

Nomura C10Live

C10: The 10 countries best positioned to benefit from China growth and Yuan appreciation

A new offering on the NomuraLive e-Trading platform



March 2011

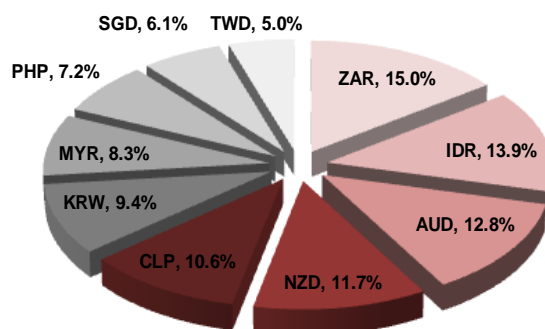
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For detailed information on the C10, C10Live or NomuraLive, please contact your usual Nomura sales contact.

Introducing C10Live

The C10: An Introduction

- The C10 theme was developed by Nomura FX Research as a way to express views on China¹.
- The C10 are the ten countries best positioned to benefit from Chinese growth and subsequent Yuan appreciation. The C10 basket consists of the top ten countries, as measured by their ratio of exports to China versus GDP, weighted according to yield.
- The C10 FX basket is a liquid instrument to trade macro views on China whilst avoiding the negative carry of the USD/CNY non-deliverable forward.



C10Live Composition as of 1 March 2011

Introducing C10Live

- C10Live is a way to trade Nomura's C10 FX basket on the NomuraLive e-Trading platform.
- A composite, tradable price for the C10Live basket vs the US dollar is streamed continuously.
- One bid/offer price is shown for C10Live. On trading the trader is filled in the 10 underlying forward or NDF contracts of the currencies comprising the basket, versus the US dollar.
- Prices are quoted in terms of USD per C10 basket unit. The initial price of one C10 basket unit on 1st March 2011 was USD 100.
- The C10Live price increases as the C10 currencies strengthen versus the US dollar i.e. a long position in C10Live is a long position in the C10 currencies versus a short position in the US dollar.

Key Features of C10Live

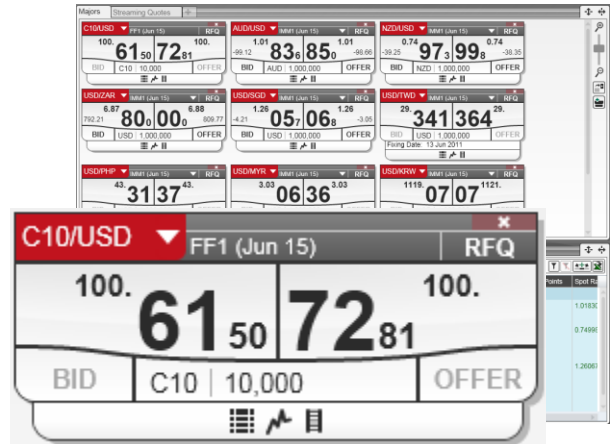
- **One click on NomuraLive** executes all 10 trades simultaneously
- **Simple post-trade process:** all trades are either forwards or NDFs, settling via existing channels
- Trades **easily tracked** via NomuraLive trade blotter, showing both C10Live and underlying trades
- **Attractive spreads**, comparable to 1 year USDCNY non-deliverable forward
- **Intra-day liquidity** on NomuraLive

¹ FX Insights: Nomura C10 Basket, 16 July 2010

Trading C10Live

How is C10Live traded?

- The C10Live is tradable on the NomuraLive e-Trading platform.
- The C10Live price is shown as US dollars per unit of C10Live. Trades can be executed in USD notional or C10Live units.
- When the trader clicks to trade the C10 contract, he is filled in the 10 underlying forward or NDF contracts.



11:07:33 Filled Index 24739079

Filled

Order Id: 24739079

Order Type: Index
State: Filled

User: stafforc
Account: Internal FX Structuring

Side: Buy
Symbol: C10/USD
Product: FX Forward
Tenor: FF1 (15 Jun 2011)
Currency: C10

Timestamp: 22 Mar 2011 11:07:33 (GMT+00:00)
Trade Date: 22 Mar 2011
Settlement Date: 15 Jun 2011
Deal Rate: 100.4493947388
Amount 1: Buy 9,955,2616 C10
Amount 2: Sell 1,000,000.00 USD

Order Rate: 100.4493947388
Order Qty: 9,955,2616

Client Order Id: ea7e7305-39d5-41fe-b623-5ed31e5ae12c
Ticket Snapshot: 22 Mar 2011 11:07:35 (GMT+00:00)

OK Print

How is the C10Live priced?

