

Index Overview

The WMBA CTDI China Steel Index is a steel industry focused index comprised of liquid commodities. It consists of 6 steel industry commodities traded on Chinese futures exchanges: iron ore, metal coke, coking coal, hot rolled coils, steel rebar, and stainless steel.

The WMBA CTDI China Steel Index is weighted by relative liquidity based on the 60 days average total dollar value traded (TDVT) of contract size. Here, the total dollar value traded (TDVT) of contract size is defined as the contract size of futures multiplied by its futures price.

Index Objective: Global Steel Barometer

The WMBA CTDI China Steel Index is the most effective tool to track China's influence over the world's steel industry, the backbone commodity of the globe's industrial and infrastructure activity. China is now the world's largest producer and exporter of crude steel, with over 50% of global capacity. By contrast, India, the world's next largest steel producer, comprises only 6% of global capacity. This industry leading capacity is unlikely to change for the foreseeable future as the Chinese government has deemed the steel industry as crucial to the country's strategic development. Concurrently, China is also the largest steel consumer in the world, representing over 60% of the world's annual steel demand. Japan, second largest steel consumer, represents 6% of annual steel demand.

As the world's largest producer and consumer of crude steel, China directly influences prices of both steel and raw materials used in steel production. However, if domestic Chinese demand for steel drops, China exports surplus steel and lowers international prices as a result. If output falls, the demand for raw materials will slow down and further affect prices. All these supply chain workings makes China as the biggest influencer on the global steel industry.

A Traders' Market

The WMBA CTDI China Steel Index serves the interests of traders and market watchers, allowing them to benchmark Chinese steel demand and production in a more sensitive manner. It provides a transparent window for trading global equities and commodities futures linked to the steel industry.

Our indices have value for all users needing an accurate benchmark of China's steel sector activity, with the confidence of utilizing indices created to the standards set by the IOSCO Principles.

Country of Listing. All commodities are listed contracts on Chinese futures exchanges.

The exchanges are:



This means all data used in the calculation of WMBA CTDI indices is based upon 'observable transactions'

Weighting Scheme:

Step 1 – Liquidity Weighting

- The individual commodities in the WMBA CTDI China Steel Index are market cap weighted.
- The liquidity measure used is the Total Dollar Value Traded (TDVT) of contract size.
- An effective TDVT of the TDVTs is used to determine the effective TDVT for each of the futures in the index. The calculation of the effective TDVT is as follows.

$$TDVT_{i,t} = \sum_{j=0}^{239} TV_{i,t-j} * Close_{i,t}$$

where $TV_{i,t}$ and $Close_{i,t}$ represent the trading volume and close price for contract i at date t , respectively.

- The individual weights of commodity i within the component j are computed every trading day and obtained using the calculation:

$$Weight_{i,t} = \frac{TDVT_{i,t}}{\sum_i TDVT_{i,t}}$$

Step 1. Rate of Return

After computing the weights of each component futures, we then derive the weighted rate of return of the futures using the formula

$$Return_Index_t = \sum_i Weight_{i,t} \times Return_{i,t}$$

Step 2. Index basing

- The index base is 100
- The base date of the index is Jan. 3, 2019
- Calculation of the daily index is then based on the below formula

$$Index_t = Index_{t-1} \times Return_Index_t$$

Step 3. Index Update Frequency

Indices are calculated and released on a daily basis

WMBA CTDI CHINA STEEL INDEX CORRELATION ANALYSIS

CTD Indices

The graph below highlights the level of correlation between the WMBA CTDI Steel Index and Datastream G12 Iron & Steel Index correlation calculated as 0.909

