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Presented by David Lo

Is Gold Setting Up for The Next Major Move?

Webinar Session Agenda

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- **Outlook and Technical View of Gold**
  - Current factors impacting Gold prices
  - The current phase of market momentum & potential price direction scenarios
- **Mining Opportunities with COMEX Gold Futures & Options contracts**
  - Tools available in the COMEX suite of Gold contracts
  - A quick guide to using COMEX Gold contracts for various trading opportunities
- **Trading Ideas for Gold**
  - Opportunities and risk in the horizon
  - Creating minimal risk trading strategies for the potential Big Move

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Gold 2020 - First 6 months

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Roller Coaster Ride + Long Pause

- Best quarterly performance in the last 4 years, up over 19% YTD.
- 2020 started a rally off the 1520 resistance > 1692 >1564 > 1704.3 (Wave 3)
- ATR exploded from slightly below 20 to a peak of 63
- Long consolidation from mid April to end of June (Wave 4)
- Sentiment swings from Coronavirus fears, relief from equity market rebound, renewed round of economic recessionary fears and 2nd Wave of lockdowns jitters

Gold Breaks 1800..

Is This the Big One?

- Breaking the psychological resistance of 1800 and 1825 Sep 2011 tops
- Clear breakout of the consolidation range 1670 – 1790; to see bullish momentum continue
- Suggesting a **potential move to test 1923.7 on the monthly chart**
- Factors to watch:
  - Covid-19 2nd Wave developments ; Infection rates and potential new lockdowns
  - Deeper Equity Market corrections?
  - Data surprises; inflation, jobs
  - Dollar weakness

The Fifth Wave Up & The Last?

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Monitor the **divergences of momentum and gold prices**. If momentum is unable to exceed previous high; this may confirm the Elliot Wave 5 and subsequent corrective waves downwards

Mine Trading Opportunities In Gold with COMEX Gold Contracts

COMEX Gold (GC)

- Trades the equivalent of nearly 27 million ounces daily
- World's **leading benchmark** futures contract for gold prices
- **Nearly 24-hour access** enables you to act, not wait, as major events (Brexit, U.S. elections) unfold

CONTRACT SIZE	100 troy ounces
MINIMUM TICK	$0.10 per troy ounce
DOLLAR VALUE OF ONE TICK	$10 U.S. Dollars
PRODUCT SYMBOL	GC
TRADING HOURS	Sunday - Friday 5:00 p.m. – 4:00 p.m. CT with a 60-minute break each day at 4:00 p.m. CT
CONTRACT MONTHS	•Monthly: Current calendar month plus next two calendar months •Within 23-month period: Any Feb, Apr, Aug, & Oct contract •Within 72-month period: Any Jun & Dec contract
TRADING VENUE	CME Globex offers electronic trading almost 24 hours/6 days a week
OPTIONS AVAILABLE	Monthly and Weekly
MARGINS	USD8200*

*CME Clearing's Maintenance Margin. Margin requirements may vary depending on your broker.

GC Performance YTD June 2020

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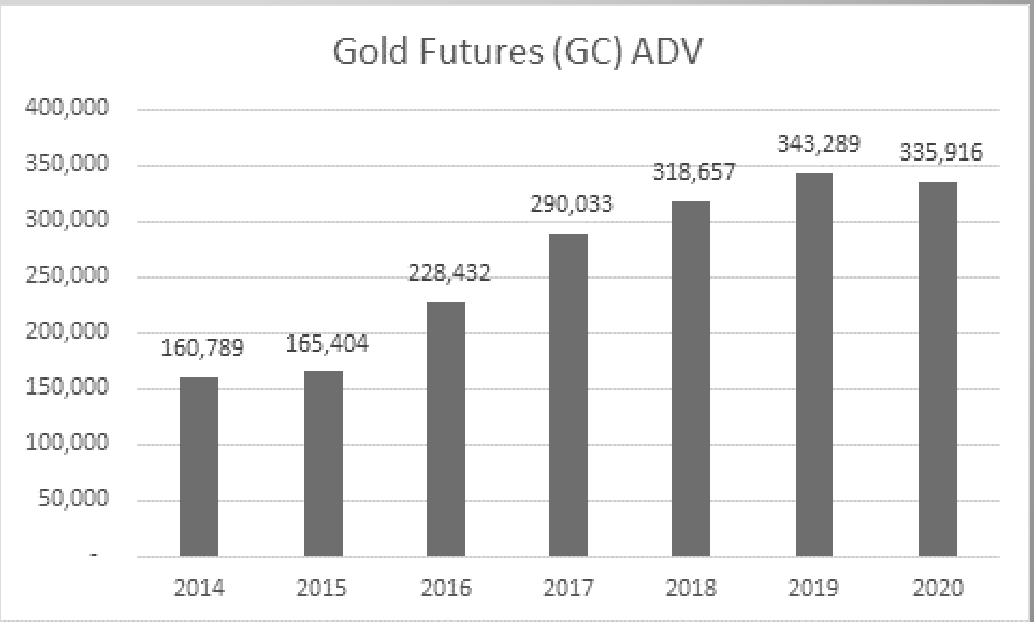
- World's **most liquid Gold futures contract** and the center of price discovery for the Gold market
- Over ~**50bn USD notional traded** on average each day during 2019
- Up to **40% of volumes are executed during Asian Hours**