- The C10Live price is a composite weighted price based on the prices of the underlying FX forwards and NDFs.
- The currency positions in the C10Live basket remain fixed for the life of the contract and are adjusted quarterly when new contracts are introduced.
- All forwards and NDF contracts have settlement on the next quarterly IMM date.

FX Order Blotter

Current Filters: My Orders Only

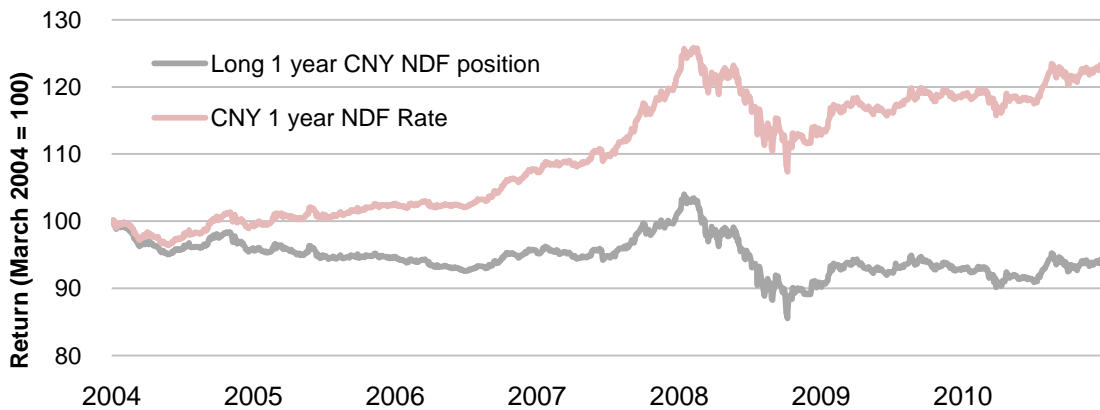
State	Order Type	Product	Symbol	Currency	Side	Order Rate	Deal Rate	Order Qty	Amount 1	Amount 2	Forward Points	Spot Rate	Account	User	Order ID
Filled	Index	FX Forward	C10/USD	C10	Buy	100.4493947	100.4493947	9955.2616	9,955,2616	1,000,000.00			Internal FX Struct	stafforc	24739079
Filled	Market	FX Forward	USD/ZAR	ZAR	Sell	6.989591	6.989591	1052649.45	150,602.44	1,052,649.45	833.91	6.90620	Internal FX Struct	stafforc	24739080
Filled	Market	FX Forward	USD/CLP	CLP	Sell	481.66	481.66	50418975.34	104,677.52	50,418,975.3			Internal FX Struct	stafforc	24739083
Filled	Market	FX Forward	USD/KRW	KRW	Sell	1126.71	1126.71	106387677.1	94,423.30	106,387,677.			Internal FX Struct	stafforc	24739082
Filled	Market	FX Forward	USD/TWD	TWD	Sell	29.242	29.242	1462676.81	50,019.73	1,462,676.81			Internal FX Struct	stafforc	24739088
Filled	Market	FX Forward	USD/MYR	MYR	Sell	3.0362	3.0362	253974.98	83,648.96	253,974.98			Internal FX Struct	stafforc	24739087
Filled	Market	FX Forward	USD/SGD	SGD	Sell	1.262296	1.262296	77282.14	61,223.47	77,282.14	-5.04	1.26280	Internal FX Struct	stafforc	24739081
Filled	Market	FX Forward	USD/PHP	PHP	Sell	43.23	43.23	3135843.79	72,538.60	3,135,843.79			Internal FX Struct	stafforc	24739084
Filled	Market	FX Forward	NZD/USD	NZD	Buy	0.740416	0.740416	155552.62	155,552.62	115,173.65	-40.64	0.74448	Internal FX Struct	stafforc	24739088
Filled	Market	FX Forward	AUD/USD	AUD	Buy	1.002067	1.002067	126557.37	126,557.37	126,818.96	-102.93	1.01236	Internal FX Struct	stafforc	24739085
Filled	Market	FX Forward	USD/IDR	IDR	Sell	8755	8755	1233346295.1	140,873.36	1,233,346,29			Internal FX Struct	stafforc	24739086

Why Trade C10Live?

