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MARKETPLACE

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# Bursa Malaysia Derivatives Palm Oil Complex

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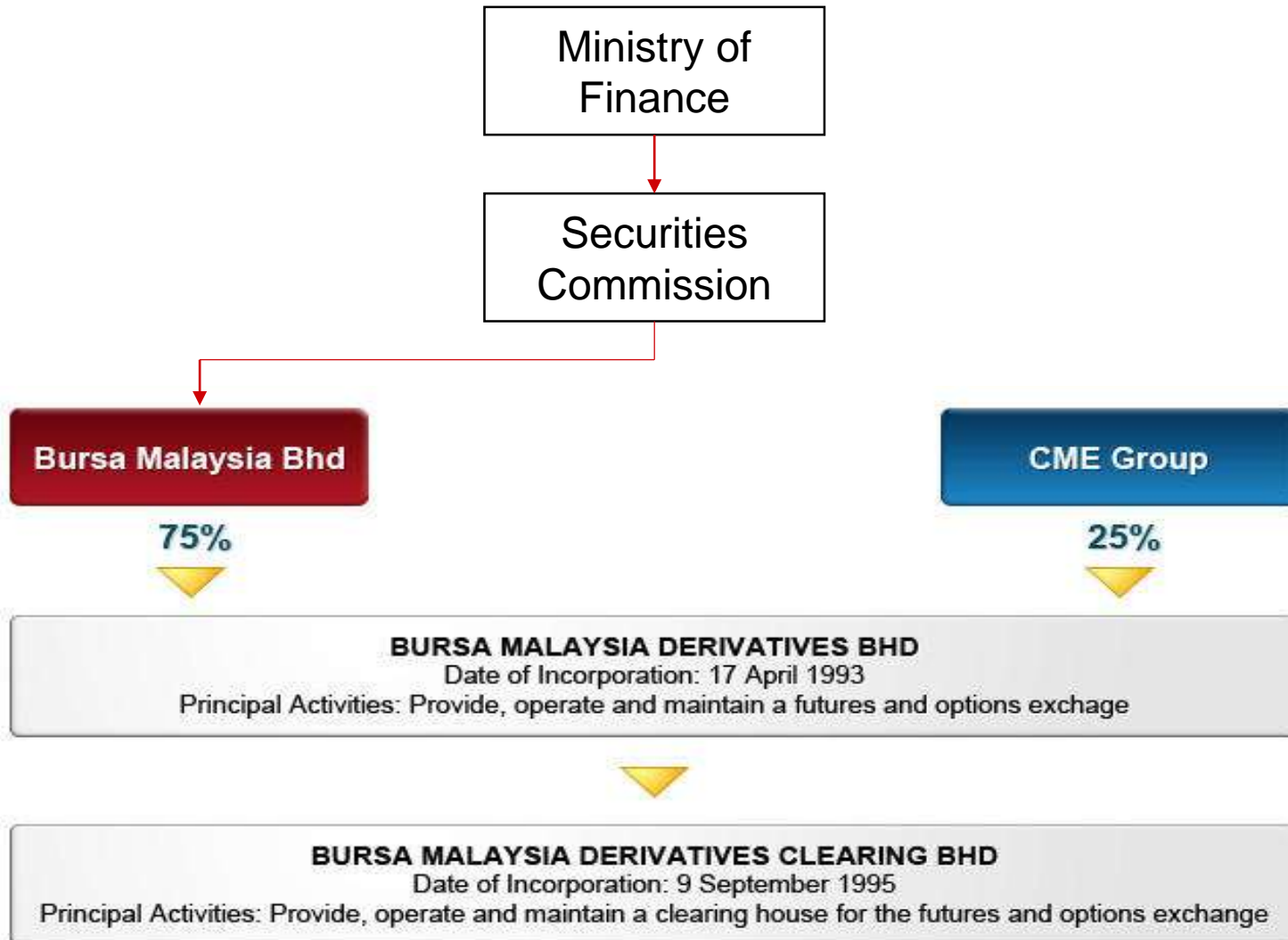
Sr. EVP, Product & Market Development, Commodity Derivatives



