The trusted way to trade gold in Malaysia

FGLD

Gold Futures

Traded on Bursa Malaysia

V2.11.2013

BURSA MALAYSIA

THE NEW GOLD FUTURES CONTRACT FROM **BURSA MALAYSIA**

GOLD FUTURES

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FGLD
Gold Futures
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MALAYSIAN GOLD FUTURES ARE NOW AVAILABLE ON CME GLOBEX®

- **Global Access**
- **Regulated Trading**
- **Leveraged Trading**
- **Benefit from Bull and Bear Markets**

FGLD TICKER CODE

- **CME Globex®: BMD\FGLD\relevant contract month code**
  Example BMD\FGLD\OCT14
- **Bloomberg: FGDA Cmdty CT (Go)**
- **Thomson Reuters: <FGLD> + <Month Code> + <Year Code>**
  Example <FGLDZ3> DEC3 contract
- **Interactive Data: F:FGLD\Mnn, where M is month code and nn is year number**
  Example F:FGLD\Z13

ALL ABOUT TRADING IN GOLD FUTURES

1 WHAT IS FGLD?

FGLD is a small-sized Ringgit Malaysia ("MYR") denominated gold futures contract traded on Bursa Malaysia Derivatives, providing market participants exposure to international gold price movements.

- Contract Size : Each FGLD contract is equivalent to 100 grams of gold
- Pricing : The pricing of the FGLD contract is benchmarked against the London Gold Fix Price
- Cash Settled : There is no physical delivery as it is a cash settled contract. The FGLD contract will be settled on expiry using the cash equivalent of gold purchased (e.g. 100 grams), calculated using the London AM Fix price (in USD) on the final trading day converted into MYR

WHY TRADE FGLD? 2

1. Global Access

FGLD is traded on CME Globex®, a global electronic platform. Accessing CME Globex® is easy and allows individual and professional traders anywhere around the world to access all Bursa Malaysia Derivatives products.

2. Regulated Trading

The trading of the FGLD contract on Bursa Malaysia Derivatives comes under the regulatory supervision of the Securities Commission of Malaysia pursuant to the Capital Markets and Services Act 2007.

Margin deposits and payments relating to settlement of futures contracts are guaranteed by Bursa Malaysia Derivatives Clearing while the conduct of the futures brokers is also regulated.

The regulatory framework provides added protection and comfort to market participants.

3. Leveraged Trading

In the futures market you will need to deposit a small percentage of the notional value of the contract (known as Initial Margin). This margin will fluctuate according to volatility of the gold price. The "leverage" allows you to have greater exposure to gold at a fraction of the total value.

4. Benefit from Bull and Bear Markets

Unlike purchasing an "asset" based on today's prices (eg. stocks or physical assets), a futures contract enables you to take a position now based on your view of the prices in the future. Traders have the opportunity to sell first in declining markets and this is the main trading advantage of futures contracts. It allows traders the flexibility in participating and taking opportunity in market trends and movements.

For example, if you wish to have exposure to gold and anticipate the gold price will go down in the future (e.g. in December), you could sell a December futures contract now to lock in today's prices, and take your gains in December when the contract expires at a lower price. This ability to "sell" a contract without first having to buy it enables you to benefit from both downward and upward movements in price.

MARGINS AND APPROVED CURRENCIES 3

The Initial Margin amount is to be deposited with your licensed Futures Broker prior to trading. All currency deposits for the Initial Margin are subjected to hair cut rates as determined by Bursa Malaysia Derivatives Clearing from time to time.

While Variation Margins are in Ringgit Malaysia (MYR), Initial Margins are accepted in various currencies listed below:

- Malaysian Ringgit (MYR)
- US Dollar (USD)
- British Pound (GBP)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Japanese Yen (JPY)
- Chinese Renminbi (RMB)
- Singapore Dollar (SGD)
- Australian Dollar (AUD)

Please refer to your licensed Futures Broker for other approved collateral

4 TRADING EXAMPLES

Objective 1: Protection of Asset Value

Simon has 1kg (1000g) of gold coins collected over the years. He observes that gold prices have declined and anticipates a further downtrend. He wishes to hold on to his physical gold portfolio for his retirement. To protect his asset value, he can use the FGLD contract in the following manner:

Quantity of gold:	**1000g**
Current Gold price:	**MYR130 per gram**
Scenario:	**Gold prices are expected to FALL**

How can FGLD help in this scenario?

