



MARKET ANNOUNCEMENT

5 November 2009

ASX Group Monthly Activity Report – October 2009

Values of ASX-listed stocks fell over the course of October 2009 for the first time since February 2009, in line with global declines in most major stock markets. Uncertainty from the corporate reporting season and general economic indicators in the US drove skittishness in financial markets. Volatility rose slightly in Australian equity markets (as measured by daily movements in the All Ordinaries Index) with average daily movements of 1.0%, slightly below that experienced in US markets during the month.

Activity in Australia's primary capital raising market continued its recent resurgence with four initial public offerings (IPOs) during October. Secondary capital raisings continued to remain robust. During October there were several large individual capital raisings including by the Commonwealth Bank of Australia (\$2.0 billion), Oil Search Limited (\$894.9 million) and AWB Limited (\$458.6 million). Capital raised from dividend reinvestment plans in October amounted to \$2.4 billion.

Secondary market activity in equity markets remained strong, with a total of 11.8 million cash equity trades transacted in October 2009, the second highest monthly figure recorded, 4% lower than the record level recorded in the previous month.

Listings and capital raisings

- In October 2009 there were four new listings, compared to three in the previous corresponding period (pcp). Total listed entities at the end of October 2009 were 2,171¹, down 3% on the 2,230 a year ago.
- Total capital raised in October 2009 amounted to \$9.0 billion, up 31% on the pcp. There was \$86.0 million of new capital raised and \$8.9 billion in secondary raisings. For the first four months of financial year 2010, capital raised from IPOs and secondary raisings is up 54% and 83% respectively on pcp.

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

The All Ordinaries Index closed at 4,646.9 points, a fall of 1.9% over the course of the month. The index is 16.7% higher than its level of a year ago, and is up 49.3% from the low in early March 2009, but is 32.2% lower than its peak in November 2007.

- Total cash market trades for October 2009 were 11.8 million, up 19% on the pcp.
- Average daily trades for October 2009 of 536,322 were 25% higher than the pcp.
- Total cash market traded value was \$117.8 billion in October 2009, up 12% on the pcp, with a daily average value of \$5.4 billion, up 17% on the pcp.
- In October 2009 the average value per trade was \$9,984, down 6% on the pcp of \$10,672, and the percentage of traded value crossed was 28% (25% pcp).

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

Trading – Financial derivatives markets

Trading in interest rate futures contracts was active in October 2009 as eased monetary policy settings began to be wound back. The Reserve Bank of Australia (RBA) announced a 25 basis point increase in the official cash rate on 7 October to 3.25%. This was the first rate increase since March 2008 when the cash rate was 7.25%.

Interest rate derivative trading during October was disproportionately focused on short-term interest rate contracts, as the RBA signalled its intention of moving its monetary policy settings back to a more neutral stance.

Short-term yields were driven higher early in the month as the market started pricing in the possibility of a 50 basis point increase at the November 2009 meeting, rather than the 25 basis point increase that eventuated on 3 November.

The change in sentiment about the future path of interest rates was also reflected in the over-the-counter (OTC) market with the short-term cost of cash increasing. The three month Bank Bill Swap yield increased from 39 basis points over the official cash rate at the beginning of October (post the RBA rate hike) to 68 basis points by the end of the month.

Ongoing volatility across interest rate and equity markets drove an increase in interest rate option strategy activity. October saw a marked return to the term options market with a record monthly volume of 216,878 contracts being traded in the 3 Year Treasury Bond Options contract (the previous record was 139,347 contracts in March 2006). The majority of the activity occurred in out-of-the-money option strategies towards the beginning of the month as three year yields rallied. The strong buying demand, in what had previously been a quiet market for interest rate exchange-traded options activity, attracted significant option selling interest.