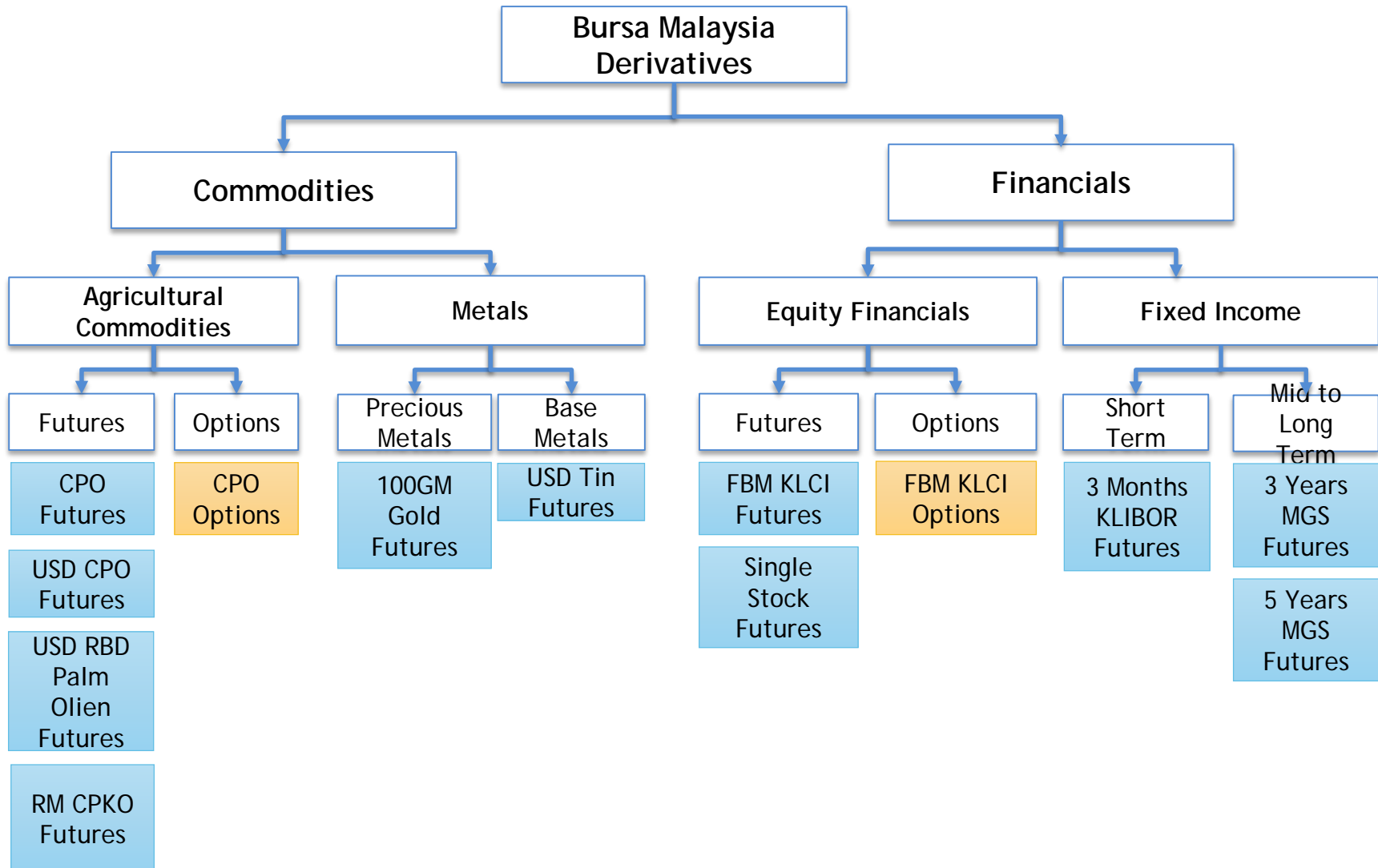
# What is Bursa Malaysia Derivatives Berhad?

- Bursa Malaysia Derivatives Berhad (BMD) is a subsidiary of Bursa Malaysia Berhad established in 1993.
- BMD provides, operates and maintains both commodities and financial derivatives market
- BMD Crude Palm Oil Futures Contract (FCPO) is the global benchmark for the pricing for Palm Oil and other vegetable oils and fats
- BMD products are available on the CME Globex electronic trading platform for greater distribution of the Malaysian derivatives offerings to the global market.