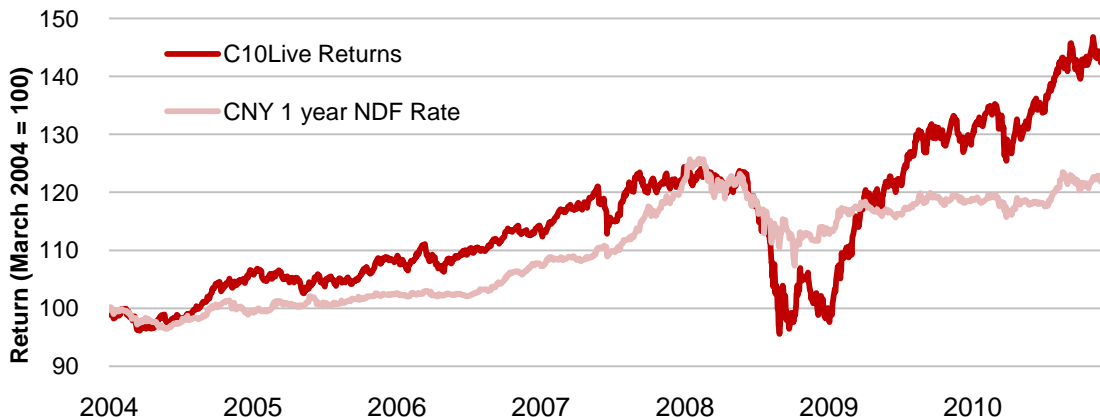
China exposure, with positive carry

Currently the only way for offshore investors to access China's FX market is via NDF contracts. However, investors' expectation of Yuan appreciation is already priced into the Yuan NDF curve, resulting in negative implied Yuan yields and a high cost of carry to hold long Yuan positions. This negative carry means that trading P/L from holding and rolling a long Yuan position has significantly underperformed the spot rate or 1 year NDF rate. By contrast, the C10Live basket benefits from positive carry and has tracked the return of the 1 year CNY NDF rate with a correlation of 69% since January 2009.

Negative carry means long CNY positions underperform the NDF rate...



...but C10Live has positive carry and better historical performance



Source: Nomura, Bloomberg

C10 Live: Calculation

How are the C10Live basket weights determined?

A new C10Live contract, with new weights, is created prior to each quarterly IMM settlement date¹. Currency weights for each new C10Live contract are determined as follows:

- A universe of eligible currencies is defined². Currencies must be liquid, tradeable and freely floating.
- The C10 are the 10 countries with the highest exports to China as a percentage of their GDP.
- The C10 currencies are then ranked by yield. The highest yielding currency is assigned a weighting of 15% and the lowest yielding a weight of 5%.

How is the C10Live price calculated?

The currency weights are calculated on the contract launch date and converted into Foreign Currency Notional at the prevailing FX forward rates on the launch date (see table below). These Foreign Currency Notionals remain fixed for the duration of the contract. To calculate the C10Live price on subsequent days, the USD value for each currency component is calculated by converting the Foreign Currency Notional to US dollars at the prevailing outright FX rate to the contract maturity date. The price of the C10Live basket is the sum of these dollar values. The initial C10Live price was defined on 1 March 2011 to be 100.00.

Currency	Symbol	Weighting	Initial USD/CCY Forward Rate	Foreign Currency Notional	Current USD/CCY Forward Rate	Current USD Value
South African rand	ZAR	15.00%	7.0492	105.74	6.9740	15.16
Indonesian rupiah	IDR	13.89%	8920	123,888.89	8851	14.00
Australian dollar	AUD	12.78%	0.9949	12.71	0.9984	12.73
New Zealand dollar	NZD	11.67%	1.3393	15.63	1.3675	11.43
Chilean peso	CLP	10.56%	479.80	5,064.56	477.56	10.61
South Korean won	KRW	9.44%	1131.52	10,686.58	1123.03	9.52
Malaysian ringitt	MYR	8.33%	3.0614	25.51	3.0398	8.39
Philippine peso	PHP	7.22%	43.6145	314.99	43.2981	7.27
Singapore dollar	SGD	6.11%	1.2703	7.76	1.2647	6.14
Taiwan dollar	TWD	5.00%	29.3850	146.93	29.0370	5.06
Current C10Live Price:						100.30

- **Weighting:** the currency weight as determined by the C10 weight allocation process
- **Initial USD/CCY Forward Rate:** the FX forward or NDF rate to the settlement date, on the date the contract is created
- **Foreign Currency Notional:** the amount of foreign currency represented by one unit of C10Live. Calculated as initial C10Live price × Weighting × Initial FX Rate
- **Current USD/CCY Forward Rate:** the current FX forward or NDF rate to the settlement date.
- **Current USD Value:** the current value, in USD, of the Foreign Currency Notional. Calculated as Foreign Currency Notional / Current Forward Rate.

