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# India Offshore: Investing in Nifty 50 Single Stocks via Singapore-listed Futures

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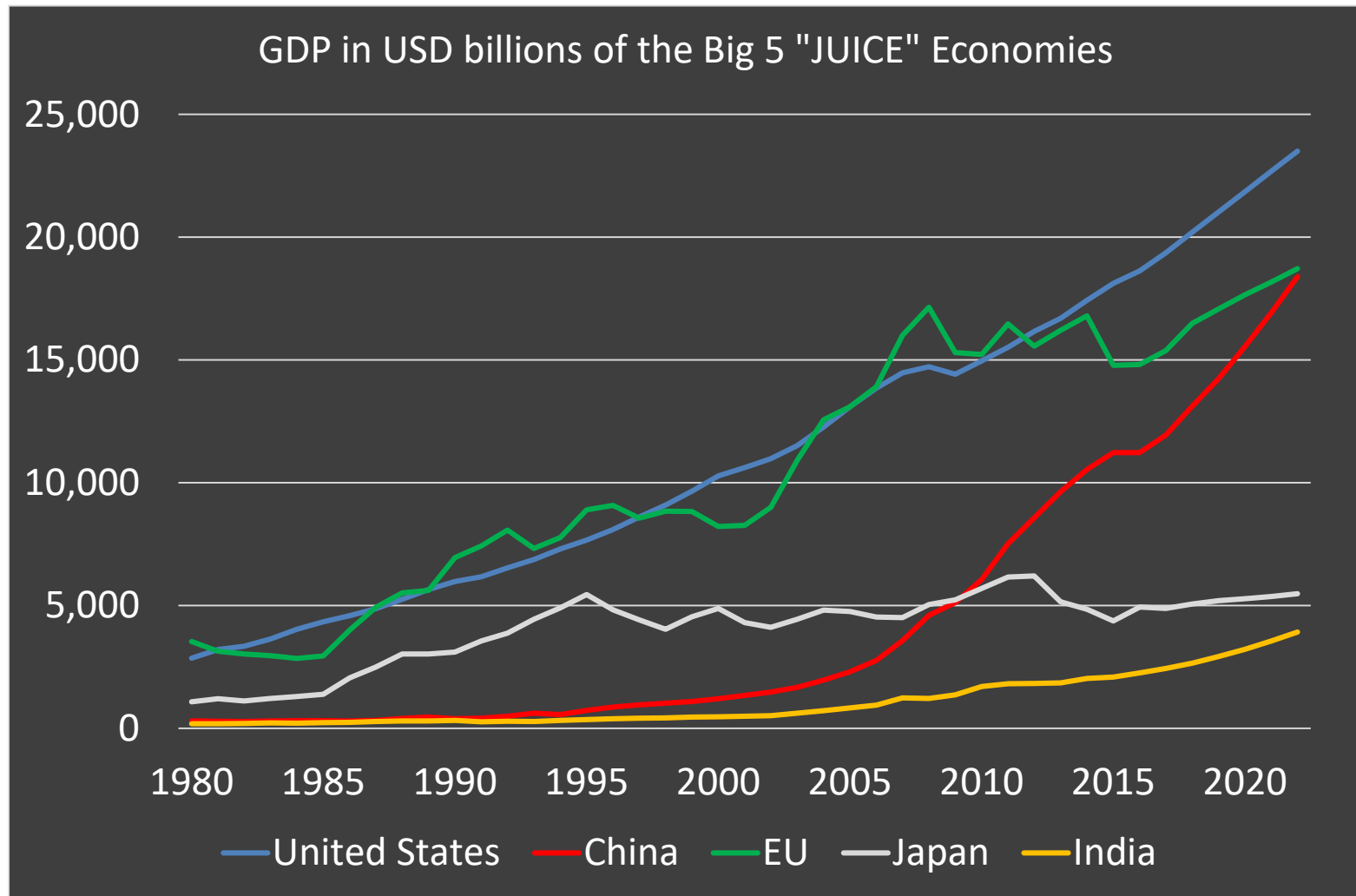
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## About Tariq Dennison, CFP<sup>CM</sup>

- I manage client accounts on the IBKR platform
  - US Advisor: GFM Asset Management LLC
  - HK Advisor: GFM Group Limited
- Launched Bear's SGX Nifty linked ELN in 2006
- Global market experience since 1999
  - Commerzbank (NY, London, Frankfurt)
  - Bear Stearns (NY)
  - J.P. Morgan (NY)
  - Canadian Imperial Bank of Commerce
  - Societe Generale (HK)
- Masters in Financial Engineering
  - University of California at Berkeley
- Lecturer at ESSEC Business School
- Author of *Invest Outside the Box: Understanding Diverse Markets and Strategies*



# Why India? Reason #1: Big and Fast Growing Economy



- India now tied for #5 largest economy with France & UK

# Why India? Reason 2: Market is still catching up

Secure | <https://www.blackrock.com/investing/products/239637/ishares-msci-emerging-markets-etf>

## iShares MSCI Emerging Markets ETF

[Fact Sheet](#) [Prospectus](#) [Download](#)