# Derivatives Structure

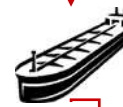
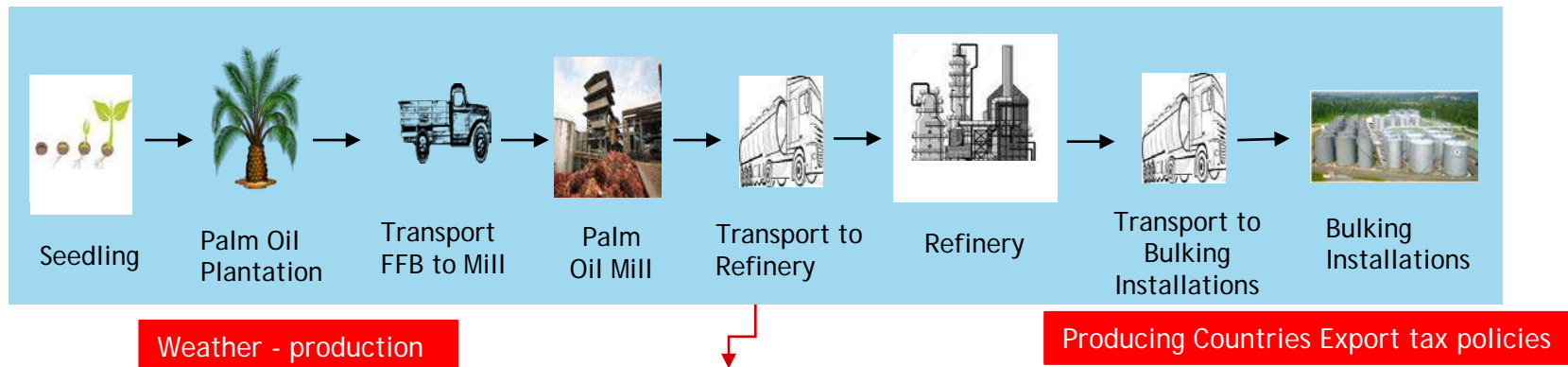


