



Futures Trading: The Way to Go?

Terence Lee
Private Client Service

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A Brief History...

In the beginning... farmers would grow their crops and bring them to the market hoping to sell them off...



A Brief History...

**But without any indication of the demand,
sometimes supply exceeds demand and crops
were left to rot on streets...**



A Brief History...

**Sometimes when the crop is out of season,
prices becomes too expensive as the crop
are unavailable...**



A Brief History...

Therefore, a central market is created to stabilize prices for buyers and sellers to meet and agree on a price today, for goods to be deliver in future to protect each others against huge price changes when the crop is due for delivery.

What is a Futures Contract?

- A contract/agreement to buy or sell a certain commodity at a price agreed today for delivery at a future date.

Who trades Futures Contract?

- **Hedgers** : producers of the commodity (e.g. a farmer, an oil company, a mining company) who trades a futures contract to protect himself from future price changes in his product .
- **Speculators** : include independent floor traders and private investors. Usually, they don't have any connection with the cash commodity and simply try to make a profit by -
 - **buying** a futures contract they expect to **rise** in price
 - **sell** a futures contract they expect to **fall** in price.

Types of Futures Contract

- **Stock Indices** (e.g. *SiMSCI, STI, Nikkei, HangSeng, Dow Jones, Nasdaq etc..*)
- **Metals** (*Gold, Silver, Platinum, Palladium, Copper etc...*)
- **Energy Products** (*Crude Oil, Natural Gas etc...*)
- **Soft Commodities** (*Corn, Soya Beans, Cocoa, Coffee, Pork Bellies etc...*)
- **Currencies** (*Euros, GBP, CHF, Aussies etc...*)
- **Bonds and Interest Rates** (*SGD, JGB, T-Bond*)



Characteristics of Futures Contract

- Allows you to go Long (buy) or Short (sell)
- Leverage investment. (Only require a Margin of the full contract value)
- Most futures markets are very liquid.
 - Huge amounts of contracts traded everyday
 - E.g. Top volume contract - Mini S&P has an average of 300,000 contracts traded daily
- Each contract has an expiry date
- Exchange-governed. Therefore, the Exchange will undertake your counter-party credit risk

Why trade in Futures Contracts?

Trading without hassle

- Allows you to trade or invest in precious metals, energy, grains etc... without having to physically own the products.
- Futures Contract allow you to SHORT sell without any hassle and at a lower cost compared to shorting individual stocks.
- When the market is moving sideways, we can still profit by buying or selling within the range.

Why trade in Futures Contracts?

Trading the Indices

- Allows you to trade on general market sentiments rather than trading individual stocks.
- Trading individual stocks exposed you to insiders trading , scandals or accounting scam which makes it a less fairer ground for traders.

Hedging against your assets

Hedge your portfolio of stocks against unexpected news or uncertainty

- E.g. Fundamental of stocks is still strong. However, due to general market sentiments, the stock is sold down.
- In this case, you may short the index so that you may profit from the downside using futures contract to cover the losses from the stocks.
- Offers a wide range of contracts over 16 exchanges with more than 100 products to trade in.

Why trade in Futures Contracts?

Indices that are traded globally:

Asia and Asia Pacific Indices

- MSCI Singapore Stock Index (SIMSCI)
- MSCI Taiwan Index
- Japan's Nikkei225, standard and Mini
- Hong Kong Hang Seng Index, standard and Mini
- India CNX Nifty Index
- Sydney SPI200 Index
- Kuala Lumpur Composite Index
- Crude Palm Oil

Why trade in Futures Contracts?

Indices that we can trade on:

Europe and U.S. Indices:

- London FTSE 100
- German DAX
- French CAC40
- Dow Jones Index
- S&P500 Index
- Nasdaq100

Why trade in Futures Contracts?

- Can trade in many different region's stock indices.
- Longer hours of trading. E.g. S&P500 is almost 24 hours.
- Some contracts has a choice of standard or mini to manage your risk.
- Can go long and short on the contract
- Hedge against your portfolio and risk

What can be worst than the recent act of God in Japan?

