Tokyo Commodity Exchange to suspend aluminum contract trade

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Reuters reported that Japan's biggest commodity exchange plans to suspend trading aluminium futures after the last of the current 6 contracts expires in October 2010 due to dwindling trading volume.

The Tokyo Commodity Exchange, which lists gold, platinum, rubber and other industrial commodity futures has been struggling to spur trading activity at home while rival exchanges in Asia and London have thrived.

TOCOM said that "As there is a risk that low liquidity could distort fair price formation, we have decided to stop trading aluminium futures for the time being."

A TOCOM spokesman said that the exchange plans to gradually phase out trading in aluminium futures after receiving approval from the trade ministry with the most nearby contract due to expire in December. The exchange will keep its aluminium futures trading system in place in the hope that it can resume such trade in the future.

He said that TOCOM has been struggling to boost trading volume despite introducing a high-speed trading platform in May, with total trading volume so far hovering below its target of an average daily volume of 150,000 lots by the end of March 2010. The exchange planned to launch a market maker system by the end of October, in a move together with other steps to boost liquidity, but so far it has not picked a market maker.

(Sourced from Reuters)

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