

# EURONEXT DERIVATIVES

DIVIDEND INDEX DERIVATIVES



EURONEXT

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*Dividend Futures allow market participants to take a view on cash flows linked only to dividend payments during the calendar year*

- Dividends were first traded OTC in the early 2000s, between banks wanting to hedge their structured products dividend exposure and hedge funds willing to take exposure to dividend payments.
- When moving from OTC swaps to listed futures, the market developed, and new entrants joined as asset managers implemented various strategies using dividend futures.
- Dividends have a **low correlation** with traditional asset classes such as equities and bonds and have developed over time into an asset class in their own right.
- Dividends are **less volatile** than equities. Companies are often reluctant to cut dividends, even in a bad year.
- Dividends tend to rise with inflation and can work as a hedge against inflation.
- By creating an Index based on the CAC 40® Dividend Index Futures rolls, Euronext intends to offer access to this attractive asset class for ETFs and Structured Products.

# DIVIDEND INDEX DERIVATIVES

*Multiple strategies are available to dividend futures investors*

- An asset class on its own: lock in the cash flows
- An efficient hedging tool to manage dividend exposure, particularly for derivatives and structured products
- Achieve diversification and reduce volatility exposure
- Take a directional view on dividend distribution
- Capture the price return / capital growth
- Access new arbitrage opportunities
- Curve trading using calendar spreads
- Widen the scope of your trading opportunities

# CAC 40<sup>®</sup> DIVIDEND INDEX FUTURE

*What dividends are included in the CAC 40 Dividend Index Future?*

The CAC 40<sup>®</sup> Dividend Index measures the **cumulative value of the ordinary gross dividends** declared by the CAC 40<sup>®</sup> Index constituents.

**Taken into account:**

- **Ordinary gross dividends**
- **Scrip dividends** paid in cash or in shares

**Excluded:**

- **Special or extraordinary** dividends

Dividend points are accumulated on the ex-dividend date

The level of the index is reset to zero after close on the third Friday in December

Note: Please refer to the Index rule book for complementary information

# CAC 40<sup>®</sup> DIVIDEND INDEX FUTURE

*Why trade a listed future instead of a div. swap?*

- **Central clearing** provided by LCH SA
- **Transparency** as a result of **on-screen prices**
- **Liquidity** provided by market makers
- **Transparency** in the index calculation to monitor the accrued dividends
- The possibility to monitor the developments of the dividend markets

# WHAT OUR CLIENTS SAY

## BNP Paribas

Antoine Deix – Equity & Derivatives Strategist  
Paul Vivier – Forward trading Europe



*"BNP Paribas has been involved in the CAC dividend index contract launch, and market maker on screen daily since the early stage of the contract life. We remain committed to the development of listed index futures in general and have become an industry-recognised leader in most of these markets over time. On CAC dividend index futures, BNP Paribas is top player in terms of market share and consistency in pricing and will strive to improve liquidity even more going forward.*

*We have seen increasing interest in CAC40 dividend futures over the past year. With a relative lower weight in Financials and Utilities compared to other European major indices and a significant exposure to Health Care and Oil & Gas, the CAC 40 dividend index futures can offer an attractive diversification opportunity in the European dividend market. It is not surprising then to see more and more investors looking more closely at this underlying."*

## Laffitte Capital Management

Arnaud Yvinec - Managing Partner



*"Thanks to the CAC 40 Dividend Future's strong liquidity and to Euronext's coverage of all its components at the single name level, it is now easier to invest in French companies' dividends. We are hence able to seize new arbitrage opportunities which represents a concrete added value."*

# WHAT OUR CLIENTS SAY

## Melanion Capital

Jad Comair - Founder & CIO



"Euronext's impressive issuing of more than 200 dividend futures shows they are clearly committed to the development of this product range that is innovative and complementary with their existing products. Record volumes seen this year on contracts like the CAC 40 dividend index future show that their clients are clearly following them on this path, and the best is yet to come!"

## Societe Generale

Massimiliano Pignatelli - Head of European Forward Trading



"Societe Generale provides liquidity for CAC 40 dividend Future, we have witnessed and accompanied the development of the contract.

Our leading market share on Euronext single stock futures franchise translates our commitment to the success of this attractive product range, as a key player on Euronext we do believe in the future of this alternative solution for dividend investments."

# WHAT OUR CLIENTS SAY

## OTCex Group

Jeremy Cohen - Co-Head of Equity Derivatives, Europe

“Euronext has demonstrated its unparalleled commitment to the expansion of dividend derivatives investment opportunities; clearly exhibited with the increased surge of CAC 40® Dividend Index and Single Stock dividend futures recently on the exchange. We have been able to generate an exceptionally tight market with liquidity proving not to be a hindrance to our capabilities to provide excellent trading volumes. Our market share and specialised view of the market regarding these products leads us to believe that this rally in client trading is only the beginning of amplified support in favor of Euronext.”



## Key Capital Partners

Edoardo Fabris - Equity Derivatives Broker

“At Key Capital we have a privileged view over most of the European flows on dividend futures in the IDB market. We have seen a growing interest in this product over the last two years and we are well aware that several investors see this kind of product as a new asset class able to provide more yield for their portfolios. As for the index, volumes have grown more on the CAC 40 dividend future compared to any other country index, attracting more interest week on week and taking a positive path to increased liquidity. Euronext's commitment to listing this index dividend future has certainly helped in bringing higher visibility and interest to take positions on this product.”



