

Part 5:

Futures - How does one get started?

This is the fifth in a six-article series on how to trade futures, brought to you by Bursa Malaysia Derivatives Berhad (BMD) and OSK Investment Bank Berhad, in conjunction with BMD's 'Talk Futures' campaign aimed at creating awareness and educating investors on derivatives trading.

“So really, how do I start trading futures?”

Getting to know what you are trading is an important step when starting out to trade futures. Read as much as possible or get advice from professionals in the business.

With the correct knowledge, you now need to decide on a trading plan, what to trade and what trading style is suitable for your investment requirement. It also advisable to have an idea of how much funds you would allocate for your futures trading account. This is determined by how much risk capital that you are willing to fork out. Futures trading do entail risk and one

is well advised to only trade with risk capital you can afford.

The next step is to open up a futures trading account with a licensed futures broker. OSK Investment Bank, for example, offers such a service for you. OSK Investment Bank is licensed by the Securities Commission as a Futures Broker under the Futures Industry Act of 1993 and is a Trading Participant of Bursa Malaysia Derivatives Berhad and a Clearing Participant of the Bursa Malaysia Derivatives Clearing Berhad.

Once you have your futures trading account established, you need to put forward your margin requirements with your futures broker. Margin is the amount of money that you need to put forward to hold a futures contract.

All futures contract are traded on margin, which is a good faith deposit to cover any potential losses, if any, due to market movements. That is to say that when you face a negative return on your futures position, you may need to put up funds to readjust your margin and bring it back to its initial maintenance requirement value.

For example, suppose the margin for one corn futures contract is US\$1000. If the corn price drops, your balance drops below that \$1000 mark, you will need to put forward more funds to maintain your margin requirement (\$1000) if your account does not have sufficient margins.

Different contracts have different initial margin requirements and they are mainly set by the futures exchange. These margins are set based on risk as well as volatility of the instruments. For example, if the movement of the futures market is aggressive, the margin rates may be higher, to adjust according to the risks brought about by its volatility.

Work with your broker to determine your trading needs and as well as what sort of requirements you will need in support like research, trading ideas, news updates and trading platforms. OSK provides, among others, an experience team of Futures Broker Representatives and Dual Licensed Holders who can cater to your diverse needs based on your suitability to certain futures products.

They are trained professionally and they have the deep understanding of the market. Their experience and knowledge can certainly help improve your portfolio's performance.

Futures trading have gained much interest globally as the global markets become more volatile due to geopolitical as well as economical uncertainties. You may be looking for a financial instrument as a method to hedge or perhaps would like to have an alternative investment to take profit from the market's volatility. Either way, with the help from a knowledgeable broker or a good mentor, futures trading might just be your plate of gold.

article. All applicable laws, regulations and current Bursa Malaysia Berhad rules should be referred to in conjunction with this article.

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