# Derivatives Products



# Overview Palm Oil Value Chain (Seed to Port) and factors affecting Demand and Supply

## Producing Countries

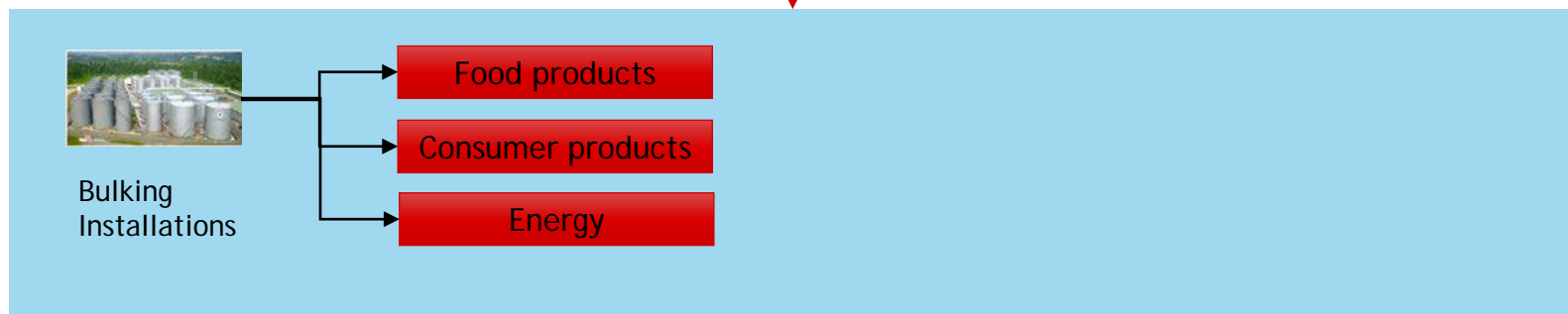