Overview

Performance

Key Facts

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Fees

Portfolio

Literature

as of Feb 02, 2018

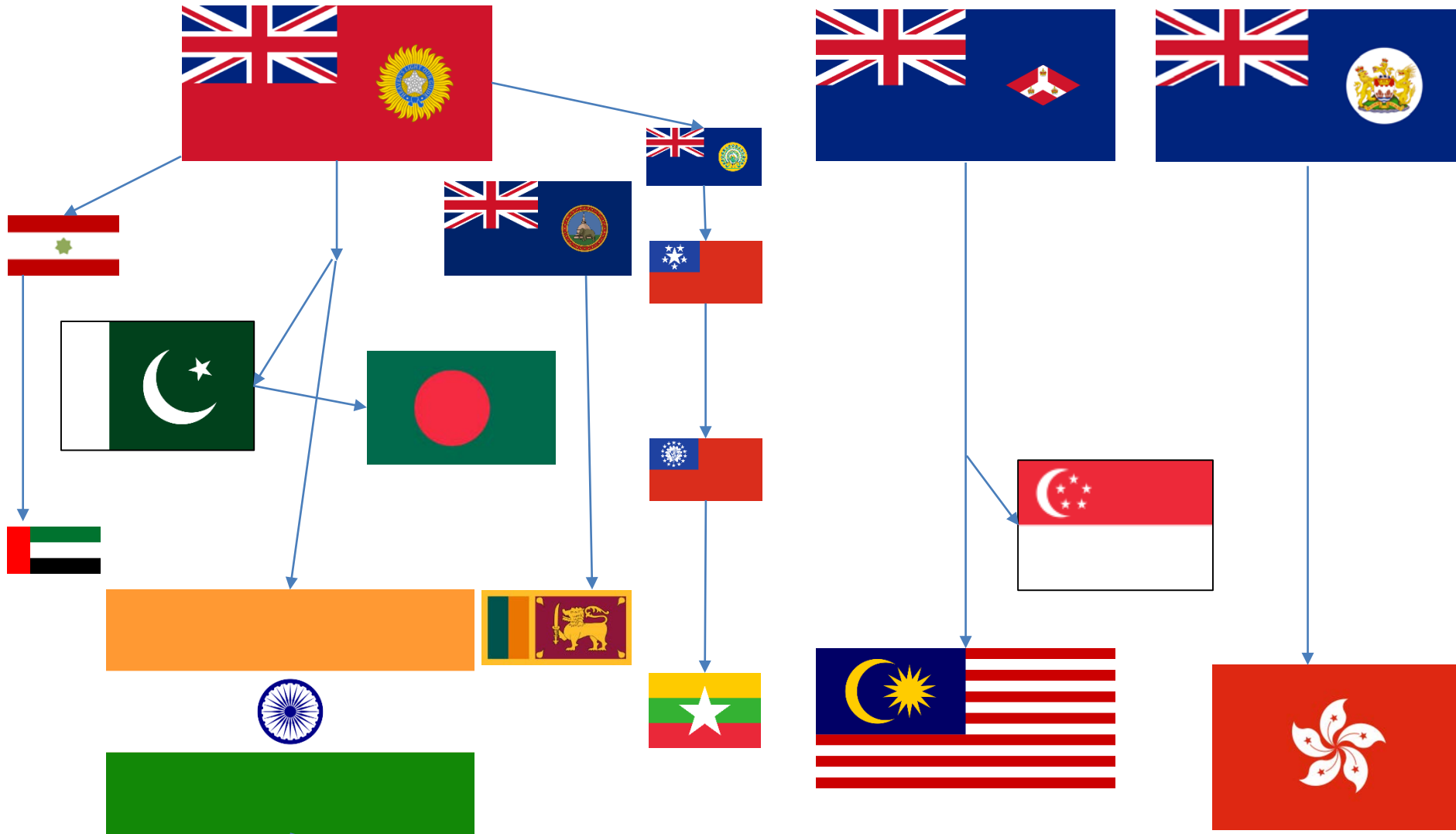
% of Market Value

Type ▲	Fund ▶
China	30.63
Korea (South)	14.30
Taiwan	11.40
India	8.15
Brazil	7.25
South Africa	6.58
Russian Federation	3.50
Mexico	2.97
Thailand	2.32
Malaysia	2.28
Indonesia	2.18
Poland	1.32



- India does not even have a 1% weight in the ACWI

# A Brief Post-WWII, Post-colonial Background



India now has 29 states + 7 UT's, since Telangana (2014)

