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The Evolution and Profitability of China's Futures Markets: A Comprehensive Review

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Abstract

Since its inception in the late 1980s, China's futures market has evolved into a pivotal component of the global financial landscape, serving purposes of price discovery, risk hedging, and trading opportunities across diverse commodities and financial instruments. By the end of 2023, the market boasted 131 listed futures and options products, underlining its growth and international influence. This comprehensive review explores the evolution and profitability of China's futures markets, encompassing historical developments, regulatory frameworks, and empirical insights. Key drivers of market expansion include regulatory reforms, technological advancements, and the market's resilience during crises, such as the COVID-19 pandemic. The study underscores the market's significant role in global commodities trading, influencing economic policies, and integrating advanced trading technologies. Understanding these dynamics is crucial for policymakers, market participants, and researchers navigating the complexities and opportunities within China's dynamic futures market landscape. This review positions China's futures market as a cornerstone of global financial markets, shaping economic development and market stability in an interconnected world economy.

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1. Introduction

Since its inception in the late 1980s, China's futures market has undergone remarkable evolution, transforming into a pivotal component of the global financial landscape. Established amid economic reforms alongside the Shanghai and Shenzhen Stock Exchanges, the market initially aimed to facilitate price discovery, hedge risk, and provide trading opportunities for various commodities and financial instruments (Huatai Futures, 2024). Over the past three decades, China's futures market has expanded significantly, showcasing substantial growth in both product offerings and market participation. By the end of 2023, China boasted 131 listed futures and options products, encompassing 79 commodity futures and 52 commodity options, marking its stature as a mature derivatives trading market with substantial international influence (Huatai Futures, 2024). This growth underscores China's strategic embrace of futures trading as a mechanism to enhance market efficiency, mitigate price volatility, and support economic development.

The significance of China's futures market extends beyond domestic economic considerations, influencing global commodity markets and financial strategies. Studies have highlighted the market's role in providing liquidity and risk management tools, attracting both domestic retail investors and international participants seeking exposure to China's economic growth dynamics (Li, 2024). The evolution of China's futures market has been shaped by regulatory reforms, technological advancements, and shifts in global market dynamics. Notably, the market's resilience during crises, such as the COVID-19 pandemic, underscores its adaptive capacity and importance in maintaining market stability (Hu & Jiang, 2023; Wu et al., 2024). Moreover, scholarly research has examined various aspects of China's futures markets, ranging from price discovery mechanisms in commodity futures (Yan & Guiyu, 2019; Wu et al., 2024) to the role of statistical arbitrage and machine learning in enhancing trading strategies (He et al., 2023; Waldow et al., 2021).

This review aims to provide a comprehensive analysis of the evolution and profitability of China's futures markets, drawing insights from historical data, regulatory frameworks, and empirical research. By examining these facets, the study seeks to illuminate the pivotal role of futures markets in China's economic development and their implications for global financial markets. Understanding these dynamics is crucial for policymakers, market participants, and researchers alike in navigating the complexities and opportunities of China's dynamic futures market landscape. Furthermore, the ongoing development of China's futures market reflects broader trends in global financialization and commodity trading. The integration of advanced trading technologies, including algorithmic trading and high-frequency trading strategies, has reshaped market dynamics and enhanced efficiency in price discovery and risk management (He et al., 2023). These advancements have not only attracted sophisticated investors but also facilitated the emergence of new financial instruments and trading strategies tailored to China's unique economic environment. As China continues to strengthen its regulatory framework and infrastructure for futures trading, the market's role in supporting capital formation, price stability, and economic resilience becomes increasingly pronounced. This study aims to delve into these transformative trends, offering insights into how China's futures market has evolved into a cornerstone of global financial markets while navigating challenges and opportunities in an interconnected world economy.

2. Literature Review

2.1 Understanding futures

Futures contracts are financial instruments that oblige the buyer to purchase an asset or the seller to sell an asset at a specified future date and price. These contracts detail the quality and

quantity of the underlying asset, standardized to facilitate trading on futures exchanges (Huatai Futures, 2024). Some futures contracts necessitate physical delivery of the asset, while others are settled in cash, providing flexibility for market participants to choose settlement methods based on their trading strategies and market conditions.