Energy - Cost of logistics along value chain

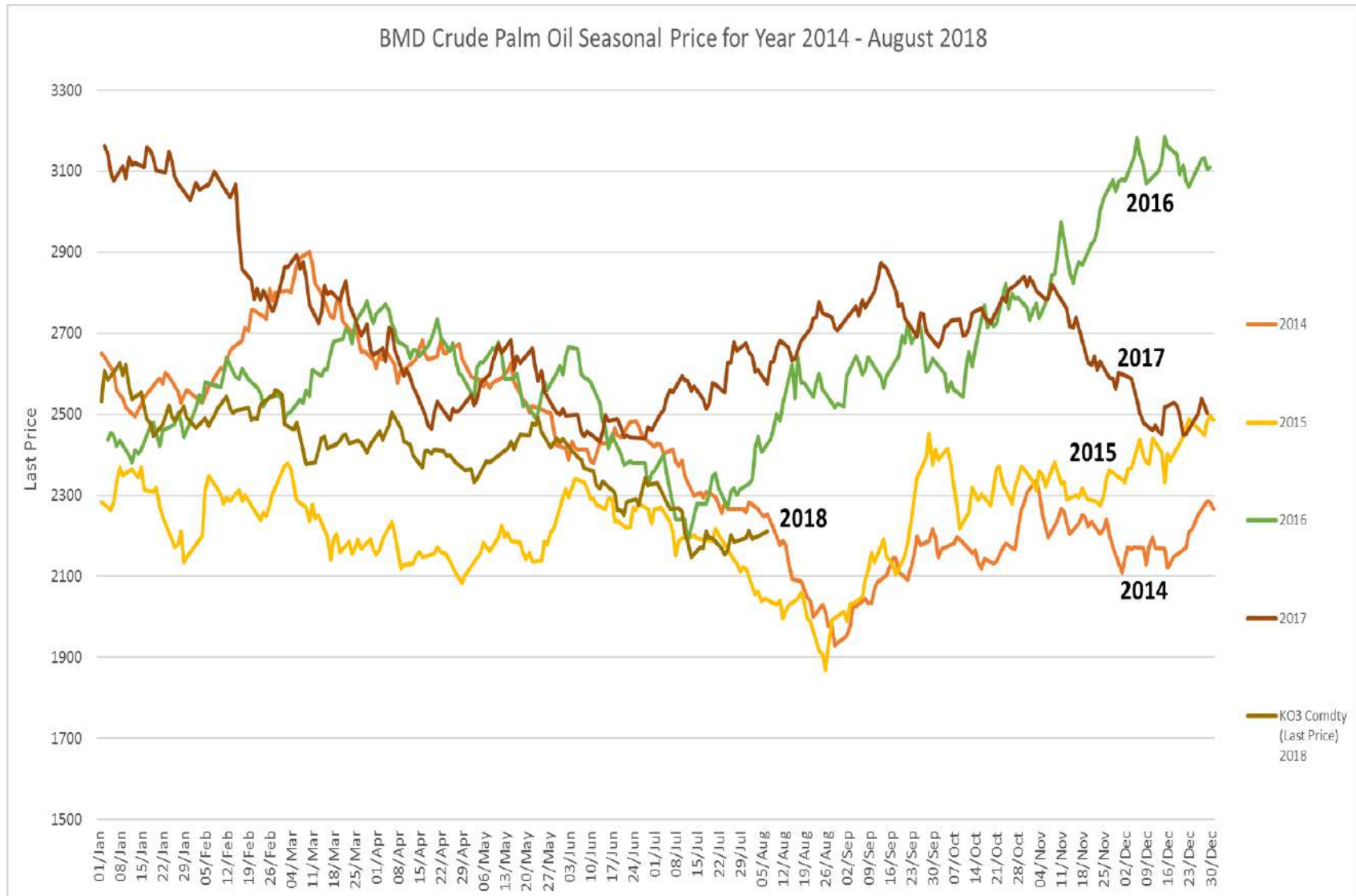
## Consuming Countries

Consumer countries Import tax policies

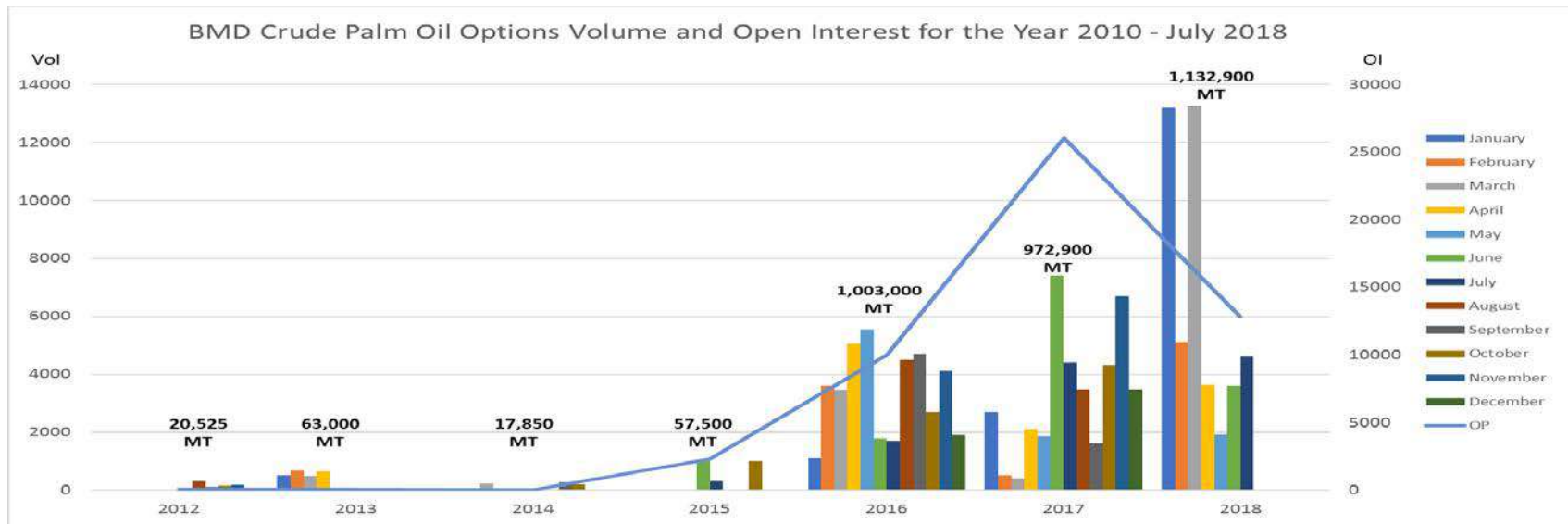
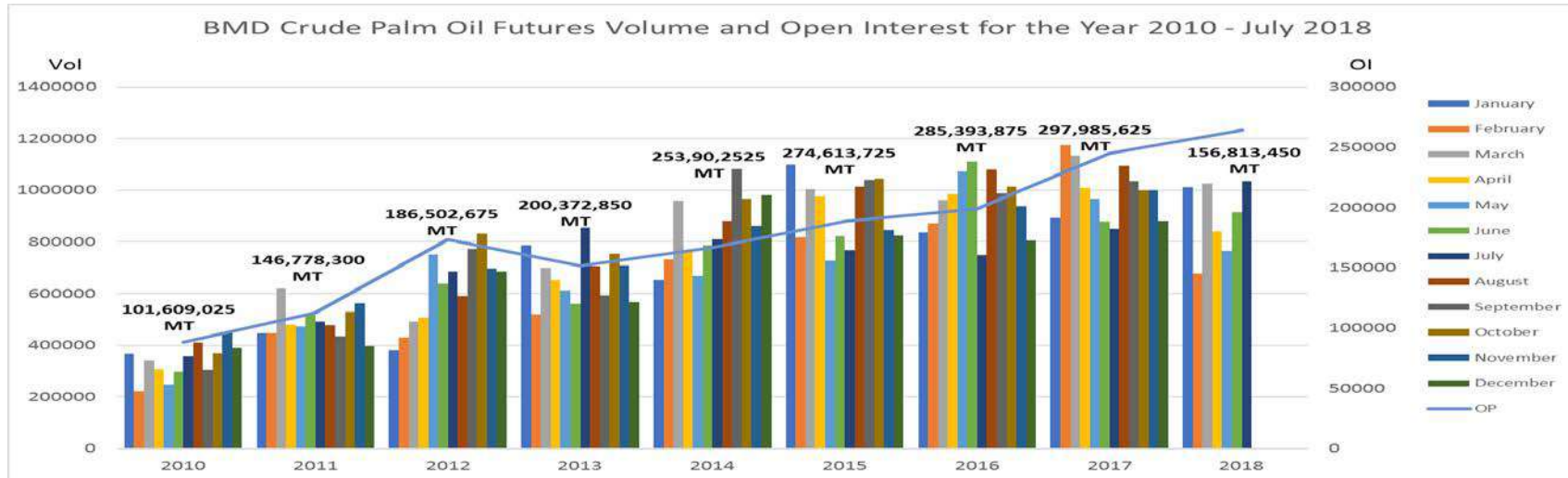