Source: Wikipedia

# Leaps in Market Development



Nehru:  
“Profit is a dirty word”  
4 decades of <3%  
growth

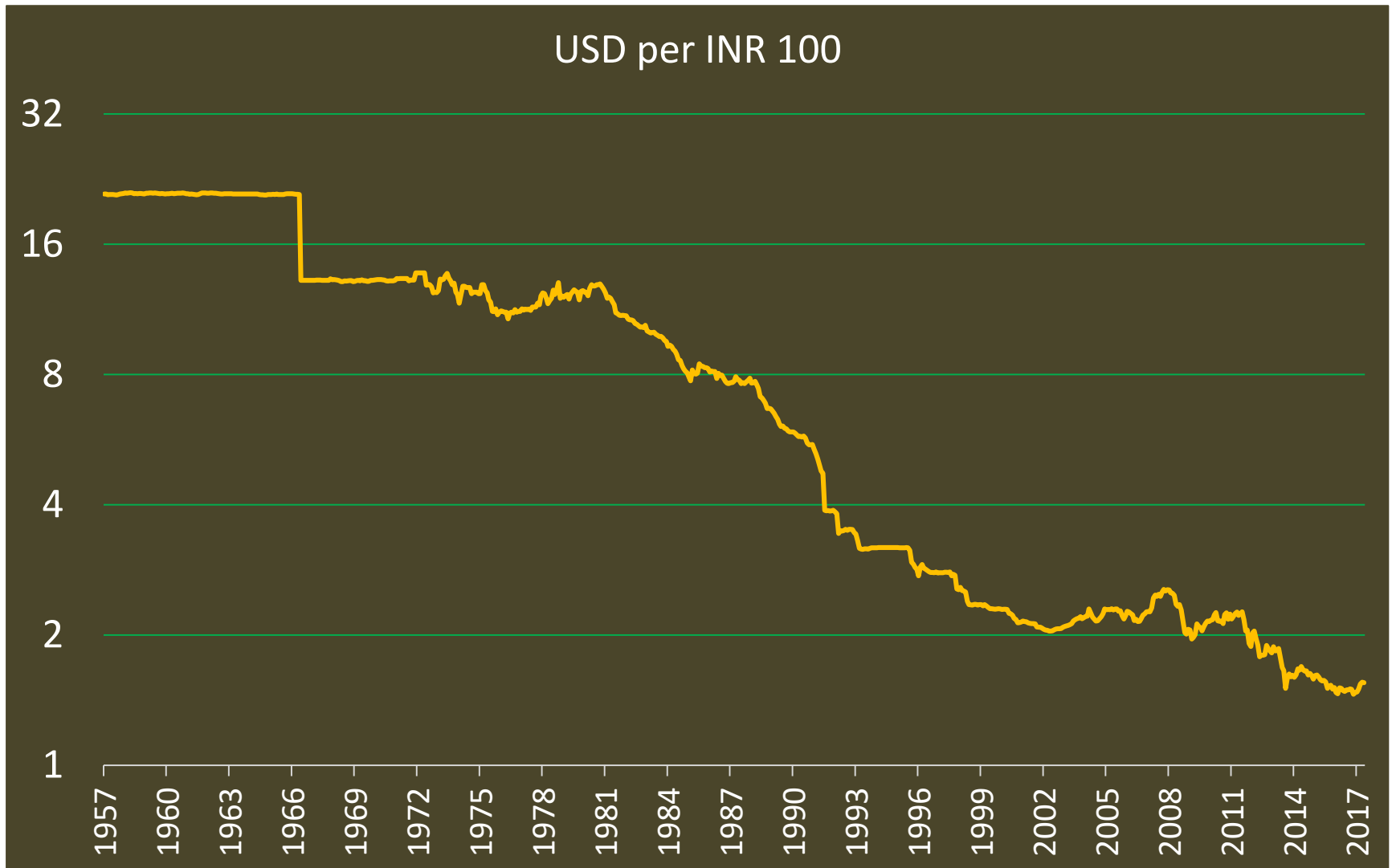
PV N Rao (1991):  
End of “Licence Raj”  
Reforms and  
Liberalization

Modi (2014):  
GDP growth  
surpasses China’s  
first time in 2015  
Demonetization 2016  
Tax Reform 2017

Source: Wikipedia



# Access Issue #1: The Currency



Source: Bank of International Settlements (BIS)

# INR the 2<sup>nd</sup> most liquid FX futures on SGX

[sgx.com/wps/portal/sgxweb/home/marketinfo/derivatives/delayed\\_prices/futures](http://sgx.com/wps/portal/sgxweb/home/marketinfo/derivatives/delayed_prices/futures)

Contract  ▼

Trading Session  ALL  T  T+1

**Futures** :AJ AU CH CN CY EC ED EM EY ID IDR IN INB ING INI INQ IU JB JG KJ  
 KU MD MY MYR MYS NCH ND NEA NEM NID NK NMD NS NSG NTW NU PH  
 PHP SGP ST SY TD TH TU TW UC UJ US UY YS

**Options** :CH(T) CH(T+1) EY(T) EY(T+1) IN(T) IN(T+1) IU(T) IU(T+1) JB(T) JB(T+1) NK(T)  
 NK(T+1) SGP(T) SGP(T+1) TW(T) TW(T+1) UC(T) UC(T+1)

**Commodities** :1MF 3MF ACF BZF BZNF CCF CIF DLNF EE EF FB FEF GD GOF HRF LNF  
 LPF M58F MEGF NJF NLNF PECF PESF PPCF PPSF PXF PXNF RT SMCF T58F  
 TF VCF

