***Futures Daily*: SHFE Solicits Comments on Nickel, Stannum Futures Contracts**

January 20, 2015
By Zhang Fan

Drafts for comments on nickel and stannum futures contracts of the Shanghai Futures Exchange (SHFE) were announced yesterday, showing that listing of nickel and stannum futures is round the corner. China will boast more complete products of nonferrous metal futures.

In the design of the contracts, nickel and stannum futures are subject to 1 ton per lot, and both the minimum price fluctuations are RMB10 per ton. Both the daily price limit shall be within 4% up or down, with both the minimum trade margin set at 5%. Both settlement types are physical delivery, and the standard products for delivery are No. 1 Nickel and No. 1 Stannum, respectively.

Notably in the drafts, both the contract sizes of nickel and stannum futures are 1 ton per lot, lower than that of copper, aluminum, lead and zinc futures. Based on the average price of No. 1 Nickel at RMB108,300 per ton and the average price of No. 1 Stannum at RMB127,000 per ton in Shanghai on January 19, as well as a margin being 8% of contract value, a contract of nickel can be traded at around RMB8,600 and a contract of stannum at slightly over RMB10,000.

"Nickel and stannum futures are quite accessible both in the contract size and details like the grade of standard products for delivery." Deputy GM Jing Chuan of CITIC Futures told *Futures Daily* that the two products are subject to 1 ton per lot so that investment threshold would not be very high, the market liquidity of nickel and stannum products can be enhanced, and more entity enterprises on the industry chain would be attracted.

Sources say that the minimum delivery units of nickel and stannum are set at respectively 6 and 2 tons in the drafts. Jing remarked that such a setting complies with the trading practice of the spot market, so that it helps enhance the hedging efficiency of enterprises on the industry chain. Meanwhile, considering the contract size of nickel and stannum on the London Metal Exchange (LME) respectively at 6 tons per contract and 5 tons per contract, setting minimum delivery units for the two products would benefit gearing the domestic market to the international one.

"As for nickel and stannum, the needs of hedging and arbitrage of domestic enterprises have been thriving, and they look forward to their trading very much." Head of the nonferrous metal department of an international trading enterprise remarked that nickel and stannum are the products of high individual values, and the lowering of contract size would greatly facilitate operations like enterprises' hedging.

“So we’re earnestly looking forward to the two futures products.”

The domestic market is zealously expecting the launch of nickel futures after surges and plunges of nickel price in and out of China in 2014, from which, according to GM Zhang Lei of Shanghai Dingshi Economic and Trade Company, many domestic enterprises suffered a lot; what’s more, the price fluctuation risk found no way to be hedged so that some enterprises chose to hedge it at the LME or at the domestic electronic futures market, but most enterprises had to bear market fluctuation risk passively. “With nickel futures in China in the future, there’ll be convenient channels for hedging and more active participation of enterprises.” Zhang said.

With the listing of nickel and stannum futures, plus current futures of copper, aluminum, lead and zinc, domestic nonferrous metal industry will achieve full coverage of risk hedging products. Jing from CITIC Futures believed that the launch of nickel and stannum futures will give rise to a relatively complete hedging chains for nonferrous metal enterprises; and by completing the series of nonferrous metal futures products, the listing will help perfect the IMCI (Industrial Metal Commodity Index) strongly promoted by the SHFE, and derivatives linked to the index, like ETF, would come into the market as follow-up to further meet demands of risk hedging of enterprises on the nonferrous metal industry chain.