- Equity derivatives volume (excluding ASX SPI 200) for October 2009 was 1.6 million contracts, down 10% on the pcp, with a daily average of 74,776 contracts, down 6% on pcp.
- Total futures and options on futures contracts volume (excluding equity derivatives and CFDs) for October 2009 was 5.5 million, up 4% on the pcp, with a notional value of \$2.7 trillion. Average daily contracts volume during October of 249,472 was up 9% on the pcp.
- ASX SPI 200 Index futures contract volumes traded in October 2009 were 0.6 million, down 37% on the pcp. The difference to October 2008 activity is not surprising given the volume of usage of that contract during the short selling prohibition on single stocks that was introduced in September 2008.
- A total of 12,887 ASX CFD trades were transacted in October 2009, up 87% on the pcp, comprising a volume of 15.6 million contracts. The total notional value of all CFD trades for October was \$401.7 million, more than double the \$199.2 million in the pcp, while the value of CFD open interest at the end of October was \$91.9 million.

Trading – Commodity derivatives markets

Activity in ASX energy futures products continues to grow, providing valuable price discovery signals to assist investment decisions in that sector. Prices and trading activity are being driven by uncertainty around the timing establishment of the Government's Carbon Pollution Reduction Scheme (CPRS).

- A total of 10,153 electricity contracts (excluding strip trades) were traded in October 2009, a 13% increase on the pcp, and the month concluded with open interest of 52,472 contracts. Block trades, which are reported to ASX for centralised clearing, accounted for 63% of all trades in October (up from 56% in the pcp), suggesting that counterparty credit limits remain constrained in the OTC market.
- The duration of electricity contracts traded continues to occur almost exclusively in the period prior to the proposed mid-2011 start date of the CPRS.

ASX announced in early October 2009 that it would be listing (from 24 November 2009) futures and options contracts over Renewable Energy Certificates. These products will provide forward price signals to support the objectives of the Government's Renewable Energy Target scheme to increase the proportion of Australia's electricity generated by renewable sources. Similar environmental products will be listed in the first quarter of 2010 with contracts over Certified

Emission Reduction credits and, subject to the passage of the Government's emissions trading legislation, contracts over Australian Emissions Units to follow thereafter.

ASX's grain futures and options products continue to attract demand as an important hedging tool for growers, traders, and other market participants. Following its successful listing in September 2009, the new Western Australia Wheat contract has traded 10,239 contracts (representing in excess of 200,000 tonnes of grain), with open interest as at the end of October 2009 of 8,671 contracts (more than 170,000 tonnes).

- A total of 23,191 contracts in the suite of listed commodities (wheat, barley, sorghum and canola) were traded during October 2009, up 25% on the pcp. For the financial year to date, traded volumes are up 89% on the pcp.

Clearing

All on-market trades (equities and derivatives markets) are novated by ASX's two central counterparty clearing house subsidiaries, 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 \$3.7 billion over October 2009 (including excess cash collateral but excluding equity securities lodged in excess of the margin requirement), with cash margins lodged averaging \$2.9 billion.
- Market volatility during the month was at a level that kept intra-day margin call activity at low levels, particularly by comparison with October 2008.

Settlement

There were no delays with the completion of batch settlement in the equities market during October 2009 and fixed income settlement through Austraclear was conducted normally.

The levels of total debt holdings in Austraclear rose over the course of October by \$16.7 billion to \$1.09 trillion, with the largest rises being in Electronic Certificates of Deposit (+\$6.2 billion), corporate bonds (+\$5.1 billion), Commonwealth Treasury Indexed Bonds (+\$3.3 billion) and Commonwealth Treasury Bonds (+\$2.6 billion).

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

Shortly after the completion of the month (2 November 2009), ASX began the first phase of an initiative to improve the transparency of securities lending activity in the Australian equities market, by publishing a daily securities lending transaction report depicting gross transactional flow. Complementing this disclosure is information about the volume of securities lending transactions as a proportion of total transactions, the composition of the daily settlement batch, and a report measuring daily settlement performance.