**Commodities** :ACF(T) ACF(T+1) FEF(T) FEF(T+1)

**Options**

	Contract Month	Last	Bid Size	Bid	Ask	Ask Size	Open	High	Low	Screen Volume	Off-Exch Volume	Total Volume	Open Interest
T	Dec 17	▼ 154.720	25	154.710	154.720	18	153.310	155.290	153.210	21,191	-	21,191	50,621
T+1	Dec 17	-	-	-	-	-	-	-	-	-	-	-	-
T+1	Jan 18	-	-	-	-	-	-	-	-	-	-	-	-
T	Jan 18	▼ 154.190	31	154.160	154.190	1	154.470	154.710	154.190	144	-	144	434

Source: SGX

# Access Remains an Issue

- IBKR allows cash equity trading for India residents only
- Only 12 ADRs (only 6 of top 50) and few GDRs / EDRs
- Institutional investors have long used complex structures via Mauritius. India has no HK or “Stock Connect” yet
- Main ETFs:
  - US: EPI, INDA, SMIN, INDY (50)
  - HKEX: 2836
  - SGX: I98 and LG8
- SGX CNX Nifty Futures, quanto USD, listed for over 10yrs, Tariq launched Bear Stearns-issued ELN back in 2006



# NIFTY 50

NSE: NIFTY - 6 Feb, 10:46 AM GMT+5:30

**10,350.35** **↓316.20 (2.96%)**

1 day

5 day

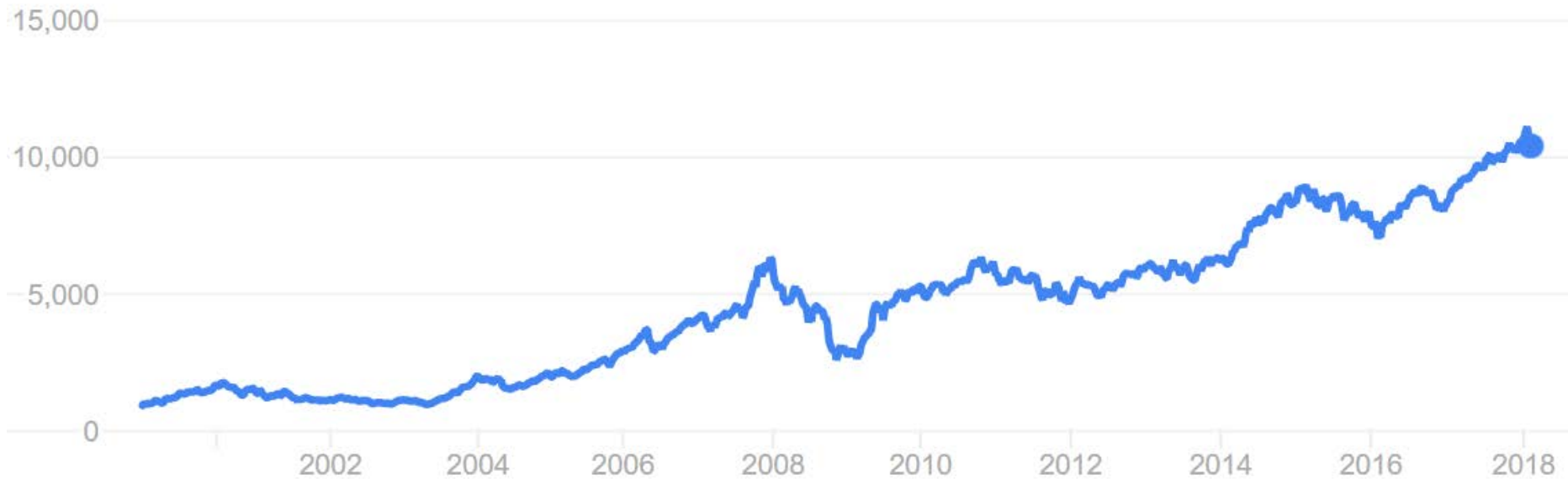
1 month

3 months

1 year

5 years

**max**



Source: Google

# Nifty 50: Cape Valuation

🔄 [siblisresearch.com/data/cape-ratio-india-nifty/](https://siblisresearch.com/data/cape-ratio-india-nifty/)



Source: Siblis Research

# New SGX India derivatives products

Provide continuity for market participants to access and manage portfolio risk exposure to the India capital market