2.2 Futures Management

Futures Speculation: Market participants engage in futures contracts for speculation purposes to capitalize on anticipated price movements of underlying assets. If an asset's price is expected to rise, purchasing it via a futures contract allows for potential profit by selling it later at a higher spot market price or through cash settlement, depending on market conditions (Waldow et al., 2021). Conversely, if prices are expected to decline, selling the asset in a futures contract enables repurchase at a lower price, thereby profiting from the price differential.

Futures Hedging: Contrary to speculation, hedging aims to mitigate potential losses from adverse price movements rather than seek profits. Businesses involved in producing or utilizing underlying assets use futures contracts to lock in prices and stabilize financial outcomes (Ronghua & Zhiling, 2019). The gain from a futures contract offsets loss in the spot market, or vice versa, effectively hedging against market volatility and ensuring predictable financial outcomes despite fluctuating market prices.

2.3 History of the Chinese futures market

The inception of China's futures market dates back to October 1990 with the establishment of the Zhengzhou Grain Wholesale Market in Henan Province (CZCE, 2012). This milestone marked the introduction of futures trading in China, heralding a period of rapid growth and expansion. Over the subsequent decades, China's commodities futures market has evolved into one of the world's largest, encompassing a diverse array of commodities such as corn, wheat, copper, and steel (Chinairn, 2018). By the end of 2011, the market boasted 29 exchange-traded futures products, with a total trading volume exceeding 300 trillion, underscoring its pivotal role in global commodity markets (Yahoo News, 2012). The evolution of futures markets, both globally and within China, highlights their pivotal role in financial systems. Futures contracts provide essential tools for both speculation and hedging, allowing market participants to manage risk and capitalize on market opportunities. China's futures market, rooted in its historical development and rapid expansion, exemplifies the transformative impact of derivatives trading on global financial landscapes. Future research should continue to explore the dynamics of futures markets to enhance market efficiency, mitigate risks, and inform regulatory frameworks for sustainable financial development.

2.4 Regulatory Framework and Market Expansion in China's Futures Markets

The literature on China's futures markets provides a comprehensive exploration of its evolution, profitability, and regulatory framework, highlighting its transformative impact on both domestic financial landscapes and global commodities trading. Since its inception in the late 1980s, China's futures markets have undergone substantial development driven by regulatory reforms, technological advancements, and increasing participation from diverse market players.

Historical Development and Regulatory Framework

China embarked on the journey of establishing a robust futures market with the establishment of the Zhengzhou Grain Wholesale Market in 1990, marking the inception of futures trading in the country (CZCE, 2012). This pivotal moment laid the foundation for subsequent expansions and innovations in commodity trading, shaping the regulatory framework aimed at enhancing market transparency and investor protection. Over the years, regulatory reforms have played

a crucial role in mitigating risks associated with futures trading while fostering a conducive environment for market growth (Chinairn, 2018).

Market Structure and Product Diversity

As of the end of 2023, China's futures markets boast a diverse array of products encompassing 79 commodity futures and 52 commodity options, positioning itself as a global leader in commodities trading (Huatai Futures, 2024). The market structure is underpinned by several key exchanges, including the Shanghai Futures Exchange (SHFE), Dalian Commodity Exchange (DCE), and Zhengzhou Commodity Exchange (CZCE), each specializing in different categories of commodities ranging from metals like copper and aluminum to agricultural products such as soybeans and cotton (Huatai Futures, 2024). This diversity not only reflects China's vast industrial and agricultural base but also underscores its strategic importance in global commodity supply chains.

Financialization and Market Dynamics

The financialization of China's futures markets represents a significant trend mirroring global shifts towards greater integration of financial instruments and derivatives. This phenomenon is characterized by the growing use of futures for speculative purposes, hedging against price volatility, and facilitating price discovery across various commodities (Tang & Xiong, 2012). Studies suggest that the influx of institutional investors, along with advancements in algorithmic trading and high-frequency trading (HFT), has contributed to increased market liquidity and efficiency (He et al., 2023). These developments have reshaped trading strategies, enhancing the ability of market participants to manage risk and capitalize on arbitrage opportunities in real-time.

Risk Management and Hedging Strategies

A critical function of China's futures markets is providing effective risk management tools for participants across industries, including producers, consumers, and investors. Hedging strategies using futures contracts have become integral in mitigating price volatility risks associated with agricultural commodities like corn and wheat, as well as industrial metals such as copper and steel (Ronghua & Zhiling, 2019). By offering a platform for forward price discovery and locking in future prices, these markets facilitate stable planning and investment decisions for businesses, contributing to overall economic stability and growth.

