Historical record for financial derivatives in Argentina

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Risk management, in any economic activity, requires instruments that allow managing exposure to them and giving greater certainty to businesses. Technological advances allow constant improvement of risk management tools. Through the technologies applied to agriculture, agro-technologies or AgTech (as they are known globally), the transfer of techno-scientific developments to the processes of agricultural value chains is achieved, achieving greater efficiency of the whole. However, higher yields are necessary but not sufficient to improve profitability. Unfavorable price variations, observed in some campaigns, have significantly impaired the profitability margins of the business. Derivatives markets offer price coverage instruments (futures and options), which can be used strategically to safeguard profitability. These hedges, while not eliminating price fluctuations, minimize the impact of adverse changes, facilitating decision making and giving greater certainty to businesses. The technology at the service of these markets enables the analysis of large volumes of data and algorithms, allowing to value risks and perform transactions remotely. In the Argentine futures markets, electronic platforms are used to carry out transactions, which allow direct access to the market and the negotiation of contracts to establish future prices (maximum, minimum, price bands, etc.). In Argentina, two derivatives markets operate mainly: ROFEX (Rosario Futures Exchange) and MATBA (Buenos Aires Futures Market). In 2017, both markets signed an agreement for specialization and interconnection of the trading and settlement platforms. In agricultural derivatives there is much to grow in Argentina. The relationship between the total volume traded in the two derivatives markets in Argentina (ROFEX + MATba) and the national production of soy, corn and wheat, remains modest. This derivative/production ratio stood at around 25% in 2017. In contrast, the leading agricultural derivatives market in the world, CME (Chicago), negotiated about 88 times of wheat production in the 2016-2017 campaign, 71 sometimes soybean and 28 times corn, magnitudes that define it as the largest and most diversified futures market globally. Agricultural derivatives in Argentina In 2017, the tonnage negotiated jointly by ROFEX and MATBA in agricultural derivative contracts (soy, corn and wheat), amounted to almost 31 million tons, showing a decrease of 5.7% compared to 2016. 84% of that total tonnage was negotiated in futures contracts (25 million tons) and the remaining 16% in options. The underlying agricultural product most traded in futures and options continues to be soy, with more than 72% of the total, showing a decrease of 11.2% over the previous year. The soybean contracts most operated in Argentina in 2017 were: Soybean condition chamber (18.5 million tons with a decrease of 9.5% compared to 2016), Soybean Chicago (reduced its share by more than 40%) and thirdly, the ISR contracts (Rosafé Soybean Index). The latter reached 1.2 million tons, 31.5% more than in 2016. In the case of cereals, there was growth compared to 2016, reflecting in some way the increase in Argentine production with the advance of the planted area with these crops. In corn, 6 million tons were registered and 2.3 million tons of wheat, respectively 14 and 15.5% higher than the previous year, according to data published by ROFEX. The "mini" (10 tn) contracts for soy, corn and wheat, jointly launched by MATBA and ROFEX in November 2017, reached 220 thousand tons negotiated in its first two months of life. More than 50% of that volume belongs to soy, and the rest to cereals in similar proportions. Another innovative product, jointly launched by both markets last August, is the future of live cattle (steer and calf Rosgan) that has negotiated about 2,500 contracts, equivalent to 2.5 million kilograms. Financial derivatives in ROFEX With respect to Argentine financial derivatives, and as the foundations of the aforementioned inter-market specialization agreement reveal, the excellent performance of ROFEX stands out, especially of its derivative contract on currency "Dollar Futures Contract" being the sixth most negotiated contract in the world of derivatives on foreign currency. This situation positions ROFEX in the 23rd position (below the Singapore market) of the Derivatives Market Global Ranking, which is developed every year by the leading association in the futures industry, FIA. The CME Group leads the ranking. The 2017 ROFEX

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operations in financial contracts registered a historical maximum. Nearly 150 million contracts were formalized, which implies an increase of 33% over the annual volume accumulated in 2016. The undisputed leader of its financial division is still the future dollar contract, which has represented - since its inception - more of 99% of the total contracts negotiated in that division. In 2017, more than 148.5 million contracts on future dollar were negotiated, 32% more than 2016 and 103% more than in 2015, representing a value in dollars close to 150,000 million. The average daily volume during 2017 was 603 million dollars, showing an increase of 32.6% with respect to the previous year and 85.2% more than in 2015. Considering the whole of the dollar term markets that exist in Argentina (ROFEX, MATba and the OTC wheel of MAE), during 2017 the total negotiated volume amounted to 160,000 million dollars. ROFEX represents a 93% market share.

Table N° 1: ROFEX Agricultural Derivatives. Operated contracts and volumes.

	Contracts	Variation previous year	Operated volume (tons)	Variation previous year	Delivered volume (tons)	Variation previous year
2017	497.400	-17%	6.884.745	40%	162.810	-14%
2016	596.410	82%	4.920.275	35%	188.220	-51%
2015	327.175	25%	3.656.650	-5%	384.450	-38%
2014	261.951	-51%	3.868.980	-61%	615.180	-30%
2013	533.347	24%	9.795.785	-6%	880.470	8%
2012	431.159	29%	10.461.345	5%	811.590	13%
2011	334.474	27%	9.916.770	25%	716.580	74%
2010	263.450	19%	7.903.500	19%	411.520	307%
2009	221.079	55%	6.632.370	55%	101.000	57%
2008	142.917	-42%	4.287.510	-42%	64.325	
2007	246.269	62%	7.388.070	62%	s/d	
2006	151.829	-10%	4.554.870	-10%	s/d	
2005	168.325	44%	5.049.750	44%	s/d	
2004	116.677	692%	3.500.310	692%	s/d	
2003	14.727		441.810		s/d	

Source: Rofex. Market Statistics Center.

The second most traded product in ROFEX, with an outstanding operation in 2017, were derivatives of the Merval Index, registering almost 630,000 contracts between futures and options, equivalent to 916.3 million dollars of notional value. Other products operated by Rofex that have also shown growth in their volumes traded in 2017 are the futures and options of Gold and Petroleum WTI (+ 37% and + 39% respectively). Futures on Public Securities (DICA, TVPP, BONAR X and BONAR 2024) totaled 48,014 contracts, and new LEBACs futures with delivery (launched in May 2017) totaled 10,588 contracts, equivalent to AR $ 10,588 million. On the other hand, the stock futures of Financial Group "Galicia", launched at the end of November 2017, within the framework of the ROFEX-MATba interconnection agreement, negotiated in their first month of life 733 contracts, equivalent to a notional value of 556 thousand dollars. Undoubtedly, 2017 has been a year of growth for the national futures markets, both due to the increase in volumes operated in financial derivatives, as well as the historical advance of interconnection between the markets, and their commitment to cooperation for the development of new products. For a long time, and with the intention of accompanying the understanding of the instruments that are negotiated in these markets, both the Rosario Stock Exchange and ROFEX, provide coaching and training spaces where to take knowledge and deepen on these issues.

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