

The Fundamentals of Trading SGX MSCI Asia APEX 50 Index Futures (Part 1)

Event : **WEBINAR**

Standard: **All Traders Levels**

Date : **28 Aug 2008 (Thur) – 2100 Hrs (SG STD Time)**

Speaker : **DAR Wong, APSRI**

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Acknowledgement

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- **Singapore Exchange Ltd**
- **Interactive Brokers**
- **NextVIEW Pte Ltd**

Disclaimers: The information and contents contained herein are solely for education purpose only and updated to the best of knowledge, at the time of conducting this workshop. Changes may be made at anytime thereafter, without prior notice.



Risk Disclaimers

- **Margin trading involving Futures instruments are high risk business activities.**
- **You are advised to evaluate own risk appetite, risk tolerance and risk capacity before initiating this business trade.**
- **You are advised to seek licensed member firms of SGX, its corresponding partners or professional licensed advisors for trading opinions, advices and obtain full declaration of risk before opening a trading account.**



CEO's Background of APSRI

- **1989 – 1991 Bank of America Futures Inc**
- **1991 - 1992 Bankers Trust Futures Inc**
- **1992 – 1993 DCNY Futures / Barclays ZW Futures Inc**
- **1993 – 1996 Smith Barney Shearson (Citigroup)**
- **1996 – 2001 Non-Clearing Local Trader**
- **2002 – 2008 Hedge Advisor & Consultant in Malaysia, Indonesia, Singapore, Thailand, Vietnam.**

Main Strength

- **Trader & Advisory in Risk Management**
- **Contributor for financial magazines e.g. The Traders Journal & Pulses**
- **Weekly columnist for The Borneo Post newspapers**
- **Independent Trainer for Singapore Exchange Ltd (SGX) & seminar speaker cum trainer for financial institutions**





Contents of Module-1

1) Overview for Major Asian Market Indices

2) The Cutting Edge of Diversified MSCI Asia APEX 50 Markets

3) Market Components & Contract Specifications

4) Contract Months & Trading for Rollover



1. Overview for Major **ASIAN Market Indices**

HANG SENG.WI -Daily 8/19/08 C=20814.79 -115.88 (-0.55%) O=20814.79 H=20814.79 L=20814.79 V=0
EMA C (4) 21032.214 EMA C (20) 21748.365

Pt X

- Market possibly will trade a new marginal low below L1
- Possible hover around L1 until near to year-end before another continual downward correction

L2 - 26377

R - 23330

Possibly range trading

L1 - 20572

StocMomIdx (5,3,3) -68.176 -69.011

2007 Jul

Oct

2008

Apr

Jul

NIKKEI 225, WI -Daily 8/19/08 C=12828.75 -336.70 (-2.56%) O=13016.50 H=13016.50 L=12782.10 V=0

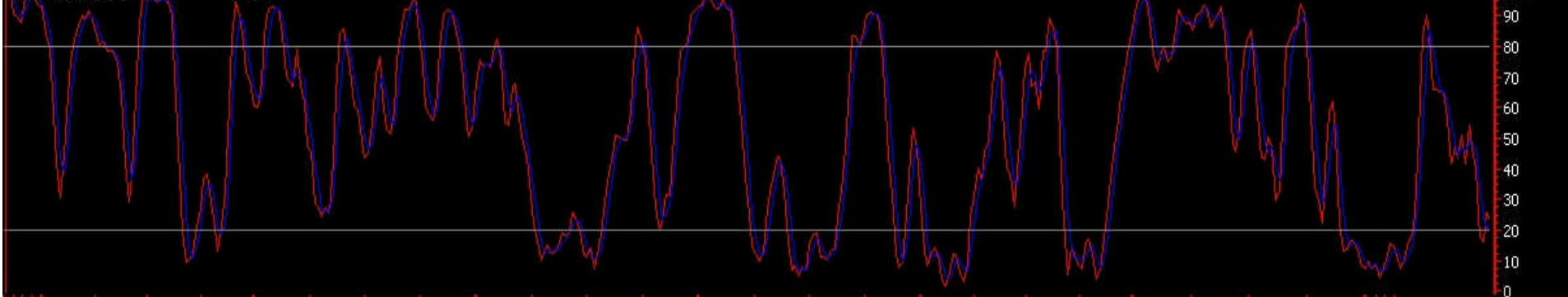
EMA C (4) 12985.82 EMA C (20) 13116.006

Pt X



- Market possibly will trade between mid-range of L1 to L2
- Sentiment neutral although more prone to head down to support L1 again