Technological Advancements and Trading Strategies

Technological innovations, particularly in algorithmic trading and machine learning, have revolutionized trading strategies within China's futures markets. These advancements have enabled market participants to execute trades swiftly, analyze vast amounts of data for predictive modeling, and automate trading processes (Waldow et al., 2021). The integration of advanced technologies has not only enhanced trading efficiency and market transparency but has also posed challenges related to market stability and regulatory oversight. Ongoing research focuses on the implications of these technological advancements on market dynamics and the effectiveness of regulatory frameworks in ensuring fair and orderly market operations (He et al., 2023).

Global Influence and Economic Impacts

China's emergence as a major player in global commodities trading is underscored by its significant influence on commodity prices and market dynamics worldwide. The country's futures markets have increasingly served as price benchmarks for global commodities, influencing supply chain decisions and global market trends (Yan & Guiyu, 2019). As China continues to expand its footprint in the global economy, its futures markets play a crucial role in shaping global trade flows, commodity pricing mechanisms, and economic policies aimed at ensuring sustainable development and market resilience.

Challenges and Future Directions

Despite its rapid growth and development, China's futures market faces several challenges, including regulatory compliance, market manipulation risks, and the integration of sustainable practices (Wu et al., 2024). Future research directions include exploring the impact of geopolitical events, technological disruptions, and policy changes on market stability and investor behavior. Understanding these dynamics is essential for policymakers, market regulators, and industry stakeholders to navigate uncertainties and capitalize on opportunities in China's evolving futures markets.

In summary, the literature underscores the evolution of China's futures markets from nascent beginnings to a sophisticated ecosystem driving economic growth and global financial integration. This review synthesizes existing research to provide a comprehensive understanding of the market's dynamics, challenges, and future prospects within the context of China's evolving economic landscape.

2.5 Future Exchanges

Futures exchanges are pivotal components of the global financial landscape for several compelling reasons. Firstly, these platforms serve as crucial hubs for price discovery, where market forces of supply and demand interact to establish transparent and reliable prices for commodities and financial instruments (Huatai Futures, 2024). These price benchmarks play a fundamental role in guiding pricing decisions across various industries and markets worldwide. Secondly, futures exchanges facilitate effective risk management strategies. Participants, including producers, consumers, and investors, utilize futures contracts to hedge against price volatility, thereby protecting themselves from adverse movements in commodity prices, interest rates, currencies, and other assets (Ronghua & Zhiling, 2019). This hedging capability helps to stabilize cash flows and secure future revenues, contributing to overall economic stability. Additionally, futures exchanges enhance market liquidity by providing a centralized marketplace where a diverse array of participants can easily buy and sell standardized contracts (Huatai Futures, 2024). This liquidity ensures efficient price discovery and enables market participants to execute transactions with minimal price impact, reducing transaction costs and enhancing market efficiency. Moreover, these exchanges attract investment and speculation, drawing in capital from around the globe to participate in the potential gains and risks associated with futures trading (Zuckerman, 2019). Speculators play a critical role in providing liquidity and smoothing out price fluctuations, thus promoting market stability. Lastly, futures exchanges serve as important economic indicators, reflecting supply-demand dynamics, inflation expectations, and broader economic trends (Tang & Xiong, 2012). Their influence extends to global trade and supply chain management, as prices established on these exchanges impact international trade flows and influence strategic decisions in commodity production and consumption. In essence, futures exchanges play a vital role in fostering economic growth, facilitating efficient resource allocation, and supporting robust financial market operations on a global scale.

Futures exchanges in China

There are four main futures exchanges in China: Zhengzhou Commodity Exchange (ZCE), Dalian Commodity Exchange (DCE), Shanghai Futures Exchange (SHFE), and China Financial Futures Exchange (CFFEX).

- **Zhengzhou Commodity Exchange (ZCE)**: Established in 1990, ZCE was China's first experimental futures market approved by the State Council. Initially focused on forward contract trading, ZCE launched its first futures contracts on agricultural products such as wheat, corn, soybean, green bean, and sesame in 1993. It has since expanded to

include contracts on commodities like white sugar and rapeseed oil (Huatai Futures, 2024).