Source - CME Group Data

COMEX E-Micro Gold (MGC)

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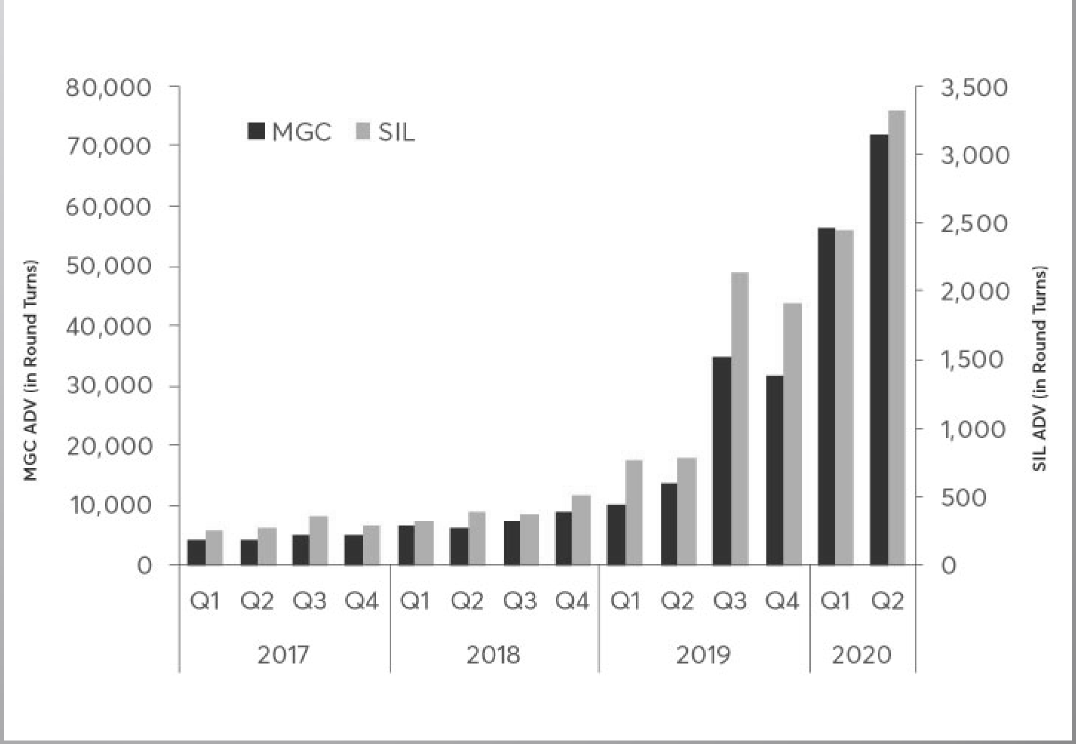
- Affordable, requiring **lower initial capital outlay**, with lower margin and Exchange fees
- Conveniently sized at **one-tenth the size** of benchmark gold contract (GC)
- Offers opportunity of a **10:1 offset with the 100-oz Gold Futures** contract

CONTRACT SIZE	10 troy ounces
MINIMUM TICK	$0.10 per troy ounce
DOLLAR VALUE OF ONE TICK	$1.00 U.S. Dollars
PRODUCT SYMBOL	MGC
TRADING HOURS	Sunday - Friday 5:00 p.m. – 4:00 p.m. CT with a 60-minute break each day at 4:00 p.m. CT
CONTRACT MONTHS	•Monthly contracts listed for any Feb, Apr, Jun, Aug, Oct, and Dec in the nearest 24 months
TRADING VENUE	CME Globex offers electronic trading almost 24 hours/6 days a week
OPTIONS AVAILABLE	NA
MARGINS	USD820*

*CME Clearing's Maintenance Margin. Margin requirements may vary depending on your broker.