Stochastic (14,3,3) 23.305 21.827 80 20



2006 2007

Apr

Jul

Oct

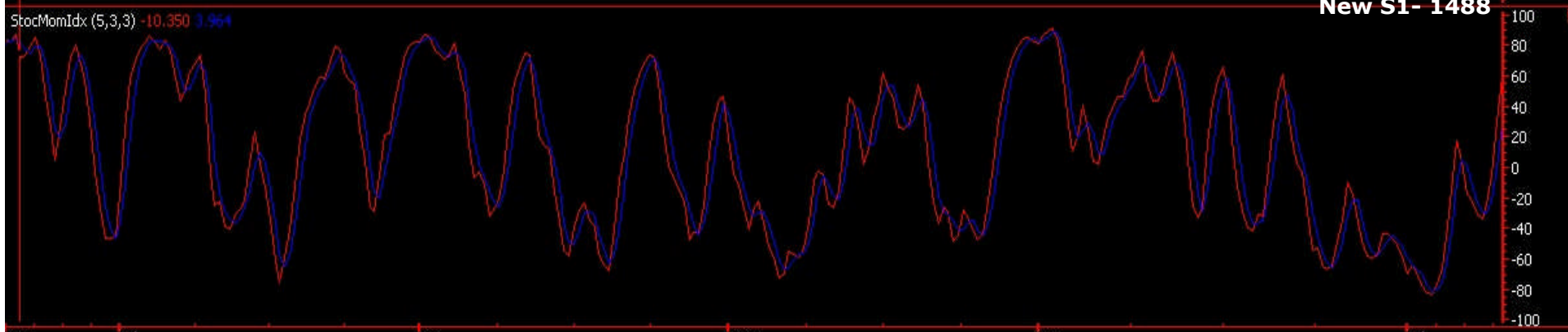
2008

Apr

Jul

KOSPI COMP INDEX, WI -Daily 8/19/08 C=1540.94 -26.77 (-1.71%) O=1554.21 H=1554.92 L=1528.31 V=0
EMA C (4) 1559.652 EMA C (20) 1570.756

Pt X



STI.SI -Daily 8/19/08 C=2742.56 -34.53 (-1.24%) O=2741.16 H=2754.21 L=2732.12 V=96,768
EMA C (4) 2775.318 EMA C (20) 2842.423

Pt X

- Market possibly will rebound and trade in range until near to year-end

- Likely another continual downward correction will follow and start from end 2008 – early 2009

