared to 2.0% for financial stocks.

Daily average trading volumes in cash equities were strong in May and back towards the levels reached in mid-2008.

Primary capital raisings remained very subdued in May with one new listing during the month. However, significant secondary capital raising activity continued to flow as companies took advantage of strong demand for stock. During May, there were several large individual capital raisings, including Santos (\$1.8 billion), Stockland (\$1.6 billion) and GPT Group (\$1.4 billion).

Increased activity in primary issuance of fixed interest securities helped underpin stronger trading activity in fixed income derivative products.

ASX's trading, clearing and settlement systems provided market users with reliable uptime availability throughout the month. An upgrade to the Integrated Trading System (ITS) was completed during May, more than doubling the previous daily trade and order book change capacity, and reducing order transaction response times (latency).

## Listings and capital raisings

- In May 2009 there was 1 new listing, compared to 9 in the previous corresponding period (pcp). Total listed entities at the end of May 2009 were 2,205<sup>1</sup>, down 1% on the 2,223 a year ago.
- Total capital raised in May 2009 amounted to \$11.3 billion, up 305% on the pcp, with the entire amount being secondary capital raised.

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

The All Ordinaries Index closed at 3,813.3, a rise of 1.8% over the course of the month. The index remains 34% below its level of a year ago but is up 22.5% from the low in early March 2009.

- Total cash market trades for May 2009 were 9.2 million, in line with the pcp despite one less trading day.
- Average daily trades for May 2009 of 436,813 were 4% higher than the pcp.
- Total cash market traded value was \$90.3 billion in May 2009, down 31% on the pcp, with a daily average value of \$4.3 billion, down 27% on the pcp.
- In May 2009 the average value per trade was \$9,845, down 30% on the pcp of \$14,150, and the percentage of traded value crossed was 27% (26% pcp).

## Trading - Derivatives markets

Activity in Australian interest rate futures contracts remained healthy in May, assisted by strong debt issuance and changing interest rate expectations resulting in a steepened yield curve as investors responded to macroeconomic indicators and the expected supply of bonds.

The Reserve Bank kept the official cash rate unchanged at 3% at its meeting on 5 May. The SFE overnight cash rate futures contract yield curve shifted upwards over the month. While it continues to indicate that a further monetary policy easing is expected over coming months, the expected decline has been trimmed from a further 50 basis points to 25 basis points.

The Australian Government issued \$6.3 billion worth of bonds and a further \$6.0 billion of Treasury Notes during May. The Budget Papers forecast that the stock of Treasury Bonds on issue will rise to around \$133 billion by the end of financial year 2009-10, with most new issuance being in current bond lines. However, the Government also indicated it would be issuing a new 2022 bond line in the second half of this year to support the ongoing operation of the ten year bond futures contract.

Despite some skittishness in overseas bond markets, demand for Australian Government securities remained strong in May with the average coverage ratio of bids for the tenders held during the month being 3.9 times (up from 3.8 times in April). Austraclear holdings of semi-government bonds rose by \$2.7 billion over the month.

Despite the strength of demand, government bond rates across the yield curve rose during May, particularly at the long end with ten year bond rates around 70 basis points higher and back to levels last seen in November 2008.

Australian companies, particularly financial institutions, continue to tap both domestic and international debt markets, with Australian banks expanding their use of non-government guaranteed issuance. May also saw the re-emergence of the Kangaroo bond market (\$A debt issued by non-Australian companies) with \$A3.2 billion in new issuance.

- Equity derivatives volume (excluding ASX SPI 200) for May 2009 was 1.5 million contracts, down 13% on the pcp, with a daily average of 70,270 contracts, down 9% on pcp.

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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.

- Total futures and options on futures contracts volume (excluding equity derivatives and CFDs) for May 2009 was 4.6 million, down 16% on the pcp, with a notional value of \$1.93 trillion. Average daily contracts volume during May of 217,687 was down 12% on the pcp.
- ASX SPI 200 index futures contract volumes traded in May 2009 were 589,127, up 20% on May 2008.
- A total of 8,054 ASX CFD trades were transacted in May 2009 comprising a volume of 13.4 million contracts. The total notional value of all CFD trades for May was \$168.3 million, and the value of CFD open interest at the end of May was \$58.8 million. A record 1,747,928 contracts traded on 27 May. This is an 18% increase on the previous record set on 23 April 2009.