Growing Popularity of MGC

- Record Volumes for MGC in Q2. Average daily volume during Q2 of 72,094
- Significant increase in both Volumes and APAC participation
- APAC hour participation **now above 40% of ADV**



Source - CME Group Data, June 29, 2020

Gold Options (OG)

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- Provides traders opportunities to profit from price movements of Gold with less capital requirements.
- Calls and puts can be bought at **premiums comparatively less costly** than a Futures margin.
- Do note, however, that if the option expires worthless, the amount paid (premium) for the option is lost, The maximum risk is limited to the cost of the premium.
- Combinations of various Call and Put options provide additional flexibility and strategy alternatives for changing market situations.

CONTRACT SIZE	100 troy ounces
MINIMUM TICK	$0.10 per troy ounce
DOLLAR VALUE OF ONE TICK	$10.00 U.S. Dollars
PRODUCT SYMBOL	OG
TRADING HOURS	Sunday - Friday 5:00 p.m. – 4:00 p.m. CT with a 60-minute break each day at 4:00 p.m. CT
CONTRACT MONTHS	Monthly contracts listed for 20 consecutive months and any June in December in the nearest 72 months.
TRADING VENUE	CME Globex offers electronic trading almost 24 hours/6 days a week
EXERCISE STYLE	American

Weekly Gold Options (OG1-5)

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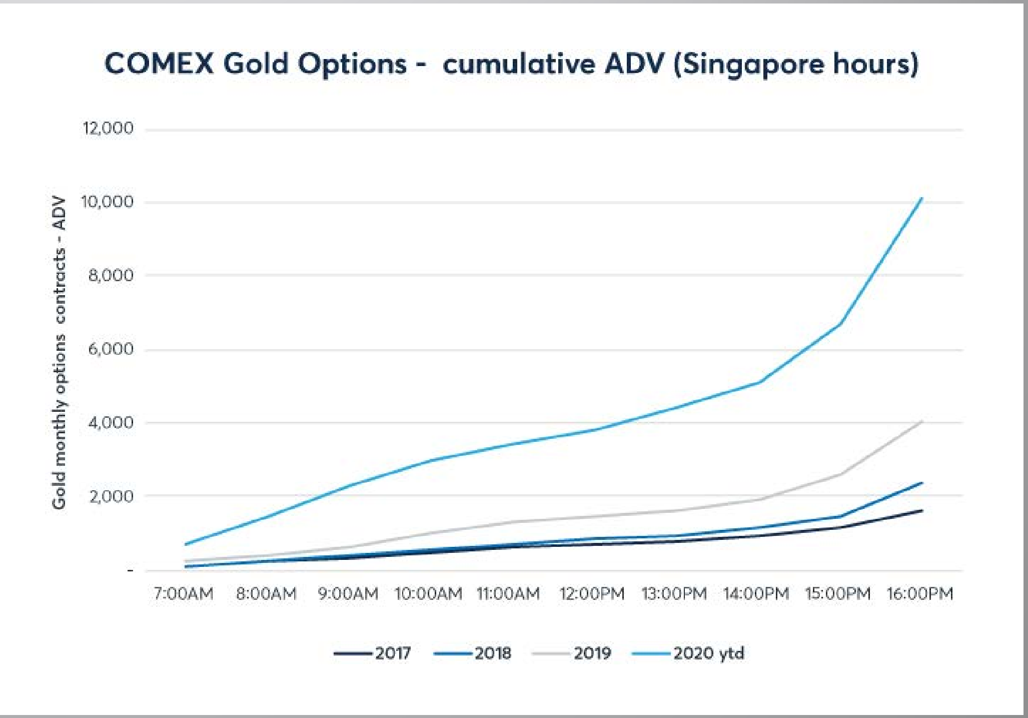
- Weekly Friday expiration options
- Cleared alternative to OTC product
- Portfolio managers and larger traders use this tool for managing short-term gamma and theta exposures.