	SGX India Futures	SGX India Options (on futures)	SGX India Bank Futures
<b>Ticker Symbol</b>	IN	INO	INB
<b>Contract Size</b>	US\$2 x Futures price	1 x SGX India Futures Contract	US\$1 x Futures price
<b>Minimum Price Fluctuation</b>	0.5 point (US\$1)	0.5 point (US\$1)	2 points (US\$2)
<b>T session</b>	9.00 am – 6.15 pm	9.00 am – 6.15 pm	9.00 am – 6.15 pm
<b>T+1 session</b>	6.40 pm – 4.45 am	6.40 pm – 4.45 am	6.40 pm – 4.45 am
<b>Contract Months</b>	2 serial & 4 quarterly months		
<b>Last Trading Day</b>	Last Thursday of the expiring contract month. If this falls on an India holiday, then it shall be the preceding business day.		
<b>Settlement</b>	Cash settled (USD)	Cash settled (USD)	Cash settled (USD)
<b>Final Settlement Price</b>	<p>The <b>Reference Value</b>* on the Last Trading Day, rounded to two decimal places, expressed as United States dollars.</p> <p><i>* Means the average of the final settlement prices of futures contracts traded on Relevant Exchanges (specifically, NSE and NSE IFSC) that each (a) references a broad-based India equity index covering 50 stocks listed on the National Stock Exchange of India, which captures approximately 65% of its float-adjusted market capitalisation, and (b) has the same last trading day as the Contract.</i></p>	<p><b>Options Exercise</b></p> <p>European Style: An option may be exercised by the buyer only at expiry.</p> <p>Exercise results in a long SGX India Futures position, which corresponds with the option's contract month, for a call buyer or a put seller, and a short SGX India Futures position for a put buyer and a call seller.</p> <p>An option that is in-the-money and has not been liquidated or exercised prior to the termination of trading shall be exercised automatically</p>	<p>The <b>Reference Value</b>* on the Last Trading Day, rounded to two decimal places, expressed as United States dollars.</p> <p><i>* Means the average of the final settlement prices of futures contracts traded on Relevant Exchanges (specifically, NSE and NSE IFSC) that each (a) references an India equity index covering a maximum of 12 most liquid and large capitalised stocks from the banking sector listed on National Stock Exchange of India, and (b) has the same last trading day as the Contract.</i></p>

# Nifty futures – back in Feb

www.sgx.com/wps/portal/sgxweb/home/marketinfo/derivatives/delayed\_prices/futures

## Futures (Specified Investment Products)

As at 06-02-2018 4:19 PM

Type

Contract

Trading Session  ALL  T  T + 1

	Contract Month	Last	Bid Size	Bid	Ask	Ask Size	Open	High	Low	Screen Volume	Off-Exch Volume	Total Volume	Open Interest	DSP	Prev.Day DSP
T	Feb 18	▼10,460.00	5	10,458.50	10,461.00	4	10,322.00	10,464.00	10,250.00	90,003	-	90,003	438,567	-	10,695.50
T+1	Feb 18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
T	Mar 18	▼10,477.00	5	10,477.00	10,486.00	3	10,423.00	10,482.00	10,282.00	284	-	284	186	-	10,720.00
T+1	Mar 18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
T	Apr 18	▼10,427.00	2	10,490.00	10,508.00	1	10,350.00	10,427.00	10,350.00	13	-	13	11	-	10,814.50

Source: SGX

# IBKR screen on old SGX Nifty futures

**Order Confirmation**

▼ CNX Nifty Index

Financial Instrument	Bid	Ask	Last
NIFTY Feb22'18 @SGX	♦ 10481.00	10483.50 ♦	♦ 10483.50

Order Description

**SELL 1**

Order Type LMT      Routing SGX      Time in Force DAY      Allocation

Limit Price 10600.00      Clearing IB

Messages

You are trying to submit an order without having market data for this instrument. IB strongly recommends against this kind of blind trading which may result in erroneous or unexpected trades.

Amount		Margin Impact (in USD)			
Amount			<u>Current</u>	<u>Change</u>	<u>Post-trade*</u>
Amount	21,200 USD	Equity with Loan	76,057	-2	76,055
Commission (est.)	2.08 USD	Initial Margin	25,363	1,282	26,646
Total	21,197.92 USD	Maintenance Margin	21,183	1,026	22,209
		Position	0	-1	-1

\*This is a current projection and is subject to change.

