



## MARKET ANNOUNCEMENT

4 March 2009

### ASX Monthly Activity Report - February 2009

February 2009 saw declines in equity market indices across the globe while some stability returned to global credit markets despite conditions remaining tight. Continued uncertainty about the health of US and European financial institutions, and the future path of the global economy continued to undermine confidence in financial markets and the risk tolerance of investors.

Despite these concerns, volatility in Australian equity markets (as measured by daily movements in the All Ordinaries Index) continued to moderate during February with average daily movements of 0.9%. This is a return to levels last observed in June 2008, well before the significant increase in market volatility which followed the collapse of Lehman Brothers in the US (September 2008). Volatility in Australian financial stocks remained higher, with average daily movements of 1.5% in the S&P/ASX 200 Financial Index, as a consequence of uncertainty over a number of large bank groups in the US. The ASIC ban on short selling of ASX-listed financial stocks remained in place during February.

Trading volumes in cash equities increased from the very subdued January 2009 levels, but still remain below the average trading levels experienced over the course of 2008.

The primary capital raising market remained weak in February with four initial public offerings (IPOs) during the month. However, companies continued to take advantage of opportunities (often coinciding with the release of their half-yearly results) to bolster their balance sheets through secondary capital raisings. During February, there were several large individual capital raisings including Westfield Group (\$2.9 billion), Wesfarmers (\$2.8 billion), and Suncorp-Metway (\$0.9 billion).

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

#### Listings and capital raisings

- In February 2009 there were 4 entities admitted for listing, compared to 15 in the previous corresponding period (pcp). Total listed entities at the end of February 2009 were 2,218<sup>1</sup>, down on the 2,223 a year ago at the end of February 2008.
- Total capital raised in February 2009 amounted to \$10.3 billion, up 282% on the pcp. There was \$54 million of new capital raised through IPOs and \$10.2 billion in secondary raisings.

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

Equity values declined over the month. At its closing low point on 24 February 2009, the All Ordinaries Index was at its lowest closing level in five years (February 2004).

- Total cash market trades for February 2009 were 7.3 million, down 8% on the 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.

- Average daily trades for February 2009 of 366,383 were 3% lower than the pcp.
- Total cash market traded value was \$68.2 billion in February 2009, down 49% on the pcp, with a daily average value of \$3.4 billion, down 46% on the pcp. The All Ordinaries Index fell 5.2% during the month of February 2009 and was 41.9% lower than at the end of February 2008.
- In February 2009 the average value per trade was \$9,313, down 44% on the pcp (\$16,700 pcp), and the percentage of traded value crossed was 23% (24% pcp).

### Trading - Derivatives markets

SPI 200 index futures contract volumes increased slightly from the low activity levels in January 2009, but remain below the levels experienced in February 2008. There was a significant rise in trading in fixed interest futures, with trading in the benchmark 3 Year Bond contract reaching (non-expiry month) levels not seen since the major credit market dislocations emerged in September 2008.

Australian market interest rates at the short end of the yield curve fell during February 2009. The Reserve Bank reduced the official cash rate by 100 basis points to 3.25% on 3 February, with the SFE overnight cash rate futures contract at the end of February indicating further cuts are expected over coming months. Yields on Government bonds rose during February, while shorter-term bank bill rates declined over the same period.

Trading in Australian interest rate futures contracts rebounded from recent subdued levels but remain well below the volume trend prevailing prior to the events of September 2008. This increase was driven largely by: increased Government debt issuance (moving to twice-weekly bond tenders to finance the larger projected budget deficit and the imminent reintroduction of the Treasury Note tender program in early March to meet within-year financing needs); expectations that increasing issuance into individual bond lines will stimulate increasing secondary market liquidity; continued use by banks of the Government's guarantee to underpin debt issuance; and a relative tightening in credit spreads representing some easing in interbank credit market stress.

- Equity derivatives volume (excluding SPI 200) for February 2009 was 1.6 million contracts, down 7% on the pcp, with a daily average of 79,427 contracts, down 2% on pcp.
- Total futures and options on futures contracts volume (excluding equity derivatives and CFDs) for February 2009 was 4.3 million, down 39% on the pcp, with a notional value of \$1.9 trillion. Average daily contracts volume during February 2009 of 212,819 was down 36% on the pcp.
- Activity in ASX-listed CFDs showed strong growth during the month with a record 1,117,695 contracts being traded on 19 February. Total traded contracts volume for February 2009 increased 152% from the previous month. A total of 101.5 million contracts have traded since the market's start up in November 2007.

### 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.

Recent settings and reduced market volatility during February led to less frequent intraday margin calls and changes to risk parameters by ASX's CCPs than in previous months. The steps taken by the CCPs during February included:

- Intra-day margin calls on the CCPs' clearing participants across all ASX and SFE-traded markets were made on just one day during February for a total of \$49 million.
- Initial margin rates on debt and equity derivatives positions were reduced, reflecting more stable market conditions since the volatility of October/November 2008 which had pushed initial margin rates sharply higher.
- Ongoing review of, and adjustments where necessary to, risk model parameters to ensure the CCPs' variable capital protection levels remained appropriate.