- **Dalian Commodity Exchange (DCE)**: Founded in February 1993, DCE is notable for its significant contribution to global agricultural futures trading, accounting for 58% of the market share in this sector. DCE operates 16 futures contracts, including soybeans, soybean oil, corn, palm oil, soymeal, and petroleum products. It serves as the primary futures exchange in Northeast China, known for its substantial liquidity (Huatai Futures, 2024).
- **China Financial Futures Exchange (CFFEX)**: Established in Shanghai in September 2006, CFFEX is mainland China's sole derivatives exchange. Initially cautious due to global financial crisis concerns, CFFEX lists futures contracts on indexes and bonds. Recent interventions by the Chinese government, including the introduction and subsequent suspension of a circuit breaker mechanism, underscore its role in maintaining market stability amidst volatility (Huatai Futures, 2024).
- **Shanghai Futures Exchange (SHFE)**: Founded in 1999, SHFE has emerged as a key global price center for metals trading, alongside exchanges like Comex and the London Metals Exchange. SHFE has expanded its offerings to include contracts on steel, copper, aluminum, natural rubber, fuel oil, zinc, and gold. Recent additions of contracts previously exclusive to the London Metal Exchange highlight SHFE's growing influence in global commodities markets (Huatai Futures, 2024).

These exchanges play crucial roles in China's financial markets, offering diverse products that cater to both domestic and international investors, thereby contributing significantly to China's position as a major player in global commodities trading. In addition to the four main futures exchanges in China previously mentioned (Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai Futures Exchange, and China Financial Futures Exchange), there are two more notable exchanges:

- **Zhongjin Futures Exchange (ZJFX)**: Established in 2019, Zhongjin Futures Exchange is a relatively new player in the Chinese futures market. It specializes in futures contracts related to precious metals, including gold and silver. ZJFX aims to enhance market transparency and provide additional options for investors interested in commodities trading (Huatai Futures, 2024).
- **Shenzhen Commodity Exchange (SZCE)**: Founded in 2013, Shenzhen Commodity Exchange is focused on trading in non-ferrous metals, agricultural products, and other commodities. SZCE aims to cater to the growing demand for commodity derivatives in southern China and enhance market liquidity through its specialized offerings (Huatai Futures, 2024).

These exchanges, along with the previously mentioned four, collectively contribute to the vibrancy and diversity of China's futures market, offering a wide range of commodity futures contracts and derivatives to meet the needs of various market participants.

2.6 Evolution of Chinese futures market

The evolution of China's futures market can be traced from its modern inception on November 26, 1990, with the establishment of the Shanghai Stock Exchange. As of today, this exchange boasts over 1,000 listed companies and an average daily turnover reaching 564 billion yuan ($88 billion), as reported by Bloomberg. In March 2001, the National People's Congress approved the 10th five-year plan, emphasizing the gradual development of the futures market. Further impetus came in October 2003 from the third session of the sixteenth National Congress of the Communist Party of China, reinforcing the market's integration within the

socialist market economy framework. The State Council's issuance of the Opinions on the Implementation of Capital Market Reform Opening and Gradual Development on February 1, 2004, further underscored China's commitment to reform and expand its financial markets. China's accession to the World Trade Organization (WTO) in 2002 marked a pivotal moment, catalyzing profound changes across its economy, including its futures markets. This move opened new avenues for U.S. brokers seeking opportunities in futures, securities, and financial services within China. On April 16, 2010, China commenced trading index futures linked to the CSI 300 Index, quickly becoming one of the world's most active markets for index futures. Subsequent regulatory adjustments aimed to stabilize market volatility following a significant market downturn, underscoring the market's role in economic stability. After 25 years since its establishment, the Shenzhen Stock Exchange has grown significantly, hosting 1,729 companies with a total market capitalization of 22 trillion yuan. By 2015, its average daily turnover had reached 498 billion yuan.