The new reports can be found on the ASX website: http://www.asx.com.au/professionals/securities_lending/index.htm

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 October.

- In October 2009, there were:
 - 13,226 company announcements processed, down 5% on pcp;
 - 95 price queries issued to listed entities, down 19% on previous month (pcp not available); and
 - 126 trading halts granted, up 70% on pcp.

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

For further information:

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	Oct 2009	Oct 2008	Oct 2009 Financial YTD	Oct 2008 Financial YTD
Cash Markets				
Total Trading Days	22	23	88	89
Cash Market Volume				
Total Trades	11,799,080	9,879,116	45,319,559	40,213,318
Change on PCP	19%		13%	
Average Daily Trades	536,322	429,527	514,995	451,835
Change on PCP	25%		14%	
Cash Market Value (including Value of Crossed Trades)				
Total Value (\$billion)	117.798	105.434	474.062	476.054
Change on PCP	12%		-	
Average Daily Value (\$billion)	5.354	4.584	5.387	5.349
Change on PCP	17%		1%	
Cash Market Behaviour Statistics				
Percentage of Turnover Crosses (%)	28%	25%	30%	26%
Off-Market Crossings Represent 15% and On-Market 13% of Turnover				
Non Billable Value (Above Cap) (\$billion)				
Total Billable Value (\$billion)	114.185	102.199	455.648	461.529
Billable Value - Off-Market Crossings (%)	13%	11%	15%	11%
Billable Value - On-Market Crossings (%)	14%	13%	13%	13%
Note: Cash Market includes Equity, Warrant and Interest Rate Market Transactions				
Derivatives Markets				
Equity Derivatives Total Trading Days	22	23	88	89
Equity Derivatives Volume (excluding SPI 200)				
Total Contracts	1,645,073	1,834,333	6,805,745	6,857,714
Change on PCP	(10%)		(1%)	
Average Daily Contracts	74,776	79,754	77,338	77,053
Change on PCP	(6%)		-	
Futures & Options Total Trading Days				
	22	23	88	89
Futures Volume (including SPI 200)				
Total Contracts	5,108,062	5,103,597	21,759,704	25,056,405
Change on PCP	-		(13%)	
Average Daily Contracts	232,185	221,896	247,269	281,533
Change on PCP	5%		(12%)	
Options on Futures Volume				
Total Contracts	380,322	169,382	1,037,395	710,307
Change on PCP	125%		46%	
Average Daily Contracts	17,287	7,364	11,789	7,981
Change on PCP	135%		48%	
Total Futures & Options (Derivatives) Volume				
Total Contracts	5,488,384	5,272,979	22,797,099	25,766,712
Change on PCP	4%		(12%)	
Average Daily Contracts	249,472	229,260	259,058	289,514
Change on PCP	9%		(11%)	
CFD Market				
Total Trades	12,887	6,906	40,768	32,926
Notional Value Traded (\$million)	401.7	199.2	1,348.2	749.8
Total Open Interest Value as at 31 October (\$million)	91.9	55.4	91.9	55.4
Total Contracts	15,611,225	4,316,786	58,204,207	21,196,869
Listings and Capital Raisings				
New Listed Entities Admitted	4	3	16	28
Change on PCP	33%		(43%)	
Total Listed Entities (at End of Month)	2,171	2,230		
Change on PCP	(3%)			
Initial Capital Raised (\$million)	86	185	2,160	1,400
Secondary Capital Raised (\$million)	8,888	6,659	36,797	20,047
Total Capital Raised (\$million)	8,974	6,844	38,957	21,447
Other Capital Raised including Scrip for Scrip (\$million)	216	1,078	1,027	10,652
Margin Balances - at End of Month				
Cash Margins Held on Balance Sheet (\$billion)	2.9	6.4		
Cash Equivalents Held on Balance Sheet (\$billion)	0.0	0.0		
Collateral Cash Cover Held (Equities and Guarantees) (\$billion)	4.1	2.9		