## Clearing

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

- Total margins (including additional margins held against stress testing exposures and concentrated large positions) averaged \$5.3 billion over May (excluding equity securities lodged in excess of the margin requirement), with margins lodged in cash averaging \$4.7 billion.
- Continued lower market volatility during the month kept intra-day margin call activity at relatively low levels.
- There were no material initial margin rate adjustments during the month.
- Effective 1 June, the Australian Clearing House (ACH) strengthened the financial resources supporting its relevant clearing guarantee fund by replacing a \$100 million default insurance policy arrangement with a fully drawn subordinated loan from an Australian ADI bank. ACH will increase the administration fee charged on cash margins lodged from 50 to 65 basis points effective 1 July 2009 in order to contribute to servicing its borrowing cost.

## Settlement

There were no delays with the completion of batch settlement in the equities market during May 2009 and fixed income settlement through Austraclear was conducted normally. In response to the Government's deposit and wholesale funding guarantee arrangements, eligible institutions had issued approximately \$9.1 billion in Guaranteed Electronic Negotiable Certificates of Deposit as at 29 May 2009. This amount represents approximately 4% of the total Electronic Certificates of Deposit on issue as at this date.

Equity settlement delivery fail rates continue to average well below the 1% daily historical benchmark, which itself is low by global standards for developed equity settlement systems.

The introduction of a close-out obligation on ASTC settlement participants, from 30 March 2009, has further improved settlement certainty and efficiency by acting to accelerate the clearing of settlement delays. In May 2009, 85% of those settlements that were not completed on T+3 (ie 0.53% of all settlements) settled on T+4 and 95% were settled by T+5, compared to an average of 80% and 91% respectively in the March quarter 2009.

## 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. ASX's futures surveillance observed that trading activity in all contracts remained orderly and efficient during May.

- In May 2009, there were:
  - 8,450 company announcements processed, down 17% on pcp;
  - 83 price queries issued to listed entities, up 26% on pcp; and
  - 128 trading halts granted, up 2% on pcp.

The next comprehensive ASX Markets Supervision quarterly activity report will be published in early July 2009.

## ASX Fees and Activity Rebates

### Listing fees

Annual listing fees applicable for FY2010 will be increased for the first time since 2006. The effect of this change for ASX will be an increase in total annual listing fee revenue equivalent to slightly less than the growth of CPI over the three-year period since these fees were last changed. Given that each listed entity's circumstances are different, the revised annual listing fee for each listed entity will vary depending upon individual share price performance and capital raising activity throughout the year, as well as any movement of an entity between the new market capitalisation bands that are used to calculate annual listing fees.

New rates for initial listing and subsequent listing fees will apply from 1 July 2009.

Details of the new listing fee rates have been published in the ASX Guidance Note on ASX Listing Fees which is available on [http://www.asx.com.au/ListingRules/guidance/gn15\\_schedule\\_of\\_listing\\_fees\\_fy10.pdf](http://www.asx.com.au/ListingRules/guidance/gn15_schedule_of_listing_fees_fy10.pdf).

### Rebates

ASX is continuing to share the benefits of trade execution growth with both investors and large users of ASX's services. Accordingly, the following rebate arrangements for FY2010 will apply from 1 July 2009:

- The Large Participant Rebate (LPR) initial growth threshold will be 0%. Any growth in ASX gross cash market revenues over this initial threshold will attract rebates of 50%. A second growth threshold will be set at 15%. Any growth in gross cash market revenues over this second threshold will attract rebates of 75% in favour of participants. All other aspects of the LPR scheme remain the same.
- The Large Volume Rebate (LVR) initial growth threshold will be 0%. Any growth in eligible derivative volumes over this initial threshold will attract rebates of 50%. A second growth threshold will be set at 15%. Any growth in eligible derivative volumes over this second threshold will attract rebates of 75% in favour of participants. All other aspects of the LVR scheme remain the same.