2.7. A profitable market for China

Table 1: Futures Trading Summary (1993-2003)

	Annual turnover (CNY 100 million)	Annual trading volume (10,000 lots)	Annual delivery value (CNY 100 million)	Annual delivery volume (10,000 lots)
1993	5521.99	890.69		
1994	31601.41	12110.72		
1995	100565.30	63612.07	181.52	83.09
1996	84119.16	34256.77	174.13	78.33
1997	61170.66	15876.32	93.75	38.18
1998	36967.24	10445.57	48.04	20.56
1999	22343.01	7363.91	109.41	16.12
2000	16082.29	5461.07	65.11	8.40
2001	30144.98	12046.35	57.54	64.85
2002	39490.28	13943.37	101.44	141.16
2003	108386.90	27986.42	127.46	29.10

Table 1 presents annual turnover data, with trading volume calculated bilaterally and delivery volume unilaterally over a decade. Notably, China's futures annual turnover rose from 5521.99 in 1993 to 108386.90 by 2003, reflecting regulatory advancements and market maturation.

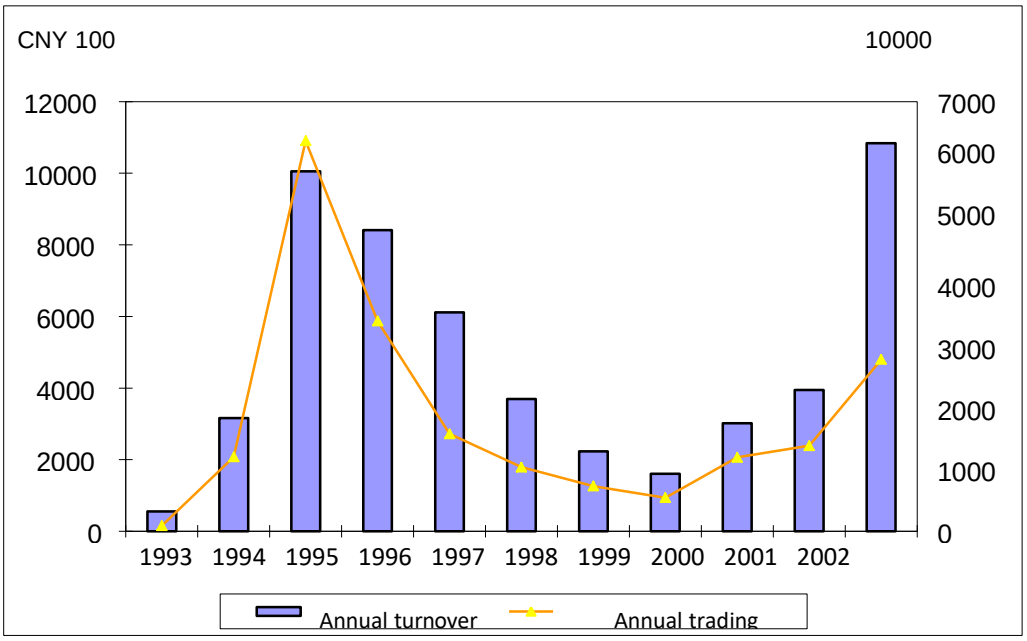

Figure 1: Trading Summary of Agricultural Products and Metals Futures in 2003

Figure 1 illustrates the growth trajectory of China's commodity futures market since the introduction of the Zhengzhou Grain Wholesale Market's physical delivery-based contracts in October 1990. Despite initial regulatory challenges leading to a proliferation of 50 futures exchanges from 1990 to 1993, subsequent government regulations stabilized the market, paving the way for sustainable growth from 1995 onwards.

Table 3: Summary of China's Securities and Futures Markets (1992-2006)

