

Paper 13 : Tools to Mitigate Price Risks

POTS Kuala Lumpur 2014

Shangri-la Hotel

29 October 2014



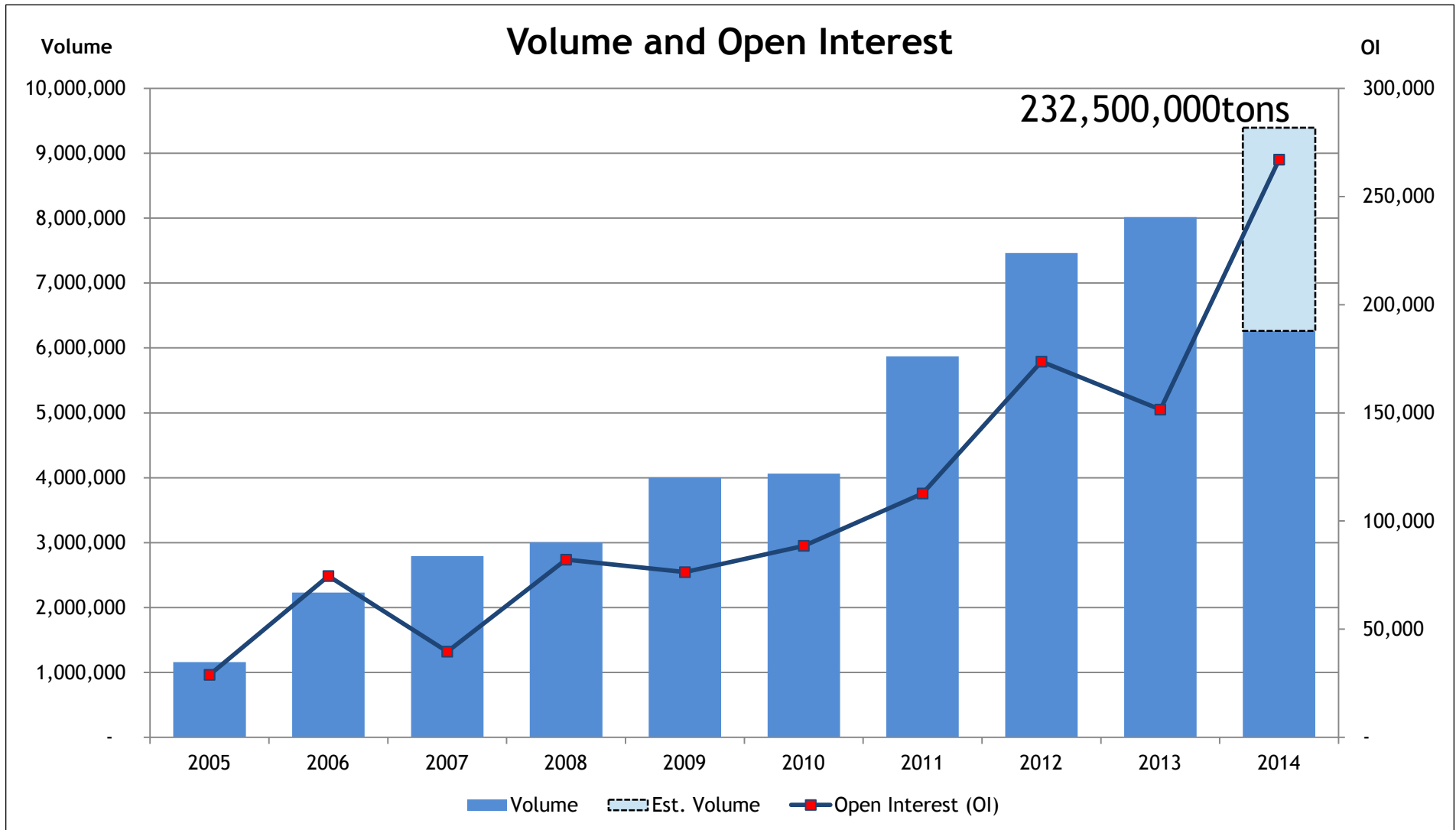
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Overview