- What happen if you are holding a portfolio of Japanese stocks that may or may not include Tokyo Electric Power Company (TEPCo)

Window 1

Hot Quotes

Matrix

Status

Position

Reports

Accounts

Options

Strategies

Implied Prices

At Best

Subscriber Depth

Account:

Contract	Bid Vol	Bid	Offer	Offer Vol	Last	Change	Opening	High	Low	Closing	Total Vol
Liffe \ FTSE100 \ DEC09	11	5287.0	5287.5	22	5287.5	7.5	5285.5	5337.0	5283.5		142366
XEurex \ DAX \ DEC09	15	5873.5	5874.0	4	5874.0	68.0	5812.5	5898.5	5804.0	5806.0	117491
CME_CBT \ DJIA5 \ DEC09	1	10489	10491	14	10489					10459	3787
CME \ MINI S&P \ DEC09	318	1113.00	1113.25	344	1113.00					1108.75	91140
CME_CBT \ DJIA5 \ MAR10	6	10428	10430	11	10428					10398	13096
CME \ MINI S&P \ MAR10	155	1108.25	1108.50	288	1108.25					1104.00	244924
SGXQ \ QSG \ DEC09	1	339.40	339.70	3	339.40					340.00	224
SGXQ \ QTW \ DEC09	2	278.30	278.50	3	278.30					278.00	2413
SGXQ \ QNK \ JAN10										0160.00	
HKEX \ HK_HNGSNG \ DEC09				2							71355
HKEX \ H-SHARES \ DEC09				1							32650
HKEX \ MINI HNGSN \ DEC09				2							37952
CME \ Euro FX \ MAR10	8	1.4542	1.4543	37	1.4542					1.4523	91511
CME \ GBP \ MAR10	21	1.6363	1.6365	34	1.6363					1.6247	57028
CME \ AUD \ MAR10	62	0.8914	0.8915	18	0.8914					0.8980	51385
CME \ JPY \ MAR10	8	0.011154	0.011156	14	0.011154					0.011149	37725
CME \ CAN \ MAR10	1	0.9416	0.9417	22	0.9416	-0.0005	0.9423	0.9448	0.9405	0.9421	21842
CME \ CMX GLD \ FEB10	7	1132.0	1132.1	1	1132.0	9.0	1125.7	1136.1	1122.4	1123.0	55893
CME \ CMX SIL \ MAR10	11	17.525	17.535	8	17.530	0.075	17.450	17.630	17.350	17.455	7879
CME \ CRUDE \ JAN10	21	71.23*	71.24	13	71.24	0.55	70.78	71.59	70.59	70.69	35894
NYBOT \ NB DLR \ MAR10	5	77.170	77.175	14	77.170	-0.130	77.310	77.375	76.995		3257
NYBOT \ NB SU11 \ MAR10	12	25.55	25.56	1	25.56	0.74	24.96	25.78	24.88		20203
NYBOT \ NB SU11 \ APR10											
NYBOT \ NB SU11 \ MAY10	6	24.03	24.05	61	24.04	0.61	23.53	24.18	23.52		7656

Trade (1)

Exchange: CME

Commodity: CRUDE

Contract Date: JAN10

Order Type: Limit

Ticket

Lots: 1

Price: 71.27

Limit Price: 71.27

Good Till Date: 12/18/09

Account:

Reference:

Time: 12/12/09 16:00:00

Priority:

Margin: 5149718605.97

☒ Open
 ☐ Close

☐ Create Inactive
 ☒ Close After Trade

Buy

Change to Sell

Cancel

Bid: 71.23

Offer: 71.24

Last: 71.24

+

 Add

-

 Remove

▲

 Up

▼

 Down

Pull All

▲ Pull

▲ Reflector

Source: POEMS

Lots:

1 Line

2 Lines

Trade

Summary of Futures Trading

- Allows you to trade in both direction (long/short)
- Stock Indices allows you to trade on the general market sentiments instead of going into individual stock counters
- Trade the actual commodities (e.g. Crude oil) instead of buying commodities related stocks
- More than 100 over product for you to choose from
- Trade on Margin (leverage) freeing up your capital for other uses
- Can be use for hedging your stocks holdings against unexpected news or uncertainty

Phillip Futures : Overview

- Established in 1983 with more than 20 years market presence.
- One of the largest brokerage firm locally.
- Founding Clearing Member of SGX-DT (formerly SIMEX)
- Licensed by MAS under the Securities & Futures Act
- Phillip Futures Sdn Bhd started in September 2009
- First local broker to offer foreign futures

Our Services

- 24 Hours broking, execution services and IT support for a wide range of futures and options products.
- Large selection of global futures (over 16 exchanges), options, currency, commodity and precious metals products for trading.
- Continuous education. We support our clients with free one to one coaching and seminars to constantly keep them up to date with the market.
- Provides Professional trading platform including mobile trading software to retailers for more efficient and reliable execution.

Q&A

Name: Terence Lee

Email: terencelee@poems.com.my