CONTRACT SIZE	100 troy ounces
MINIMUM TICK	$0.10 per troy ounce
DOLLAR VALUE OF ONE TICK	$10.00 U.S. Dollars
PRODUCT SYMBOL	OG1, OG2, OG3, OG4, OG5
TRADING HOURS	Sunday - Friday 5:00 p.m. – 4:00 p.m. CT with a 60-minute break each day at 4:00 p.m. CT
LISTED CONTRACTS	Weekly contracts listed for 4 consecutive weeks. No weekly contract listed if it would expire the business day after the expiration of the monthly option.
TRADING VENUE	CME Globex offers electronic trading almost 24 hours/6 days a week
EXERCISE STYLE	American
UNDERLYING	Gold Futures

Gold Options activity jumps in APAC hours

- Strongest participation of traders in the APAC hours seen in 2020
- More than 25% of the OG volume were done during the APAC market hours



Source: CME Group, 2020 YTD includes data up to and including Feb 28th, 2020.

Trading Bullish Markets (Futures)

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Bullish Scenario – GOLD Futures (GC)

- **Example**
  - Suppose August Gold futures (GC) is trading at $1820; each GC futures contract covers 100 oz of Gold. A futures trader enters a **long futures position** by buying 1 contract of **August Gold futures at $1820** an oz.
- **Scenario #1: August Gold futures rises to $1870**
  - If August Gold futures rallies to $1870, then the long futures position will gain $50 per oz. Since the contract size for Gold futures is 100 oz, the trader will have a profit of $50 x 100 = $5000.
- **Scenario #2: August Gold futures drops to $1770**
  - If August Gold futures is trading at $1770, then the long futures position will suffer a loss of $50 x 100 oz = $5000 in value.

Trading Bullish Markets (Options)

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Bullish Scenario – Long Gold Call Options (OG)

- **Example**
  - Suppose August Gold futures (GC) is trading at $1820 and At-The-Money (ATM) Aug Gold 1820 Calls is trading at $25 . A trader enters a **Long Call position** by buying 1 contract of Aug Gold 1820 Calls at $25 an oz. Since OG is a 100 oz contract, the trader will pay **$2500 as premium for the Call option**,

- **Scenario #1: August Gold futures rises to $1870 on expiration**
  - If August Gold futures rallies to $1870 on expiry, then the long Call position will **In-The-Money** by $50 per oz. Since the contract size for Gold Options is 100 oz, the Call Option will be worth $50 x 100 oz = $5000. Since the trader paid $2500 for the option, the trader nets $2500 in profit.

- **Scenario #2: August Gold futures drops to $1770 on expiration**
  - If August Gold futures is trading at $1770, then the long Call position will be **Out-Of-Money** by $50 per oz. On expiration, all OTM Options will expire worthless. Trader will suffer a loss of $2500, the maximum loss of holding the option.

Note: For simplicity, the above examples show final option values at expiration; over the life of an option, its value can vary depending on the factors (Option Greeks) impacting option prices

Trading Bearish Markets (Futures)

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Bearish Scenario – E-Micro Gold Futures (MGC)

- **Example**
  - Suppose August E-Micro Gold futures (MGC) is trading at $1820; each futures contract covers 10 oz of Gold. A futures trader enters a **SHORT futures position** by selling 1 contract of **August E-Micro Gold futures at $1820** an oz.

- **Scenario #1: August Micro Gold futures drops to $1770**
  - If August MGC futures is trading at $1770, then the short futures position will have a gain of$50 per oz. Since the contract size for MGC futures is 10 oz per contract, the trader will achieve a profit of $50 x 10 oz = $500.00 in value gain.

- **Scenario #1: August Micro Gold futures rises to $1870**
  - If August MGC futures rallies to $1870, then the short futures position will lose $50 per oz. The trader will have a loss of $50 x 10 oz = $500.00 in value loss.

Trading Bearish Markets (Options)

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Bearish Scenario – Long Gold Put Options (OG)

- **Example**
  - Suppose August Gold futures (GC) is trading at $1820 and At-The-Money (ATM) Aug Gold 1820 Put is trading at $25 . A trader enters a **Long Put position** by buying 1 contract of Aug Gold 1820 Put at $25 an oz. Since OG is a 100 oz contract, the trader will pay **$2500 as premium for the Put option**,

- **Scenario #1: August Gold futures drops to $1770 on expiration**
  - If August Gold futures drops to $1770 on expiry, then the long Put position will In-The-Money by $50 per oz. Since the contract size for Gold Options is 100 oz, the Put Options will be worth $50 x 100 oz = $5000. Since the trader paid $2500 for the option, the trader nets $2500 in profit.