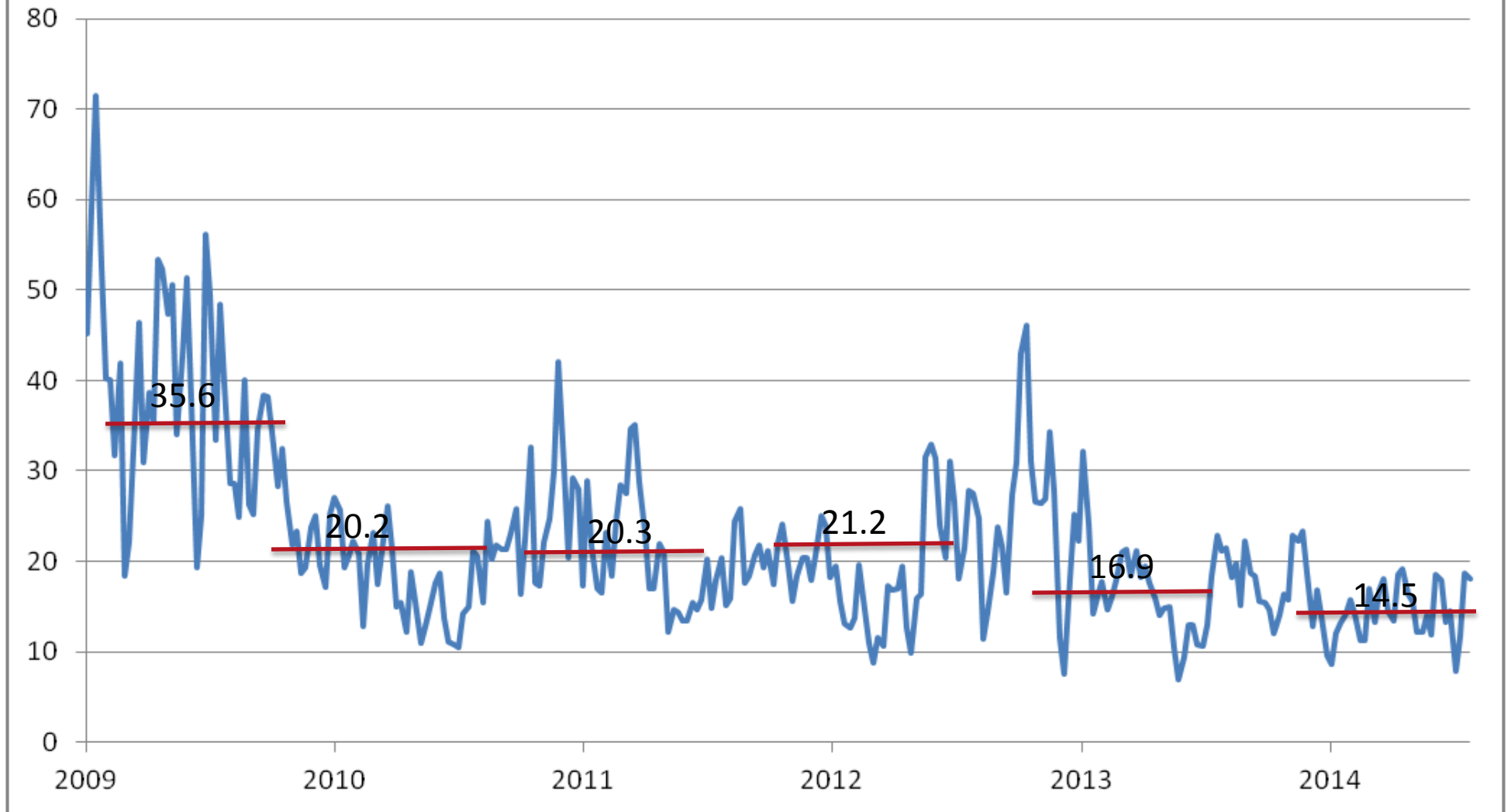
- Amongst the first in Asia - 34 years history
- One of the 2 commodities priced out of Asia - palm oil and rubber
- Important role in the development of palm oil

Palm Oil Performance



Average Annual 10 Day Volatility

FCPO 10 days Volatility

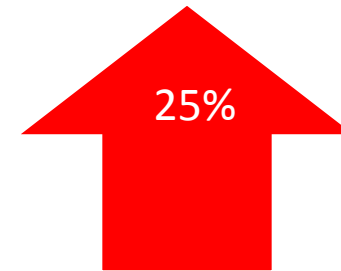
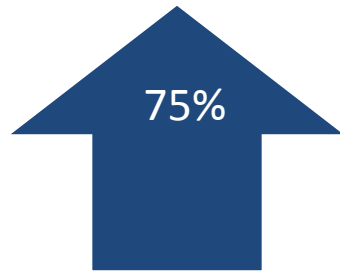