Competing Vegetable Oil and Fats Prices



# BMD Crude Palm Oil Seasonal Price (5 years)



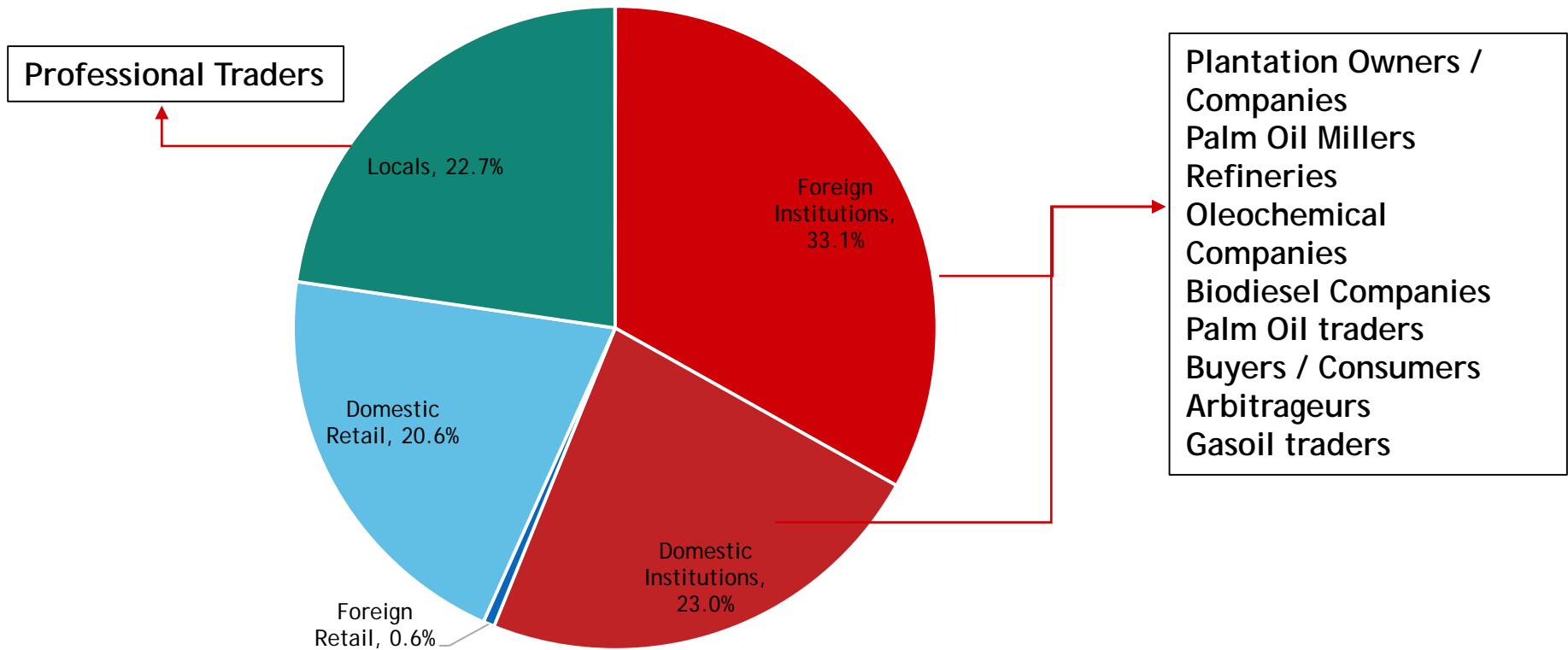
# BMD Palm Oil Futures and Options Volume & Open Position