- **Scenario #2: August Gold futures rises to $1870 on expiration**
  - If August Gold futures is trading at $1870, then the long Put position will be Out-Of-Money by $50 per oz. On expiration, all OTM Options will expire worthless. Trader will suffer a loss of $2500, the maximum loss of holding the option

Note: For simplicity, the above examples show final option values at expiration; over the life of an option, its value can vary depending on the factors (Option Greeks) impacting option prices

Trading Range Bound markets

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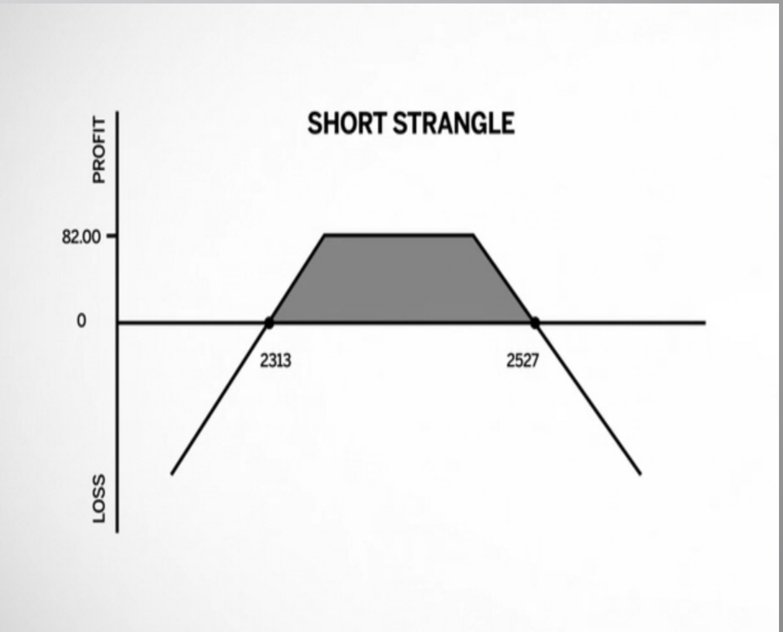
- **Sideways Market Scenario – Gold Options**
  - **Short Straddle** - Selling both an OG Call option and an OG Put option with the **same strike price and expiration date**
  - **Short Strangle-** Selling both an **OG Call option above the current GC price** and an **OG Put option below the current GC price** both with the **same expiration date**
  - **Maximum profit is amount of premium collected** from selling the option combination.
  - Potential **loss is Unlimited**.



Note: Please check with your broker on your ability to write/ sell naked options on your trading account.

Minimize Your Risk & Maximize Your Trading Opportunities

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Creating Minimal Risk Trading Opportunities

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The Traders Dilemma:-

- Not having a **protective stops strategy**
- Inability to pull the trigger after a **drawdown**
- Inability to re-establish the same direction trade after being **stopped out** due to near term volatility
- Inability to take a potential good trade due to the **size of protective stop loss**

The Solution: Hedging Your Futures Position with Options

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The Rationale:

- Protective Stops can often get triggered by **market noise, spikes** & price volatility
- **Price gaps** from adverse news event, data surprises can devastate the best planned protective stop strategy.

Benefits of Hedging with Options:

- A defined potential maximum loss/ risk; **constant downside protection**
- Gives trader the s**pace and time to reassess strategy** and validity of analysis during near term volatility
- Buying “Insurance” helps a trader **sleep ☺ better- especially over the weeken**d.
- Limited Risk; Unlimited Profit profile

Hedging Futures with Options

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Implementation:

- Go Long or Short Futures according to your methodology **AND**
- Purchase 'At The Money' (ATM) or slightly "In-The-Money" (ITM) **Options in the opposite direction as 'insurance'** on your Futures position

- Example 1 : **Long Futures + Long Put**
  - Go Long 10 contracts GC Aug @ 1820
  - Buy 10 Contracts OG Aug 1820 Put @ 25*

- Example 2 : **Short Futures + Long Call**
  - Go Short 10 contracts GC Aug @ 1820
  - Buy 10 Contracts OG Aug 1820 Calls @ 25*

- Creates a payoff of **"Limited Risk & Unlimited Profit"**

*9th July 12:45 PM UTC+8

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Live Chart Setup

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Coming Up Next…

Exciting New Products in Fall 2020

Micro E-mini Futures 1st Year Milestone

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Micro E-mini futures turn one

215M+
Contracts traded across 4 indices

865K+
Average daily volume

3.9M
Single day record volume on February 28

27%
Volume traded outside the U.S.