Top 10 Trading Days/Open Interest

Date	Volume (tons)
15/9/2014	1,908,375
4/9/2014	1,820,975
12/3/2014	1,791,950
25/3/2014	1,779,825
24/3/2014	1,594,900
5/9/2014	1,582,350
16/5/2012	1,575,475
27/8/2014	1,555,125
25/8/2014	1,520,275
29/8/2014	1,494,500

Date	Open Interest (tons)
10/9/2014	7,196,475
4/9/2014	7,171,225
8/9/2014	7,126,150
5/9/2014	7,119,250
11/9/2014	7,099,625
9/9/2014	7,086,450
12/9/2014	7,072,475
3/9/2014	7,017,750
15/9/2014	6,916,950
2/9/2014	6,859,950

BURSA MALAYSIA DERIVATIVES



1	7599	18090	2	18043	UNCH	7726	7638
8	12444.0	12444.0	1	7598	1+	18237	18036
1	9410	9419	5	12453.0	9.0-	7628	7581
1	7958	7958	1	9419	UNCH	12597.0	12440.0
			1	7962	4-	9466	9383
						8070	7953
EURODOLLARS							
100	9884.0	9884.5	514	9884.0	UNCH	9884.5	9884.0
125	9871.0	9871.5	100	9871.0	0.5+	9872.5	9870.5
2	9843.5	9845.0	25	9844.0	1.0+	9848.5	9844.0
15	12.5	14.0	200	13.0	0.5+	9813.5	9806.0
25	26.0	26.5	1	27.0	0.5-		
52	37.0	38.0	350	37.5	1.0-		
10	-13.5			-14.0	0.5+		
ENERGIES							
2	5670	5720	1	5725	5-	1	5725 5720A
1	5350			5710	10-		5700A 5700A
1	34375	34450	1	34475	75-	1	34400 34400



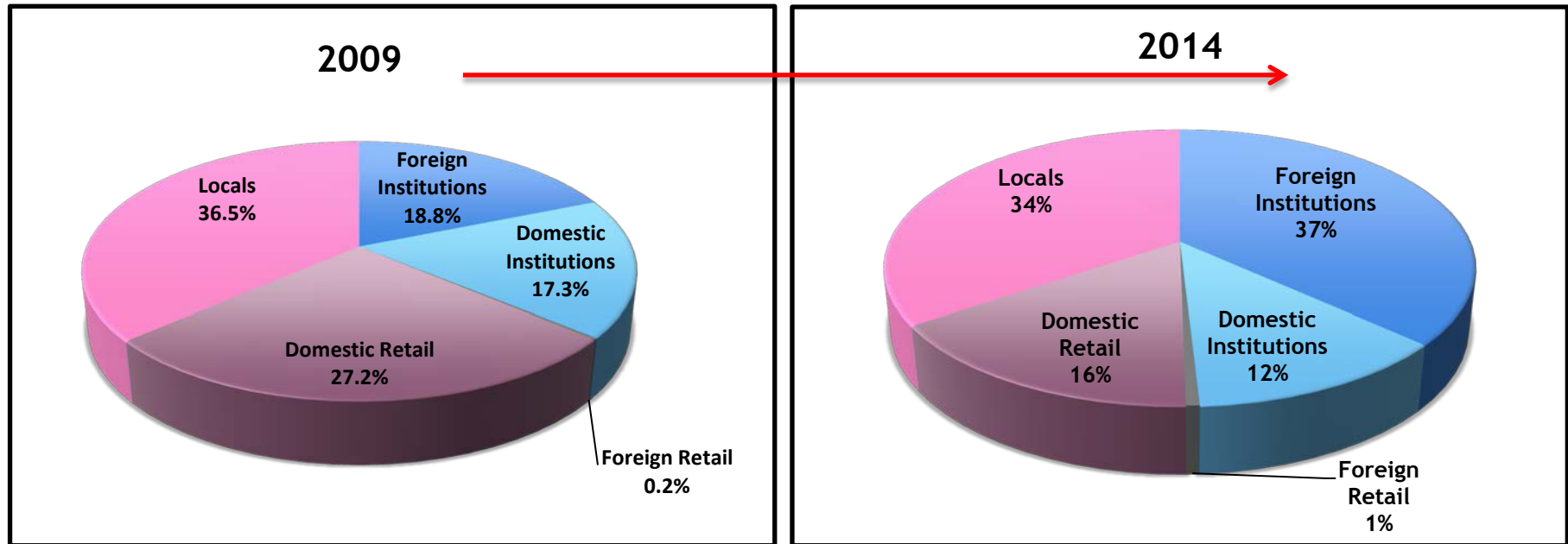
***BMD is on CME GLOBEX
All BMD trades are matched on CME GLOBEX***

Connectivity - CME Global Hub Locations



1. There are 9 CME Global Hubs
2. This improves the accessibility and visibility
3. More than 1 million access points

Market Demography CPO Futures



How Bursa CPO can help you...