A detailed activity statement for ASX Group markets for May 2009 is attached.

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	May 2009	May 2008	May 2009 Financial YTD	May 2008 Financial YTD
<b>Cash Markets</b>				
<b>Total Trading Days</b>	21	22	233	233
<b>Cash Market Volume</b>				
Total Trades	9,173,074	9,197,166	96,389,449	81,831,650
Change on PCP	-		18%	
Average Daily Trades	436,813	418,053	413,689	351,209
Change on PCP	4%		18%	
<b>Cash Market Value (including Value of Crossed Trades)</b>				
Total Value (\$billion)	90.305	130.144	1,013.142	1,481.937
Change on PCP	(31%)		(32%)	
Average Daily Value (\$billion)	4.300	5.916	4.348	6.360
Change on PCP	(27%)		(32%)	
<b>Cash Market Behaviour Statistics</b>				
Percentage of Turnover Crosses (%)	27%	26%	26%	26%
Off-Market Crossings Represent 14% and On-Market 13% of Turnover				
Non Billable Value (Above Cap) (\$billion)	2.637	3.106	31.906	51.474
Total Billable Value (\$billion)	87.668	127.038	981.237	1,430.462
Billable Value - Off-Market Crossings (%)	12%	10%	11%	11%
Billable Value - On-Market Crossings (%)	14%	14%	13%	14%
Note: Cash Market includes Equity, Warrant and Interest Rate Market Transactions				
<b>Derivatives Markets</b>				
<b>Equity Derivatives Total Trading Days</b>	21	22	233	233
<b>Equity Derivatives Volume (excluding SPI 200)</b>				
Total Contracts	1,475,676	1,694,173	17,355,937	21,496,316
Change on PCP	(13%)		(19%)	
Average Daily Contracts	70,270	77,008	74,489	92,259
Change on PCP	(9%)		(19%)	
<b>Futures &amp; Options Total Trading Days</b>	21	22	234	235
<b>Futures Volume (including SPI 200)</b>				
Total Contracts	4,343,665	5,254,212	55,155,617	78,506,129
Change on PCP	(17%)		(30%)	
Average Daily Contracts	206,841	238,828	235,708	334,069
Change on PCP	(13%)		(29%)	
<b>Options on Futures Volume</b>				
Total Contracts	227,753	200,918	1,611,562	2,372,356
Change on PCP	13%		(32%)	
Average Daily Contracts	10,845	9,133	6,887	10,095
Change on PCP	19%		(32%)	
<b>Total Futures &amp; Options (Derivatives) Volume</b>				
Total Contracts	4,571,418	5,455,130	56,767,179	80,878,485
Change on PCP	(16%)		(30%)	
Average Daily Contracts	217,687	247,960	242,595	344,164
Change on PCP	(12%)		(30%)	
<b>CFD Market (commenced 5 Nov 2007)</b>				
Total Trades	8,054	6,776	79,153	43,303
Notional Value Traded (\$million)	168.3	201.4	1,754.1	1,391.1
Total Open Interest Value as at 31 May (\$million)	58.8	59.9	58.8	59.9
Total Contracts	13,429,817	7,306,260	77,708,281	50,584,973
<b>Listings and Capital Raisings</b>				
New Listed Entities Admitted	1	9	45	222
Change on PCP	(89%)		(80%)	
Total Listed Entities (at End of Month)	2,205	2,223		
Change on PCP	(1%)			
Initial Capital Raised (\$million)	-	179	1,808	10,967
Secondary Capital Raised (\$million)	11,340	2,624	77,983	45,675
Total Capital Raised (\$million)	11,340	2,803	79,791	56,642
<b>Margin Balances - at End of Month</b>				
Cash Margins Held (\$billion)	4.7	3.8		
Cash Equivalents Held (\$billion)	0.6	0.0		
Collateral Cash Cover Held (Equities and Guarantees) (\$billion)	3.5	3.8		