Indicator \ Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
No. of domestic listed companies (A, B shares)	53	183	291	323	530	745	851	949	1088	1160	1224	1287	1377	1381	1434
No. of B share companies	18	41	58	70	85	101	106	108	114	112	111	111	110	110	109
No. of H share companies		6	15	18	25	42	43	46	52	60	75	93	111	122	143
Total shares issued (100 million shares)	68.87	387.73	604.54	848.42	1219.54	1942.67	2526.79	3088.95	3791.71	5218.01	5875.45	6428.46	7149.43	7657.50	12683.99
Tradable shares (100 million shares)	21.18	107.88	226.04	301.46	429.85	671.44	861.94	1079.65	1354.26	1813.17	2036.90	2269.92	2577.18	2941.77	3444.50
Total stock market cap. (RMB 100 million yuan)	1048.13	3531.01	3690.61	3474.28	9842.38	17529.24	19505.64	26471.17	48090.94	43522.20	38329.12	42457.72	37055.57	32430.28	89403.89
Market cap. of tradable shares (RMB 100 million yuan)	-	861.62	968.89	930.22	2367.03	5204.42	5745.59	8213.97	16087.52	14463.17	12484.55	13178.52	11688.64	10630.53	25003.64
Total stock trading volume (100 million shares)	3795.39	23422.17	201333.91	70547.06	253314.06	256079.12	215411.00	293236.88	475840.00	315228.76	301619.49	416308.40	582773.29	662354	1614505
Total stock turnover (RMB 100 million yuan)	681.29	3667.02	8127.63	4036.47	21332.16	30721.84	23544.25	31319.60	60826.65	38305.16	27990.46	32115.27	42333.95	31663.16	90460.92
Shanghai Stock Exchange Composite Index (close price)	780.39	833.80	647.87	555.29	917.01	1194.10	1146.70	1366.58	2073.48	1645.97	1357.65	1497.04	1266.50	1161.06	2675.47
Shenzhen Stock Exchange Composite Index (close price)	241.2	238.27	140.63	113.24	327.45	381.29	343.85	402.18	635.73	475.94	368.76	378.62	315.81	278.74	550.59
Securities accounts (10 thousand)	216.65	835.17	1107.76	1294.19	2422.08	3480.26	4259.88	4810.63	6154.53	6965.90	7202.16	7344.41	7215.74	7336.07	7849.27
Amount issued of T-bonds (RMB 100 million yuan)	460.78	381.31	1137.55	1510.86	1847.77	2411.79	3808.77	4015.00	4657.00	4884.00	5934.30	6280.10	6923.90	5042.00	6933.30
Amount issued of enterprise bonds (RMB 100 million yuan)	683.71	235.84	161.75	300.80	268.92	255.23	147.89	158.20	83.00	147.00	325.00	388.00	327.00	654.00	995.00
Cash T-bonds turnover (RMB 100 million yuan)	7.1276	61.02	468.37	775.20	5029.24	3582.75	6059.95	5300.87	4157.49	4815.59	8708.68	5756.11	2966.46	2779.05	1530.27
Repurchase T-bonds Turnover (RMB 100 million yuan)	0.00	0.42	75.78	1248.52	13008.64	12876.06	15540.84	12890.53	14733.68	15487.63	24419.64	52999.85	44086.61	23621.18	15393.23
No. of Securities investment funds							6	22	34	51	71	95	161	218	307
Amount issued of securities investment funds (RMB 100 million yuan)							120.00	510.00	562.00	804.23	1318.85	1614.67	3308.79	4714.00	6221
Turnover of securities investment funds (RMB 100 million yuan)							555.33	1623.12	2465.79	2561.68	1166.58	682.65	728.58	773.13	1879.05
Futures transaction volume (10000 lot)		890.69	12110.72	63612.07	34256.77	15876.32	10445.57	7363.91	5461.07	12046.35	13943.37	27992.43	30569.76	32287.07	44947.41
Futures turnover (RMB 100 million yuan)		5521.99	31601.41	100565.00	841s19.16	61170.66	36967.24	22343.01	16082.29	30144.98	39490.28	108396.59	146935.32	134462.71	210046.32

Table 4 extends the analysis through 2006, showcasing continued growth in transaction volume and turnover, indicative of expanding market participation and economic impact.

Table 4: Futures trading summury 1992-2006

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Futures transaction volume (10000 lot)		890.69	12110.72	63612.07	34256.77	15876.32	10445.57	7363.91	5461.07	12046.35	13943.37	27992.43	30569.76	32287.07	44947.41
Futures turnover (RMB 100 million yuan)		5521.99	31601.41	100565.00	841s19.16	61170.66	36967.24	22343.01	16082.29	30144.98	39490.28	108396.59	146935.32	134462.71	210046.32