L2 - 3267

50% - 3000

Possibly range trading

L1 - 2746

Trade marginally below L1

StocMomIdx (5,3,3) -60.921 -49.455

2007 Jul

Oct

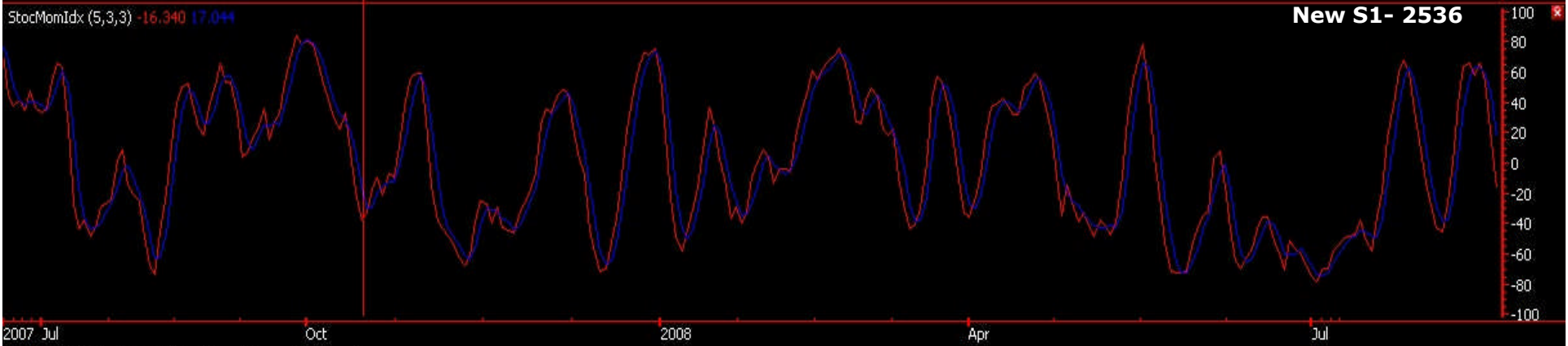
2008

Apr

Jul

MSCITWI CC-E,SD -Daily 8/19/08 C=268.5 -1.3 (-0.48%) O=265.4 H=269.7 L=263.2 V=40,302
EMA C (4) 272.8014 EMA C (20) 274.88

Pt X





**2. The *Cutting Edge*
of Diversified
MSCI Asia APEX 50
Index Futures**

WHY TRADE MSCI ASIA APEX 50???

- **Regional exposure to fast-growing Asian companies with the index tracking the benchmark MSCI AC Asia ex Japan Index**
- **Selective top-performing companies – 14 from CN, 10 from KR, 11 from HK, 10 from TW & 5 from SG*.**
- **Easy access to trading & track your invested portfolio together with effective RISK control <click>**
- **Low margin-deposit compared to outright stock purchase**
- **Good leveraging factor vs. ETF, with versatility of duo-way trade activities <click>**
- **Low trade commission vs. conventional fund-management fee**
- **US denominated & cash-settled**

**As of 21 Aug 08*



3. Market *Components & Contract Specifications*

CHINA

1. *China Mobile*
2. *ICBC (H)*
3. *China Life Insurance (H)*
4. *CNOOC*
5. *PetroChina Co. (H)*
6. *China Construction BK (H)*
7. *China Petro & Chem (H)*
8. *China Shenhua Energy (H)*
9. *Ping An Insurance (H)*
10. *Bank of China (H)*
11. *China Merchants Bank (H)*
12. *China Communic Constr- (H)*
13. *China Telecom Corp (H)*
14. *Bank of Communications (H)*

KOREA

1. *Samsung Electronics Co.*
2. *POSCO*
3. *Kookmin Bank*
4. *Shinhan Financial Group*
5. *Hyundai Heavy Industries*
6. *Hyundai Motor Co.*
7. *Samsung C&T Corp*
8. *Shinsegae Co.*
9. *NHN Corp*
10. *LG Electronics*

HONG KONG

1. *Cheung Kong Holdings*
2. *Sun Hung Kai Properties*
3. *Hong Kong Exch. & Clearing*
4. *Hutchison Whampoa*
5. *Hang Seng Bank*
6. *Esprit Holdings*
7. *CLP Holdings*
8. *HongKong China Gas*
9. *Swire Pacific*
10. *BOC Hong Kong Holdings*
11. *Li & Fung*

TAIWAN

1. *Taiwan Semiconductor Mfg*
2. *Hon Hai Precision Ind Co.*
3. *Cathay Financial Holdings*
4. *China Steel Corp Common*
5. *Nan Ya Plastic*
6. *Formosa Plastic Corp*
7. *Au Optronics Corp*
8. *Mediatek Inc*
9. *Asustek Computer*
10. *HTC Corp*