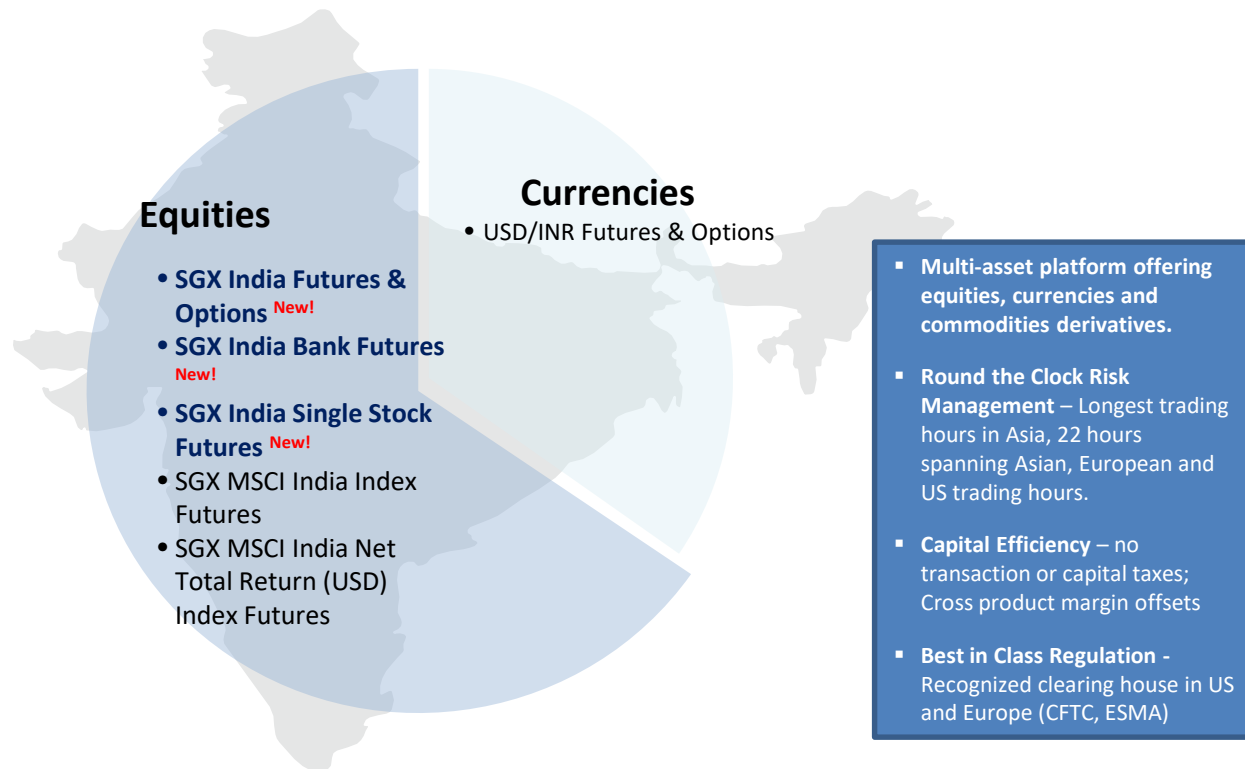
Don't display this message again.

Source: Interactive Brokers



# SGX: Premier Price Discovery Centre for India-linked Assets

Offering liquid offshore India derivatives on a single platform



# What's in the Nifty 50? (21<sup>st</sup> Century India, not 60s US)

Secure | <https://www.blackrock.com/investing/products/239758/ishares-india-50-etf>

## iShares India 50 ETF

[Fact Sheet](#) [Prospectus](#) [Download](#)

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as of

 Custom Columns

Ticker	Name	Sector	Country	Weight (%)	Notional Value
RELIANCE	RELIANCE INDUSTRIES LTD	Refineries/Marketing	India	7.50	-
HDFC	HOUSING DEVELOPMENT FINANCE CORP L	Housing Finance	India	7.32	-
ITC	ITC LTD	Cigarettes	India	5.65	-
INFY	INFOSYS LTD	Computers - Software	India	5.50	-
HDFCBANK	HDFC BANK LTD	Banks	India	5.23	-
ICICIBANK	ICICI BANK LTD	Banks	India	5.18	-
HDB	HDFC BANK ADR REPRESENTING THREE L	Banks	India	4.29	-
LT	LARSEN AND TOUBRO LTD	Engineering-Designing-Construction	India	4.20	-
TCS	TATA CONSULTANCY SERVICES LTD	Computers - Software	India	3.78	-
KOTAKBANK	KOTAK MAHINDRA BANK LTD	Banks	India	3.48	-

Source: Blackrock iShares

# SSF on HDFC Bank (Multiplier = 10)

www.sgx.com/wps/portal/sgxweb/home/marketinfo/derivatives/delayed\_prices/futures

## Futures (Specified Investment Products)

As at 06-02-2018 4:19 PM

Type: Single Stock futures

Contract: ZHDB - HDFC Bank

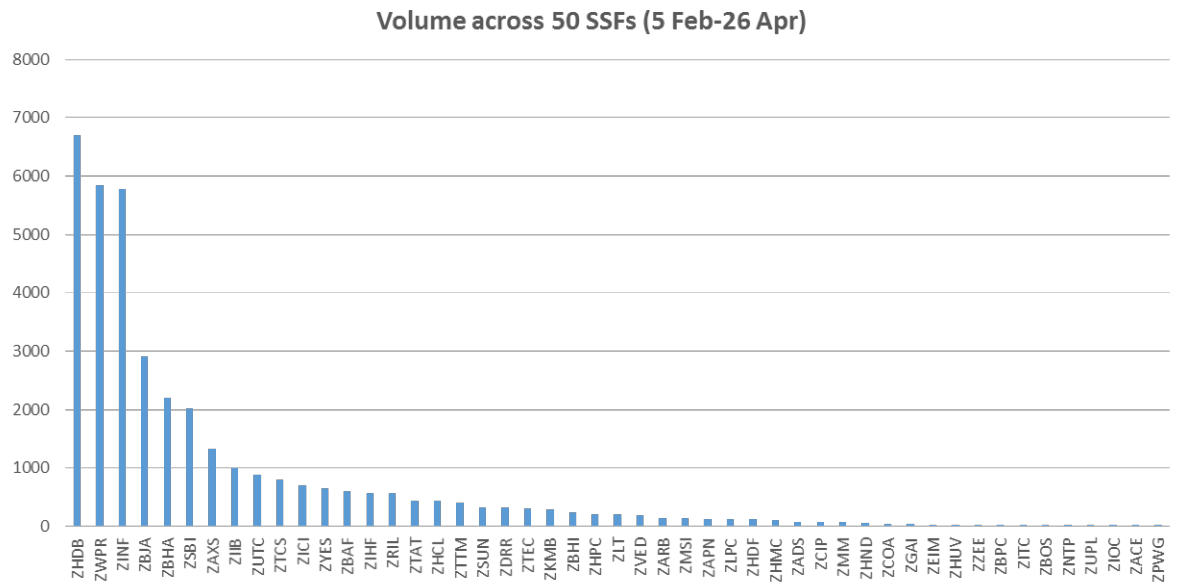
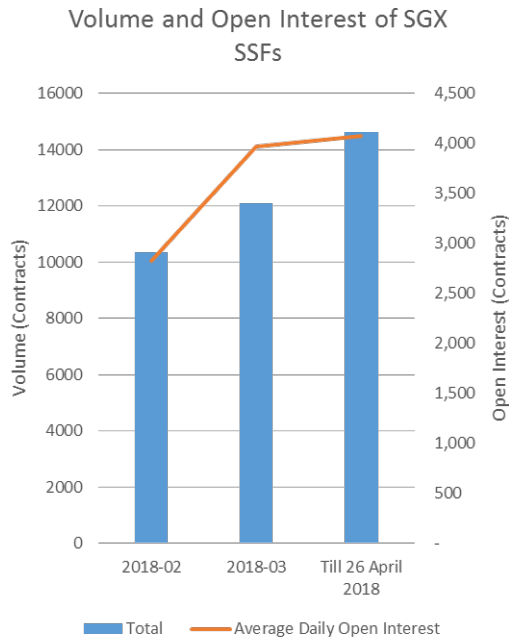
Trading Session:  ALL  T  T + 1