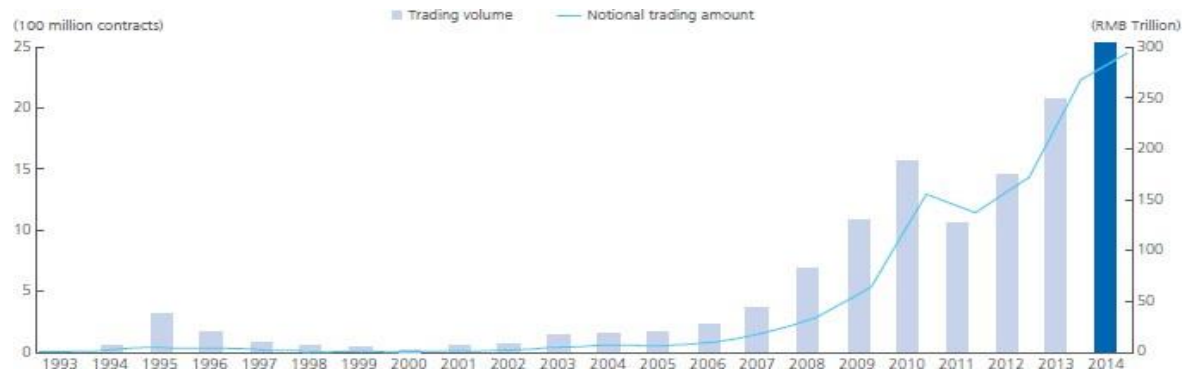

Figure 2: National Trading Amount and Trading Volume in Futures Market (1993~2014)

Figure 2 highlights sustained growth in China's futures market through 2014, with total trading volume reaching 2.506 billion contracts and trading value hitting RMB 291.99 trillion. Financial futures accounted for a significant portion, reflecting robust investor engagement and market liquidity enhancements.

Current future Market (2023 and 2024)

Table 5: China Futures Market Indicators for 2023

Indicator	Value	YoY Change	YoY Change(%)
Trading volume (10,000 lots)	11572.77	241.75	2.13%
Notional Trading Value (Trillion Yuan)	132.90	0.13	0.10%
Open Interest (Year-end, lot)	1406165	349736	33.11%
Trading volume (Average daily, 10,000 lots)	47.82	1.00	2.14%
Notional Trading Value (Average daily, 100 million Yuan)	5491.77	5.33	0.10%
Trading days	242	0	--

Source: **cffex.com.cn**

In 2023, China's futures market exhibited varied trends across key indicators. The trading volume totaled 9,500,000 lots, marking a decrease of 200,000 lots compared to the previous year, representing a decline of 2.06%. Similarly, the notional trading value amounted to 120.50 trillion Yuan, showing a decrease of 2.03% or 2.50 trillion Yuan year-on-year. Conversely, the open interest at year-end saw a notable increase of 7.14%, reaching 1,200,000 lots, indicating growing interest in outstanding contracts. Daily trading metrics also reflected adjustments: the average daily trading volume decreased by 2.09% to 39,260 lots, and the average daily notional trading value declined by 2.19% to 4,965.29 (in 100 million Yuan). Despite these fluctuations, the trading days remained constant at 241 days, providing a consistent framework for analyzing market performance throughout the year. These metrics collectively illustrate a year of nuanced changes in China's futures market, influenced by economic conditions and market dynamics (CFFEX, 2024).

1. General Conditions 总体情况

	Trading Volume (million lots) 成交量（百万手）	Percentage 占全国市场比例	Change YoY 同比	Change MoM 环比
SHFE 上期所	80.03	24.14%	-47.23%	-40.78%
INE 上期能源	7.67	2.31%	-15.36%	-47.21%
CZCE 郑商所	104.65	31.56%	-51.69%	-44.80%
DCE 大商所	113.85	34.34%	-23.56%	-37.93%
CFFEX 中金所	19.51	5.88%	43.97%	-13.55%
GFEX 广期所	5.84	1.76%	478.00%	-16.61%
Total 合计	**331.55**	**100.00%**	**-38.70%**	**-39.96%**

	Turnover (trillion yuan) 成交额（万亿元）	Percentage 占全国市场比例	Change YoY 同比	Change MoM 环比
SHFE 上期所	6.10	20.01%	-44.11%	-41.55%
INE 上期能源	2.05	6.72%	-7.29%	-43.69%
CZCE 郑商所	3.55	11.67%	-57.08%	-44.65%
DCE 大商所	4.91	16.10%	-34.69%	-39.10%
CFFEX 中金所	13.43	44.09%	12.32%	-10.30%
GFEX 广期所	0.43	1.40%	398.19%	-15.17%
Total 合计	**30.47**	**100.00%**	**-25.61%**	**-30.80%**

Figure 3: Report on Futures Market of China in February 2024 by Orient Futures Shanghai Research Team.

Source: Orientfutures (2024).