¹ The 3rd Wednesday of March, June, September and December

² AUD, BRL, CAD, CHF, CLP, CZK, GBP, HUF, INR, IDR, ILS, KRW, MXN, MYR, NOK, NZD, PHP, PLN, RUB, SEK, SGD, TRY, TWD, ZAR

C10Live: The Details

Booking, confirmation and settlement of C10Live positions

Once traded, C10Live is booked, settled and confirmed as the 10 underlying FX forward or NDF trades. Therefore, trading C10Live requires no additional system or operational development beyond what is needed for trading of normal FX forwards and NDFs.

C10Live Calculation Formula

The price of C10Live can also be expressed as a formula:

$$\text{C10 Live Price} = \sum_{i=1}^{i=10} \frac{\text{Initial C10 Live Price} \times \text{Weighting}^i \times \text{Initial Forward Rate}^i}{\text{Current Forward Rate}^i}$$

Initial and Current Forward Rates are expressed as amount of CCYⁱ per 1 USD.

Calculating profit/loss on C10Live positions

C10Live can be traded in either C10Live units or USD notional. The conversion rate is simply the C10Live price. For a long position in C10 units, the profit/loss in USD terms is calculated as:

$$\text{C10 units} * (\text{Exit C10Live Price} - \text{Entry C10Live Price})$$

For a long position in USD dollars, the profit/loss in USD terms is calculated as:

$$(\text{US dollars} / \text{Entry C10Live Price}) * (\text{Exit C10Live Price} - \text{Entry C10Live Price})$$

Closing C10Live positions

To fully close out a C10Live position, the trader must sell the same number of C10 contracts as he has bought, thus leaving him with a residual USD position on the settlement date, i.e. his profit/loss. It is operationally simpler to close out existing positions using the NomuraLive platform. However as the underlying contracts are simply FX forward or NDF trades, they may be offset in the market via individual trades in the outstanding amounts.

Rolling C10Live positions

When the C10Live contract approaches expiry, the trader has three choices. He can choose to:

- Do nothing, in which case the NDFs and forward contracts will settle in the usual way or
- Close the position by trading an equal number of C10Live units, resulting in net USD P/L, or
- Choose to roll his position into the new C10Live contract

New contracts are defined and launched on the first business day of the month in which the contract matures. Existing contracts are tradeable until 2 business days before the maturity date. By choosing to roll the existing C10Live contract, the trader is able to minimise transaction costs. There will be USD settlement of P/L on the closeout of the near contract.

NomuraLive: Nomura's Electronic FX Trading Platform

C10Live is available on NomuraLive, Nomura's electronic trading platform. NomuraLive offers clients the following functionality:

- Electronic execution with full STP
- Large selection of major, emerging market & non-deliverable currency pairs
- Streaming quotes and RFQ
- Streaming outright / swaps
- Algorithmic orders
- Basket trading
- Extensive order management tools
- Data event calendar integration

The screenshot displays the NomuraLive trading platform interface. At the top, it shows 'Staging NomuraLive v1.4.20.0 - Trades are not real'. The main area is divided into several sections:

- Product Selector:** Lists 'Majors', 'Major Crosses', and 'EMG'.
- Quotes and Charts:** Displays real-time quotes and price charts for major currency pairs:
 - EUR/USD: 4344
 - USD/JPY: 8788
 - EUR/JPY: 8990
 - GBP/USD: 3840
 - EUR/GBP: 220230
 - USD/CAD: 3739
 - AUD/USD: 3637
 - USD/CHF: 4748
- Data Calendar:** Shows a list of events for Thursday, January 27, 2011, including:
 - 00:00 USD Policy sets Employment
 - 00:00 USD Rate and Interest down Committee and...
 - 04:25 USD Committee quotes Report down Bank
 - 04:49 GBP Interest upgrades Production quotes...
 - 05:12 JPY Report and Market
 - 05:36 USD Bank at Bank
 - 05:59 GBP Employment agrees Bank at Rate...
 - 12:08 JPY Wage down Employment
 - 12:32 AUD Market upgrades Interest up Production...
 - 12:55 USD Policy and Rate quotes Rate...
 - 13:19 USD Interest for Wage downgrades...
 - 20:03 JPY Report quotes Bank quotes Production...
 - 20:26 USD Bank downgrades Committee...
- Maturity Ladders:** A table showing swap rates for EUR/USD:

Tenor	Deal	Quantity	Swap Buy/Sell	Swap Sell/Buy	Outright Sell	Outright Buy
SPOT (Jan 31)	EUR	1,000,000	1.3743	1.3744	1.3743	1.3744
1M (Feb 07)	EUR	1,000,000	-1.455	-1.350	1.3741545	1.3742650
1M (Feb 28)	EUR	1,000,000	-5.200	-5.000	1.3737900	1.3739000
2M (Mar 31)	EUR	1,000,000	-10.100	-9.700	1.3732900	1.3734300
3M (Apr 28)	EUR	1,000,000	-	-	1.3743	1.3744
- Blotter:** A table showing current orders:

State	Order Type	Product	Symbol	Currency	Side	Order Rate	Deal Rate	Order Qty	Amount 1	Amount 2	Forward Points
Filled	Algorithmic	FX-Spot	EUR/USD	EUR	Buy		1.37480	26,512,500.00	26,512,500.00	36,449,385.00	
Filled	Market	FX-Spot	AUD/USD	AUD	Sell	0.9935	0.9935	1,000,000.00	1,000,000.00	993,500.00	
Filled	Take Profit	FX-Spot	GBP/USD	GBP	Buy	1.5945	1.5945	1,000,000.00	1,000,000.00	1,594,500.00	
Working Pa	Algorithmic	FX-Spot	EUR/USD	EUR	Buy		1.37459	12,000,000.00	10,536,217.00	14,482,978.53	
Working	Take Profit	FX-Spot	EUR/USD	EUR	Offer	1.3765		6,000,000.00	6,000,000.00	8,259,000.00	
Working	Stop Loss	FX-Spot	EUR/USD	EUR	Bid	1.3754		5,000,000.00	5,000,000.00		
Working	OCO - Take F	FX-Spot	EUR/GBP	EUR	Offer		0.8627 / 0.961	1,000,000.00	1,000,000.00 /	862,700.00 / 862,700.00	
Working	Take Profit	FX-Spot	EUR/GBP	EUR	Offer		0.8627	1,000,000.00	1,000,000.00	862,700.00	
- Spots:** A table showing current positions:

Currency	Position	Position(USD)
AUD	(1,000,000)	(993,800)
CHF	2,585,750	2,747,082
EUR	340,349,832	467,742,774
GBP	60,621,272	96,618,183
USD	(566,176,956)	(566,176,956)

Register your support for Nomura in the 2011 Euromoney polls. [Click here.](#)

One Step Cancel All Orders Open Online

Risk Factors

By investing into the Index, investors may be subject to the following risks:

1. **Lack of Operating History of the C10Live Index.** The C10Live Index has only recently been established as a tradable strategy and therefore its long-term historical performance can only be evaluated on the basis of historical back-tested performance. Back-tested results are purely hypothetical and are not indicative of future performance.
2. **Investment Objectives of the C10Live Index.** There can be no assurance that the C10Live Index will achieve its stated investment objective as C10 has been constructed on the basis of certain historically observed trends and assumptions.
3. **Changes to the C10Live Index.** In case of any changes in law, regulation or regulatory policy, NIP may make changes to the C10Live Index. Such change(s) may have an adverse effect on the returns of the index.
4. **Conflicts of Interest.** Nomura is the sponsor of the Index, and is therefore responsible for calculating and publishing the level of the Index based on a proprietary model, relying on market information. Nomura, in the normal course of business, trades in financial instruments which may be linked to the Index or any component part of the Index and such trading may affect the level of the Index. In addition, a conflict of interest could arise where employees of Nomura are acting in more than one capacity in relation to the foregoing, and such conflict may have an impact, positive or negative, on the level of the Index.
5. **Valuation of the C10Live Index.** The C10Live Index may be complex and specialist in nature and may only be available from a limited number of market professionals. Such valuations may be subjective and there may be substantial differences between available valuations. At the present valuations can only be obtained from NIP.
6. **Performance of the C10Live Index.** Underperformance of the C10Live Index can result from a number of factors, including, but not limited to, the assumptions in relation to the interaction of macroeconomic factors and variables contained in the models that calculate the C10Live Index proving to be incorrect.
7. **Counterparty Risk.** The index linked instruments represent unsecured obligations of the issuer and/or counterparty of such index linked instrument. Investors in such index linked instruments only have recourse to the counterparty, an event of default (howsoever described in the index linked instrument) with respect to the counterparty could result in a recovery amount of zero. Deterioration of the counterparty's creditworthiness may result in a lower value of any index linked instruments issued by such counterparty even if such counterparty is not in default.
8. **The foregoing are not an exhaustive set of risks,** independent due diligence should be undertaken and advice should be sought as deemed appropriate from suitably qualified professional advisors in order to ensure that the risks and suitability of an exposure to the index are understood

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