	Contract Month	Last	Bid Size	Bid	Ask	Ask Size	Open	High	Low	Screen Volume	Off-Exch Volume	Total Volume	Open Interest	DSP	Prev.Day DSP
T	Feb 18	▼ 1,858.65	1	1,860.95	1,863.45	2	1,840.40	1,858.65	1,840.30	4	-	4	2	-	1,916.85
T	Mar 18	-	-	-	-	-	-	-	-	-	-	-	-	-	1,930.25
T	Apr 18	-	-	-	-	-	-	-	-	-	-	-	-	-	1,939.85

**Trading Hours**  
SGX (T) Trading Hours: Mon - Fri 8:55am - 6:15pm

Source: SGX

# 50 stock names to choose from, with prices quoted across all SSFs on SGX



# Some SGX SSF Multipliers

No.	SGX India Single Stock Futures	SGX Futures Ticker Symbol	Contract Size (Contract Multiplier X Futures Price, expressed as US dollars)
1	Adani P & S Eco Zone Futures	ZADS	40 X Futures Price
2	Ambuja Cements Futures	ZACE	40 X Futures Price
3	Asian Paints Futures	ZAPN	10 X Futures Price
4	Aurobindo Pharma Futures	ZARB	10 X Futures Price
5	Axis Bank Futures	ZAXS	20 X Futures Price
6	Bajaj Auto Futures	ZBJA	5 X Futures Price
7	Bajaj Finance Futures	ZBAF	10 X Futures Price
8	Bharat Petroleum Corp Futures	ZBPC	30 X Futures Price
9	Bharti Airtel Futures	ZBHA	30 X Futures Price
10	Bharti Infratel Futures	ZBHI	25 X Futures Price
11	Bosch Futures	ZBOS	1 X Futures Price
12	Cipla Ltd India Futures	ZCIP	15 X Futures Price
13	Coal India Futures	ZCOA	30 X Futures Price
14	Dr Reddy's Laboratories Futures	ZDRR	5 X Futures Price
15	Eicher Motors Futures	ZEIM	1 X Futures Price
16	GAIL India Futures	ZGAI	30 X Futures Price
17	HCL Technologies Futures	ZHCL	10 X Futures Price
18	HDFC Bank Futures	ZHDB	10 X Futures Price
19	Hero MotoCorp Futures	ZHMC	5 X Futures Price
20	Hindalco Industries Futures	ZHND	50 X Futures Price

Source: SGX

# Nifty 50 sectors

Secure | <https://www.blackrock.com/investing/products/239758/ishares-india-50-etf>

## iShares India 50 ETF

[Fact Sheet](#) [Prospectus](#) [Download](#)