Step 1	:	Evaluate portfolio value	= MYR130,000 (MYR 130 x 1000g)
Step 2	:	Evaluate hedging amount	= 10 FGLD contracts (100g = 1 FGLD contract, 1000g = 10 FGLD contracts)
Step 3	:	Execute the FGLD order with the broker	
		Sell 10 FGLD contracts at the current price of MYR130	

Assuming gold prices fall to MYR 100 per gram

Step 4	:	i. Re-evaluate portfolio value	= MYR100,000 (MYR100 x 1000g)
		Gross Loss (physical gold value)	= (MYR 30,000) (MYR 130,000 – MYR100,000)
		ii. Gross Profit on FGLD	= MYR30,000* ((MYR130 – MYR 100) x 1000g)) (Sell 10 FGLD contracts at MYR130 Buy 10 FGLD contracts at MYR100)

In this way, he maintains the value of his gold coins in the event of downward price movement.

* Initial Margins are to be deposited prior to trading
* Transaction costs have been excluded in this example

Objective 2: Locking in current gold price

Madam Deepika's daughter is getting married in 6 months time. She intends to withdraw her Fixed Deposit (FD) sum to buy gold jewellery. However, the Fixed Deposit is not due until closer to the wedding. Madam Deepika notices the gold prices have been trending upwards and is concerned that this may reduce the amount of gold she can purchase. To lock in the current gold price, she can use the FGLD contract in the following manner:

Quantity of gold:	**200g**
Current Gold price:	**MYR130 per gram**
FD Value:	**MYR26,000**
Scenario:	**Gold prices are expected to RISE**

How can FGLD help in this scenario?

Step 1 : Evaluate gold value = MYR26,000(MYR 130 x 200g)

Step 2 : Evaluate hedging amount = 2 FGLD contracts
(100g = 1 FGLD contract, 200g = 2 FGLD contracts)

Step 3 : Execute the FGLD order with the broker

Buy 2 FGLD contracts at the current price of MYR130

Assuming gold prices rise to MYR160 per gram

Step 4 : i. Re-evaluate gold value = MYR32,000(MYR160 x 200g)

Gross Loss (physical gold value) = (MYR 6,000)
(MYR32,000 – MYR26,000)

ii. Gross Profit on FGLD = MYR6,000*
((MYR160-MYR130) x 200g))
(Buy 2 FGLD contracts at MYR130
Sell 2 FGLD contracts at MYR160)

She can then add the profit to her Fixed Deposit sum and **purchase the same amount of gold that she original intended**. By using this strategy, she effectively **locked in the price of gold** at the time she bought FGLD.

* Initial Margins are to be deposited prior to trading
* Transaction costs have been excluded in this example

TRADING EXAMPLES

Objective 3: Taking advantage of gold price volatility

Suhaila is interested in having gold as an asset class in her investment portfolio. She observes that gold prices have been volatile recently, moving actively in both directions. She believes she can profit from the price fluctuations. To benefit from the volatile market, she can use the FGLD contract in the following manner:

Quantity of gold: **100g**
Current Gold price: **MYR130 per gram**

How to benefit from the FGLD contract?

Scenario A	: Gold prices are expected to RISE
Step 1	: Buy one FGLD contract at MYR130
Assuming gold prices rise to MYR150 per gram	
Step 2	: Sell one FGLD contract at MYR150
Gross profit on FGLD	: MYR2,000* (MYR20 x 100 grams)

Scenario B	: Gold prices are expected to FALL
Step 1	: Sell one FGLD contract at MYR130
Assuming gold prices fall to MYR100 per gram	
Step 2	: Buy one FGLD contract at MYR100
Gross profit on FGLD	: MYR3,000* (MYR30 x 100 grams)

She can use numerous strategies to maximise her trading opportunities in the market, for e.g. spread trading, arbitrage trading and outright trading.

* Initial Margins are to be deposited prior to trading
* Transaction costs have been excluded in this example

WHAT OTHER PRODUCTS DO WE OFFER? 5

Equity Derivatives

- FTSE Bursa Malaysia KLCI Futures (FKLI)
- Options on FTSE Bursa Malaysia KLCI Futures (OKLI)
- Single Stock Futures (SSFs)

Financial Derivatives

- 3-Month KL Interbank Offered Rate (KLIBOR) Futures (FKB3)
- 3-Year Malaysian Government Securities Futures (FMG3)
- 5-Year Malaysian Government Securities Futures (FMG5)

Commodity Derivatives

- Gold Futures (FGLD)
- Crude Palm Oil Futures (FCPO)
- Options on Crude Palm Oil Futures (OCPO)
- USD Crude Palm Oil Futures (FUPO)
- Crude Palm Kernel Oil Futures (FPKO)

GETTING STARTED 6

Step 1

Open a Futures Trading Account with a licensed Futures Broker of Bursa Malaysia Derivatives

Step 2

Deposit Initial Margin with your broker

Step 3

Start Trading FGLD

How do I learn more?

Please contact your preferred licensed Futures Broker who will advise and update you accordingly. You can also refer to the various educational seminars listed on Bursa Malaysia's website.

Disclaimer

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