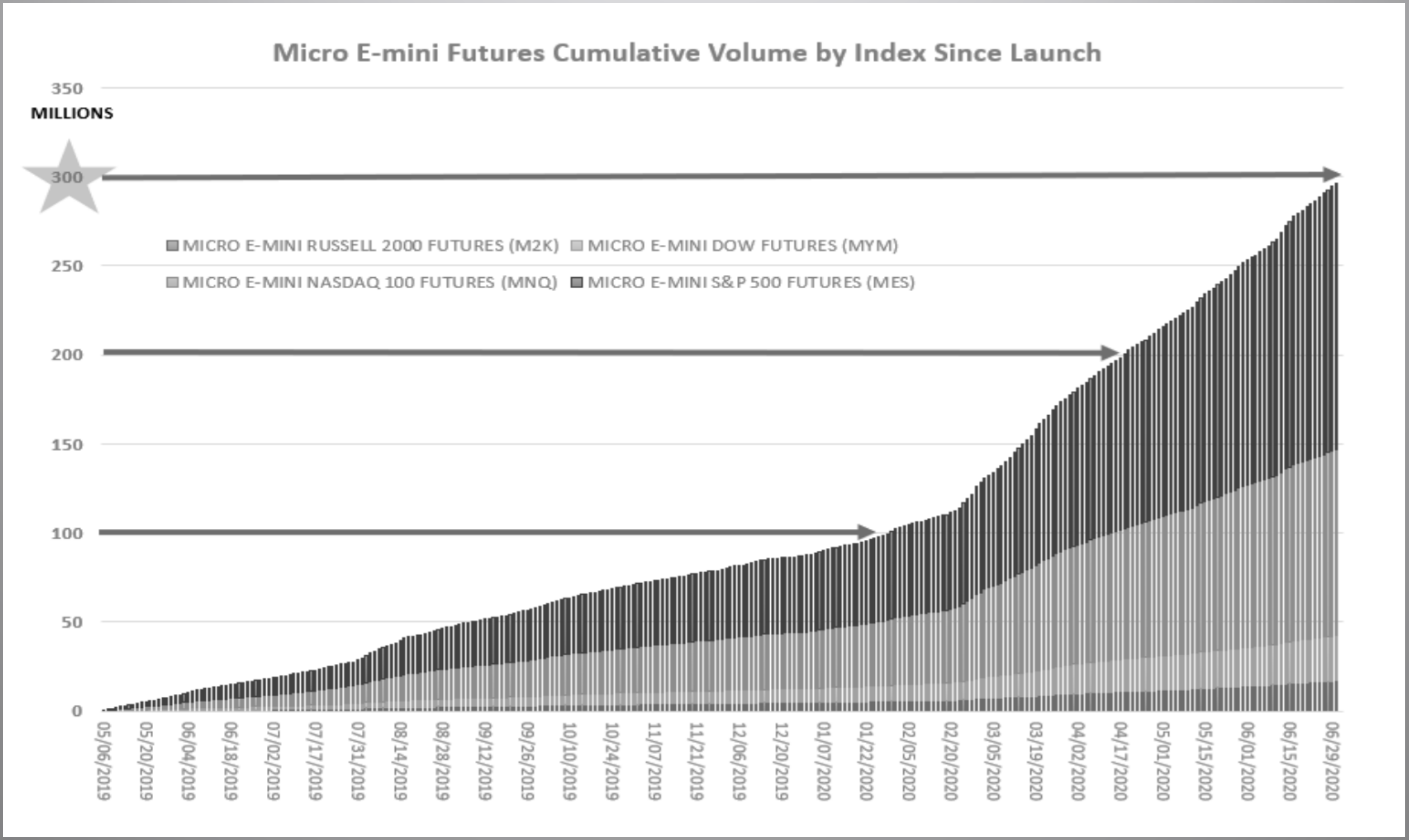
155K+
Unique accounts have traded

Data accurate as of May 4

CME Group

MICRO E-mini Futures

More than 296M+ contracts traded across four indices since the launch



(Source: CME Group, as of July 2, 2020)

Options On Micro ES & Micro NQ

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- Options on Micro E-mini S&P 500 and Micro E-mini Nasdaq-100 futures **will launched on 31st August 2020.**
- **1/10th the size** of classic E-mini Options' counterparts - provide both a smaller notional value and precision risk management to all traders.
- Underlying: **Micro E-mini S&P 500 and Micro E-mini Nasdaq-100 futures**
- For more information :

  https://www.cmegroup.com/trading/equity-index/us-index/micro-e-mini-options.html

Q&A

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- Please type questions into the chat box