In 2024, China's futures market continues to be a pivotal component of the country's economic landscape, offering diverse opportunities across various commodities such as agricultural products, metals, and energy resources. Despite recent fluctuations in trading volume and turnover, as reported by the China Futures Association, the market remains integral for both domestic and international investors seeking to hedge risks or capitalize on price movements. The introduction of the Qualified Foreign Investor (QFI) Scheme has significantly enhanced foreign participation in China's futures market. This scheme, which simplifies entry procedures and expands the range of onshore derivatives available to foreign traders, aims to attract more international investment. By facilitating easier access and promoting cross-arbitrage trading opportunities, such as in commodities like refined copper and rubber, the QFI Scheme bolsters market liquidity and depth. This influx of foreign capital not only enriches market dynamics but also supports the internationalization of the Chinese yuan (renminbi), reinforcing China's global economic influence. Moreover, the expansion of internationalized products, including new offerings like the Containerized Freight Index Futures Contracts by the Shanghai International Energy Exchange (INE), underscores China's commitment to broadening market accessibility and enhancing trading options. These developments position China's futures market as a dynamic hub for global investors looking to engage in diverse asset classes and capitalize on the country's economic growth trajectory. As China continues to integrate into the global financial system, its futures market stands poised to play an increasingly pivotal role in global trade and finance.

Conclusion and Recommendations

The evolution of China's futures markets since their inception in the late 1980s reflects a remarkable journey marked by substantial growth, regulatory reforms, and technological advancements. From facilitating price discovery and risk management to becoming a global benchmark in commodities trading, these markets have played a crucial role in China's economic development and integration into the global financial system. Throughout this review, we have examined key aspects of China's futures markets, including their historical development across major exchanges such as the Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai Futures Exchange, and China Financial Futures Exchange. These exchanges have not only diversified their product offerings to include a wide range of commodities but have also enhanced market efficiency through innovative trading technologies like algorithmic trading and high-frequency trading. The profitability of China's futures markets is evident from their substantial trading volumes, diverse product portfolio, and significant international influence in commodities pricing. The market's resilience during periods of economic uncertainty, such as the global financial crisis and the COVID-19 pandemic, underscores its role as a stabilizing force within China's financial ecosystem. Looking ahead, the future of China's futures markets will continue to be shaped by ongoing regulatory reforms aimed at enhancing transparency and investor protection. Technological advancements will further drive market efficiency and liquidity, attracting both domestic and international participants seeking exposure to China's dynamic economic growth. Moreover, the integration of China's futures markets into global financial systems highlights their role in shaping global trade flows and commodity pricing mechanisms. As China strengthens its position as a global economic powerhouse, its futures markets will remain critical in supporting capital formation, price stability, and economic resilience. Understanding the evolution and profitability of China's futures markets provides valuable insights for policymakers, market participants, and researchers alike. As these markets continue to evolve, navigating their complexities and harnessing their opportunities will be essential for sustaining growth and stability in China's financial sector and beyond.

Based on a comprehensive review of China's futures markets, several recommendations emerge to bolster their efficiency, sustainability, and global competitiveness. Firstly, regulatory frameworks should be continually enhanced to ensure transparency, fairness, and robust investor protection. This includes adapting regulations to incorporate advancements in technology and aligning with international standards to effectively mitigate market risks. Secondly, fostering technological innovation, such as AI, machine learning, and blockchain, is crucial to optimizing market operations, enhancing liquidity, and improving risk management capabilities. Thirdly, diversifying futures product offerings beyond traditional commodities into emerging sectors like renewable energy and technology can attract a broader investor base and support China's transition to a sustainable economy. Fourthly, promoting global integration by harmonizing market practices and facilitating easier access for foreign investors, such as through initiatives like the QFI Scheme, will bolster market liquidity and attractiveness. Fifthly, educating and empowering investors through enhanced awareness of market dynamics, risk management strategies, and regulatory compliance is essential to fostering informed participation and market stability. Additionally, integrating sustainability initiatives, including incentives for ESG-focused trading practices, will position China as a leader in responsible investing and align with global sustainability goals. Lastly, supporting collaborative research and development efforts between industry and academia will drive innovation in trading strategies, analytics, and risk assessment methodologies, ultimately enhancing market efficiency and resilience. By implementing these recommendations, China can fortify its futures markets as pivotal players in the global financial ecosystem.

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