# Market Demography - Bursa CPO

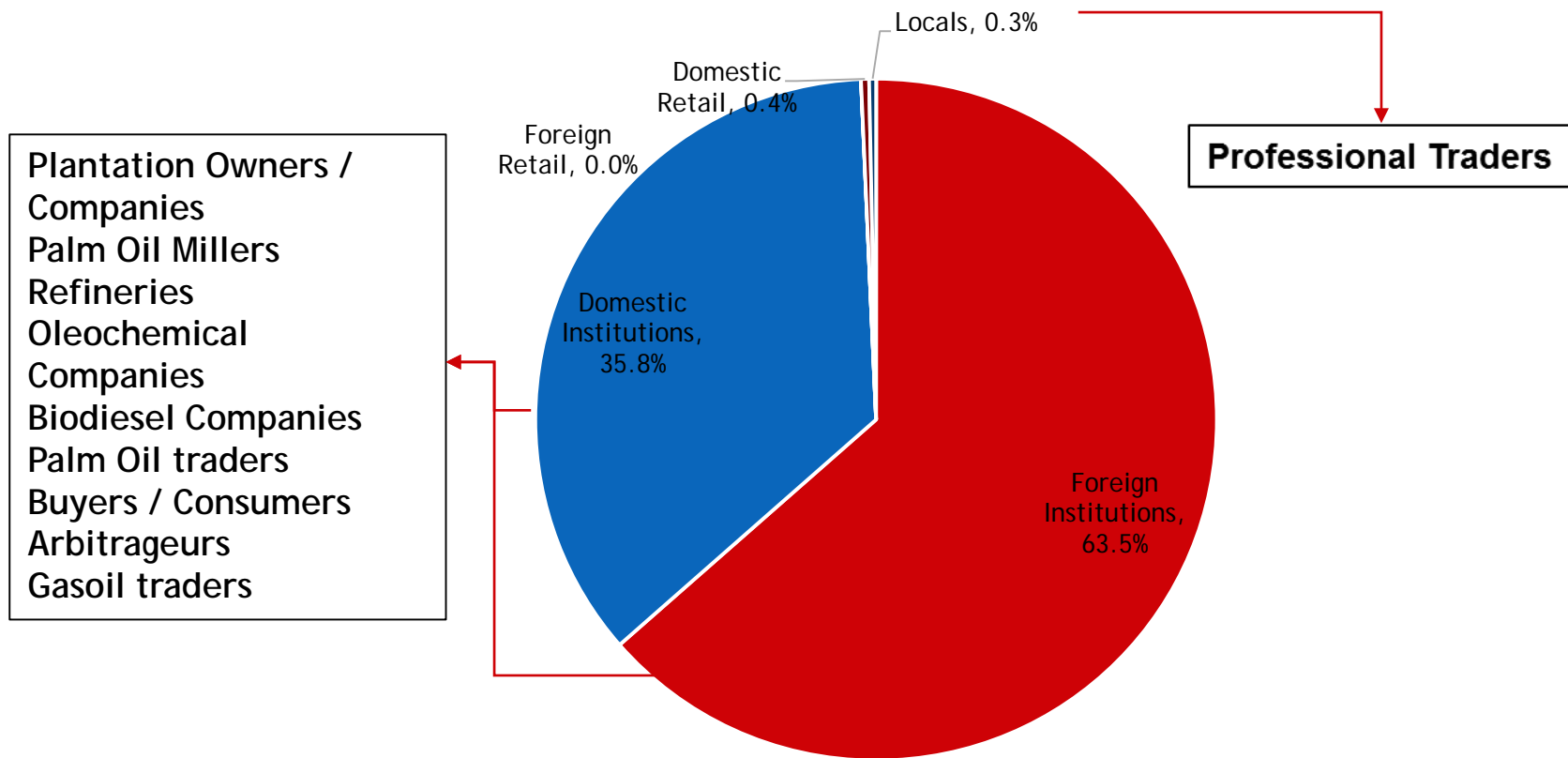
FCPO Market Demography for Year 2017



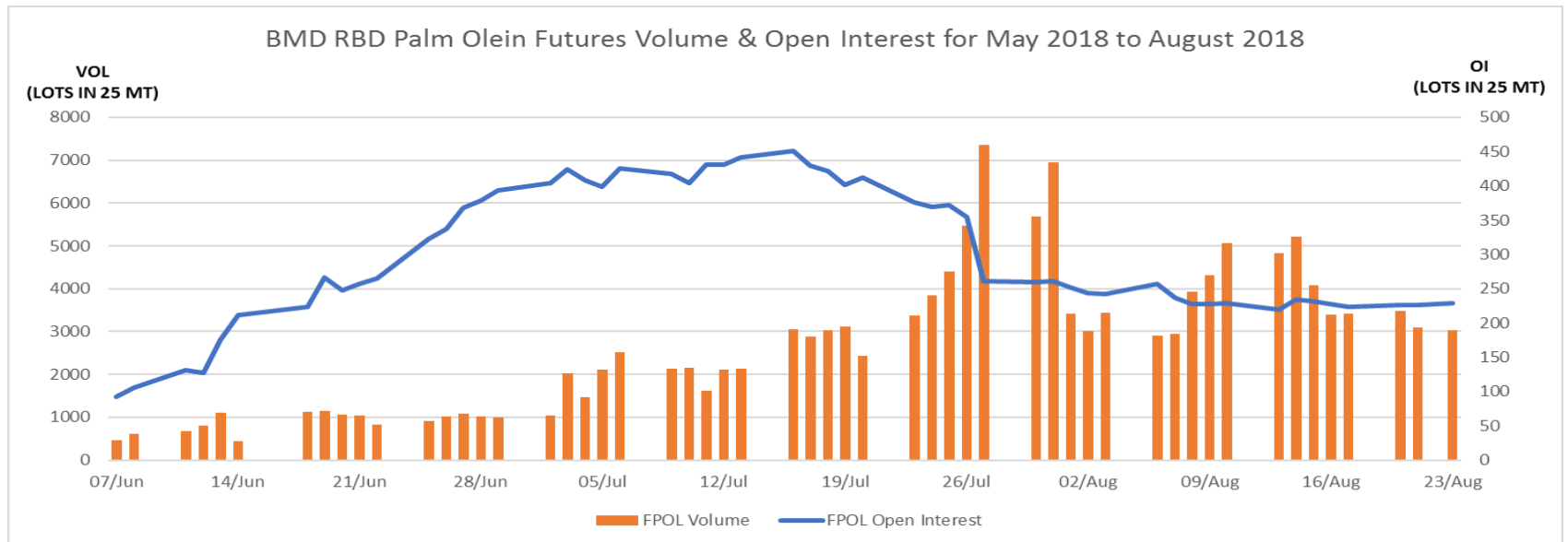
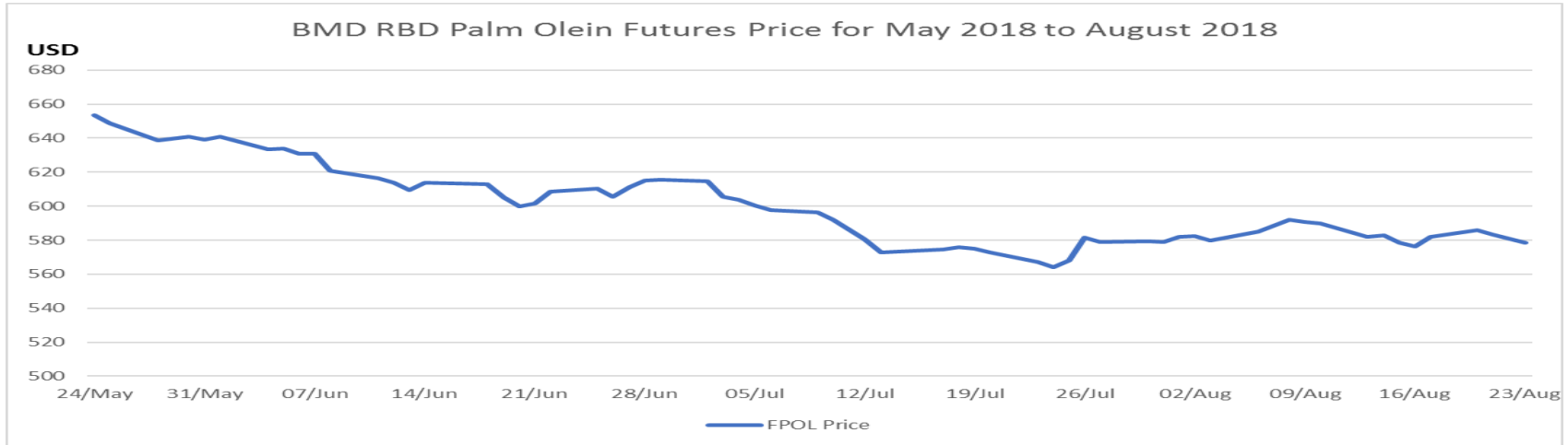