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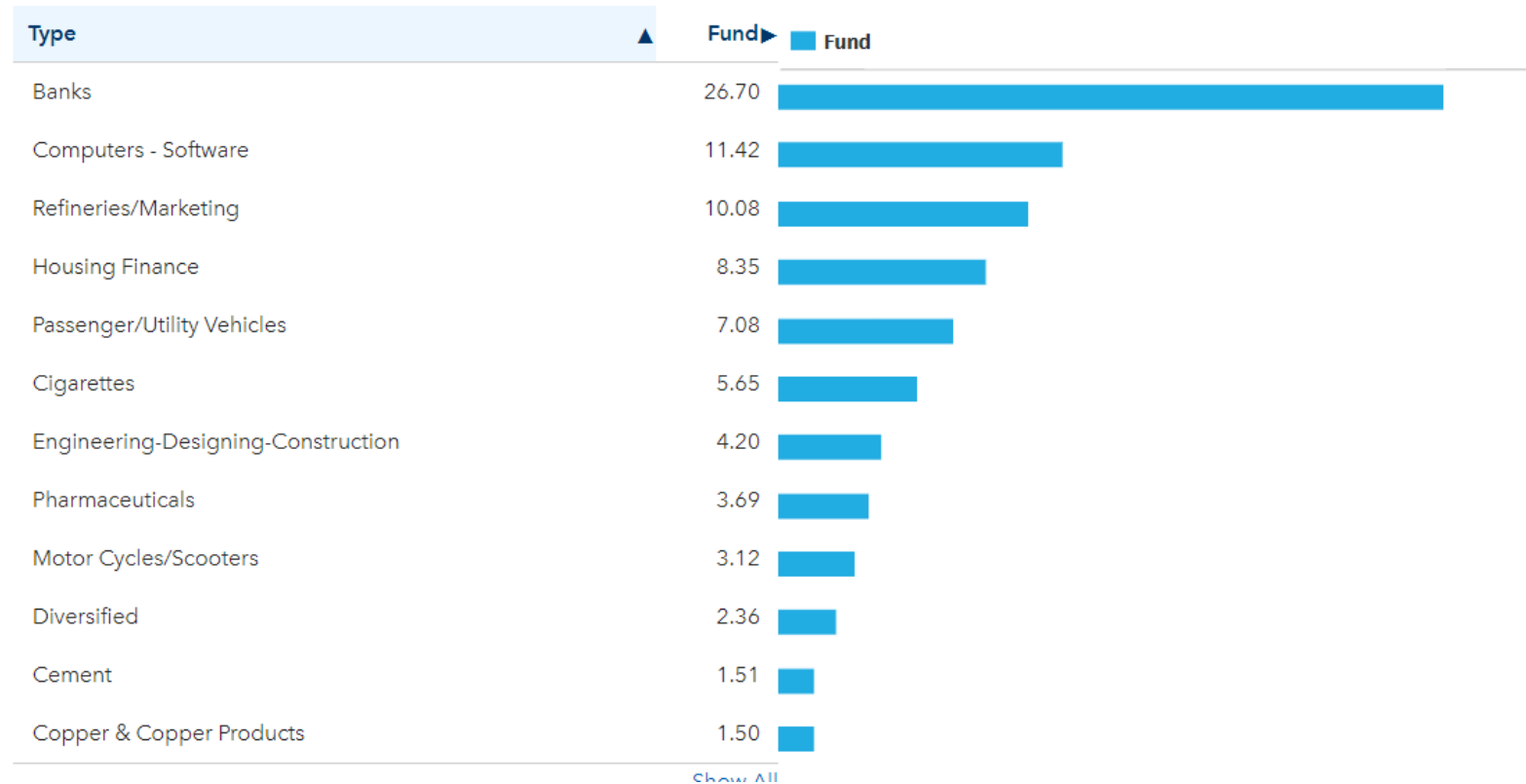
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as of Feb 02, 2018

% of Market Value



Source: Blackrock iShares

# BSE – NSE Dual-listing: BSE Site for Financials

www.bseindia.com/corporates/Comp\_Resultsnew.aspx

- Benefits of Listing
- Listing Regulations & Agreement
- Listing of Capital Market Instruments
- Equity Shares
  - Further Issues
- Debt
  - Debt Public Issue
  - Privately Placed Debt Instruments (PPDI)
- IDR
- Non-Convertible Redeemable Pref. Shares
- Mutual Funds / ETF
- Alternate Investment Fund<sup>New</sup>
- Listing Fees
- BSE Hi-Tech
- InviTs<sup>New</sup>
- Listing on SME platform
- Direct Listing (without IPO)

## Financial Results

**Security Name**  **Result Period**

**Industry**  **Broadcast Period**

You are viewing page 1 of 1

Security Code	Security Name	Industry	Period	A/U
500180	HDFC Bank Ltd	Banks	<a href="#">DQ2017-2018</a>	U
500180	HDFC Bank Ltd	Banks	<a href="#">SH2017-2018</a>	A
500180	HDFC Bank Ltd	Banks	<a href="#">SQ2017-2018</a>	U
500180	HDFC Bank Ltd	Banks	<a href="#">JQ2017-2018</a>	U
500180	HDFC Bank Ltd	Banks	<a href="#">MC2016-2017</a>	A
500180	HDFC Bank Ltd	Banks	<a href="#">MQ2016-2017</a>	A

Source: BSE

## Drivers to trade offshore SSFs

- Access, tax, FX
- SS selection / high conviction position on N50 name
- Sector hedging / RV (e.g. banks v software), no borrow
- Onshore/offshore arbitrage

## Issues / Risks

- Cash settlement
- Low liquidity so far
- Lack of access → unusual basis / premium v discounts
- Only 50 names (see above)
- Relatively large lot sizes (INR→USD + multiplier)





GLOBAL FINANCIAL MARKETS  
GROUP

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