SINGAPORE

1. *Singapore Telecom*
2. *United Overseas Bank*
3. *DBS Group Holdings*
4. *OCBC Bank*
5. *Keppel Corp*

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Source: SGX as of 21 Aug 2008

Contract Type	SGX MSCI Asia APEX 50 Index Futures (AP)
Specifications	
Contract Size	USD 50 x SGX MSCI Asia APEX 50 Index Futures Price
Tick Size	0.5 index point (USD 25)
Contract Months	2 nearest serial months + 2 quarter months
Trading Hours (Singapore Time)	<p>T session: 7.55 am – 5.10 pm Pre-open routine commences at 7.40 am and lasts 15 minutes</p> <p>T+1 session: 6.15 pm - 10.55 pm Pre-open routine commences at 6.00 pm and lasts 15 minutes</p>
Trading Hours on Last Trading Day (Singapore Time)	7.55 am – 5.10 pm
Last Trading Day	Second last contract business day of the expiring contract month that must be a common business day. Otherwise, falls on the immediate business day prior to the second last business day of the expiring contract month.
Settlement Basis	Cash Settlement



4. Contract *Months* & Trading for *Rollover*

Contract Months Variation in APEX 50 Futures Trading

Contract & Month	Tick Symbol & Month Quote
APEX 50 Jan '08	APF8
APEX 50 Feb'08	APG8
APEX 50 Mar'08	APH8
APEX 50 Apr'08	APJ8
APEX 50 May'08	APK8
APEX 50 Jun'08	APM8
APEX 50 Jul'08	APN8
APEX 50 Aug'08	APQ8
APEX 50 Sep'08	APU8
APEX 50 Oct'08	APV8
APEX 50 Nov'08	APX8
APEX 50 Dec'08	APZ8

Trading for Roll-Over

- **To do a roll-over, a trader must execute a spread order to square off this current position and shift the position to the next closer month (far-month).**
- **All open positions in APEX 50 futures, if not closed or rolled-over, will be cash-settled upon expiration.**

<END>

What is A Spread Order?

- **For index futures, all spread orders are quoted with far month over near (current) month – that means far month's price subtracting near month's price.**
- **A spread order consists of buying and selling an order simultaneously over 2 different months, but with same quantity. <click>**
- **For example, buying (long) a spread means buy far month and sell near month. Selling (short) a spread means sell far month and near month.**
- **Spread quotes can be speculated among the spread traders.**
- **Spread orders generally require lower trading margin. - (Check with your broker house)**

APEX 50 Futures Trading - Case Study 1

	APQ8 (Aug 2008)	APU8 (Sep 2008)
BID	7840	7860 (step-1)
ASK	7845	7865 (step-2)

- **From above market quote, the Aug /Sep spread quote will be 15B / 25A.**
- **Spread bid (buy Sep/sell Aug) = 7860–7845 = 15 points**
- **Spread offer (sell Sep/buy Aug) = 7865–7840 = 25 points**
- **Any trader in the market may provide better quote to narrow down the bid/offer price.**

APEX 50 Futures Trading - Case Study 2

	APQ8 (Aug 2008)	APU8 (Sep 2008)
BID	7840	7860
ASK	7845	7865

- If a trader is short 5 lots in Aug contract and wishes to roll-over when APQ8 approaches expiration, he may enter a new order by selling 5 lots of Aug /Sep spread e.g. "-5 APQ/U @20 points"
- By entering this short spread, he will be short 5 in Sep and long 5 in Aug contract if order is filled. <click>
- The Aug contract will be squared and his new position will be short 5 in Sep.
- His Aug contract will be closed and cash settled. However, his view to short will be maintained in Sep contract.

Take note in this case, the price differentials of Offer price (Sep) – Bid price (Aug) = 20 points



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END OF WEBinar

..... Join us for Part 2 on Sep 2, 2008

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our website <http://www.PWforex.com>**



***A good trader is one who predicts
accurate variables of market timing vs.
prices, together with effective risk
management. – DAR Wong, APSRI.***