# Market Demography - Palm Options

OCPO Market Demography for Year 2017



# BMD RBD Palm Olein Futures Price, Volume & Open Interest



# Why Trade Derivatives

1. Price Discovery
  - Markets ability to determine true equilibrium prices
2. Risk Management
  - Enable companies to more effectively manage risk.
3. Anonymity, Transparent and Orderly Market
  - Has consistency and flexibility in regulations to protect investors.
4. Mitigate Counter-Party Risk
  - Regulators have also been enhancing the accounting standards (eg IFRS 13) and capital frameworks to capture counterparty risk (Basel II, Basel III).

# Futures Contract (FCPO) - Long Hedge

Palm Refiner AAA Sdn Bhd expects the price of CPO will rise in 3 months time; decides to hedge his supply of CPO. Goes long(buy) 10 FCPO August 2018 contracts at RM2,206

Example:

	Price (RM)	Value
AAA buys 10 FCPO contracts (250 MT) to hedge against rising prices	2,206	10 contracts = RM 551,500
3 months later prices rises to RM2,600	2,600	10 contracts = RM 650,000
<b>Gross Profit</b>	<b>394</b>	<b>RM 98,500</b>

# Plantation Company Hedging - Short Hedge

- Plantation company A produces 100,000 MT per month (1.2 million MT per year).
- Due to global economic slow down and analysis of historical price seasonal pattern the plantation company decides to hedge 50% of its production in view of downside price risk.
- On June 2018, the trader sells 24,000 contracts or 600,000 MT for August 2018 delivery.
- Plantation company sold at RM2439 / MT.

Month	Price (MYR/MT)	Net P/L (MYR/MT)	P/L for 24000 contract (MYR/MT)
Jun-18	Sold @2,439	0	0
Aug-18	Bought back @2,212	227	136,200,000
Net Profit / (Loss)			136,200,000

# Who Are The Trading Participants?

<p>Phillip Futures Bringing Global Markets Closer to You</p>	<p>OKACHI</p>	<p>東泰期貨 Oriental Pacific Futures</p>	<p>RHB</p>	<p>kenanga</p>	<p>TA</p>
PHILLIP FUTURES SDN BHD	OKACHI (MALAYSIA) SDN BHD	ORIENTAL PACIFIC FUTURES SDN BHD	RHB INVESTMENT BANK BERHAD	KENANGA DEUTSCHE FUTURES SDN BHD	TA FUTURES SDN BHD
<p>CIMB SECURITIES</p>	<p>AFFIN HWANG CAPITAL</p>	<p>AmInvestment Bank</p>	<p>MAYBANK INVESTMENT BANK BERHAD</p>	<p>HONG LEONG INVESTMENT BANK BERHAD</p>	<p>INTER-PACIFIC SECURITIES SDN BHD <small>A Participating Operator of Bursa Malaysia Securities Berhad A Trading Participant of Bursa Malaysia Derivatives Berhad</small></p>
CIMB FUTURES SDN BHD	AFFIN HWANG CAPITAL	AMFUTURES SDN BHD	MAYBANK INVESTMENT BANK BERHAD	HONG LEONG INVESTMENT BANK BERHAD	INTER-PACIFIC SECURITIES SDN BHD
<p>UOB Kay Hian</p>	<p>Apex</p>	<p>CREDIT SUISSE</p>	<p>FEDRUMS SDN BHD</p>	<p>J.P.MORGAN SECURITIES (MALAYSIA) SDN BHD</p>	
UOB KAY HIAN SECURITIES (M) SDN BHD	JF APEX SECURITIES BHD	CREDIT SUISSE SECURITIES (MALAYSIA) SDN BHD			

# Thank you!



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