## Settlement

There were no delays with the completion of batch settlement in the equities market during February 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 \$17.6 billion in Guaranteed Electronic Negotiable Certificates of Deposit as at 27 February 2009. This amount represents approximately 6.3% of the total Electronic Certificates of Deposit on issue as at this date.

Equity settlement performance continues to improve, with delivery fail rates averaging well below the 1% daily historical benchmark, which itself is low by global standards for developed equity settlement systems. A record low initial fail rate of 0.073% was experienced on 23 February 2009.

As notified in May 2008, ASX's equity settlement depository (ASTC) will introduce a settlement close-out obligation on 30 March 2009. The obligation will apply to those settlement participants that enter the Batch Settlement process with a net short position where a resulting settlement shortfall remains after the completion of settlement two (2) business days later (i.e. generally T+5). The close-out requirement will complement current economic disincentives by providing a means to guarantee that settlement delays have an end date.

## 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 monitoring compliance with ASIC's prohibition on short selling of ASX-listed financial stocks.

ASX's futures market surveillance observed that trading activity in all contracts remained orderly and efficient during February 2009.

- In February 2009, there were:
  - 9,317 company announcements processed, down 15% on pcp;
  - 69 price queries issued to listed entities, up 116% on pcp; and
  - 89 trading halts granted, up 29% on pcp.

A detailed activity statement for ASX group markets for February 2009 is attached.

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	Feb 2009	Feb 2008	February 2009 Financial YTD	February 2008 Financial YTD
<b>Cash Markets</b>				
<b>Total Trading Days</b>	20	21	170	171
<b>Cash Market Volume</b>				
Total Trades	7,327,653	7,956,675	70,300,340	56,617,915
Change on PCP	(8%)		24%	
Average Daily Trades	366,383	378,889	413,531	331,099
Change on PCP	(3%)		25%	
<b>Cash Market Value (including Value of Crossed Trades)</b>				
Total Value (\$billion)	68.239	132.875	761.010	1,109.295
Change on PCP	(49%)		(31%)	
Average Daily Value (\$billion)	3.412	6.327	4.477	6.487
Change on PCP	(46%)		(31%)	
<b>Cash Market Behaviour Statistics</b>				
Percentage of Turnover Crosses (%)	23%	24%	25%	26%
Off-Market Crossings Represent 10% and On-Market 13% of Turnover				
Non Billable Value (Above Cap) (\$billion)	0.756	2.989	23.959	37.042
Total Billable Value (\$billion)	67.483	129.886	737.051	1,072.253
Billable Value - Off-Market Crossings (%)	10%	9%	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>				
<b>Equity Derivatives Total Trading Days</b>	20	21	170	171
<b>Equity Derivatives Volume (excluding SPI 200)</b>				
Total Contracts	1,588,539	1,707,736	12,709,568	16,334,929
Change on PCP	(7%)		(22%)	
Average Daily Contracts	79,427	81,321	74,762	95,526
Change on PCP	(2%)		(22%)	
<b>Futures &amp; Options Total Trading Days</b>				
20	21	171	172	
<b>Futures Volume (including SPI 200)</b>				
Total Contracts	4,139,590	6,753,180	40,331,133	59,286,400
Change on PCP	(39%)		(32%)	
Average Daily Contracts	206,980	321,580	235,855	344,688
Change on PCP	(36%)		(32%)	
<b>Options on Futures Volume</b>				
Total Contracts	116,791	253,810	1,041,249	1,884,520
Change on PCP	(54%)		(45%)	
Average Daily Contracts	5,840	12,086	6,089	10,957
Change on PCP	(52%)		(44%)	
<b>Total Future &amp; Options (Derivatives) Volume</b>				
Total Contracts	4,256,381	7,006,990	41,372,382	61,170,920
Change on PCP	(39%)		(32%)	
Average Daily Contracts	212,819	333,666	241,944	355,645
Change on PCP	(36%)		(32%)	
<b>CFD Market (commenced 5 Nov 2007)</b>				
Total Trades	8,286	5,987	56,334	25,089
Notional Value Traded (\$million)	194.7	196.4	1,256.6	854.2
Total Open Interest Value as at 28 February (\$million)	40.4	66.8	40.4	66.8
Total Contracts	12,821,020	7,587,954	45,083,353	29,777,814
<b>Listings and Capital Raisings</b>				
New Listed Entities Admitted	4	15	41	208
Change on PCP	(73%)		(80%)	
Total Listed Entities (at End of Month)	2,218	2,223		
Change on PCP	-			
Initial Capital Raised (\$million)	54	194	1,568	10,697
Secondary Capital Raised (\$million)	10,228	2,497	53,770	36,012
Total Capital Raised (\$million)	10,282	2,691	55,338	46,709
<b>Margin Balances - at End of Month</b>				
Cash Margins Held (\$billion)	5.2	4.3		
Cash Equivalents Held (\$billion)	0.0	0.0		
Collateral Cash Cover Held (Equities and Guarantees)	2.8	3.5		