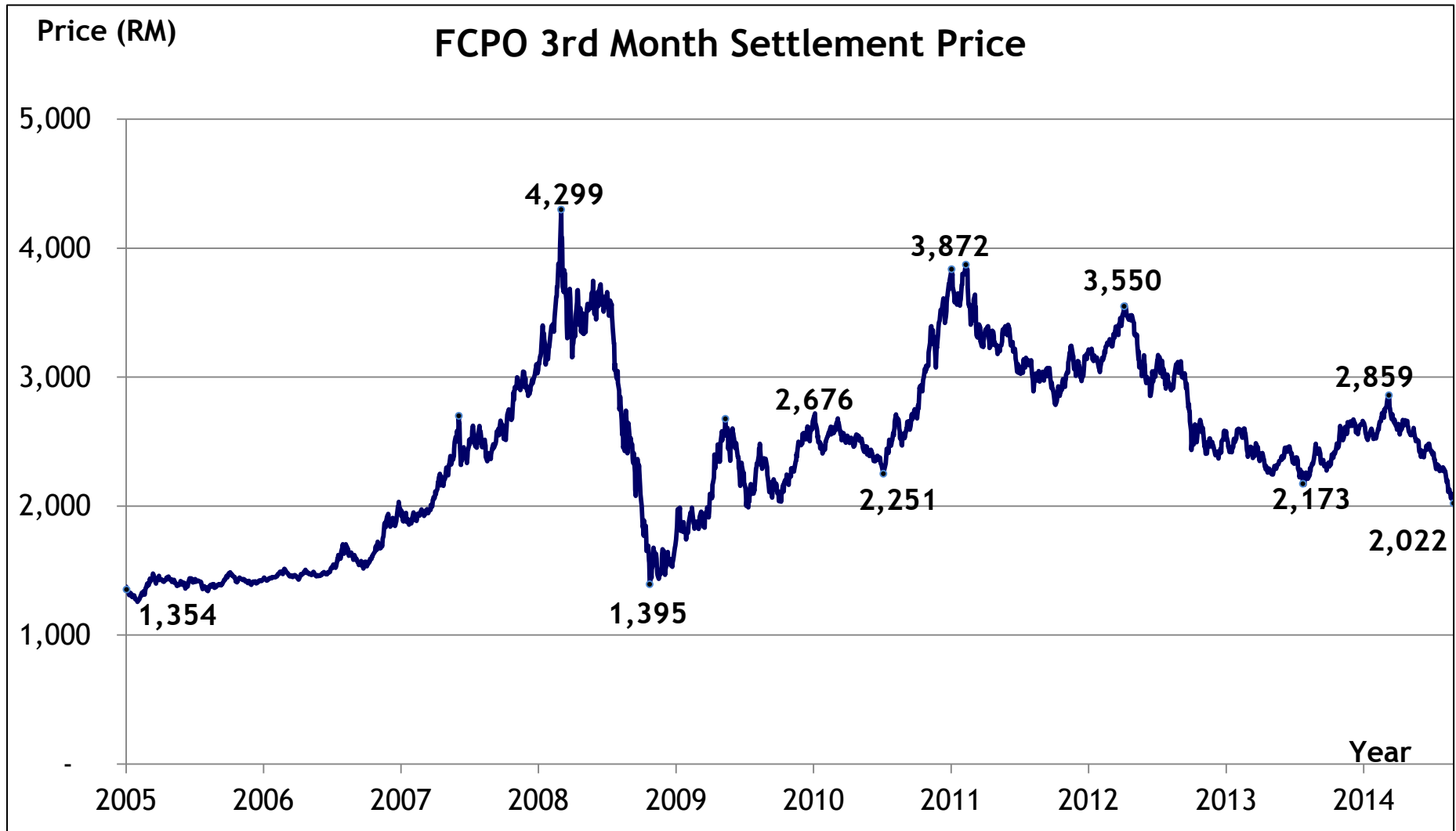
3 key ways:

Hedging

Pricing Benchmark

Price Discovery

CPO Price Chart



Producer Protection against Falling Prices



Date : 3 June 2014

FCPO August 2014 : **RM 2416**

OCPO August 2014 with the strike price of 2400 put : **RM12.5**

Futures:

Short (sell) the FCPO August 2014 at RM2416

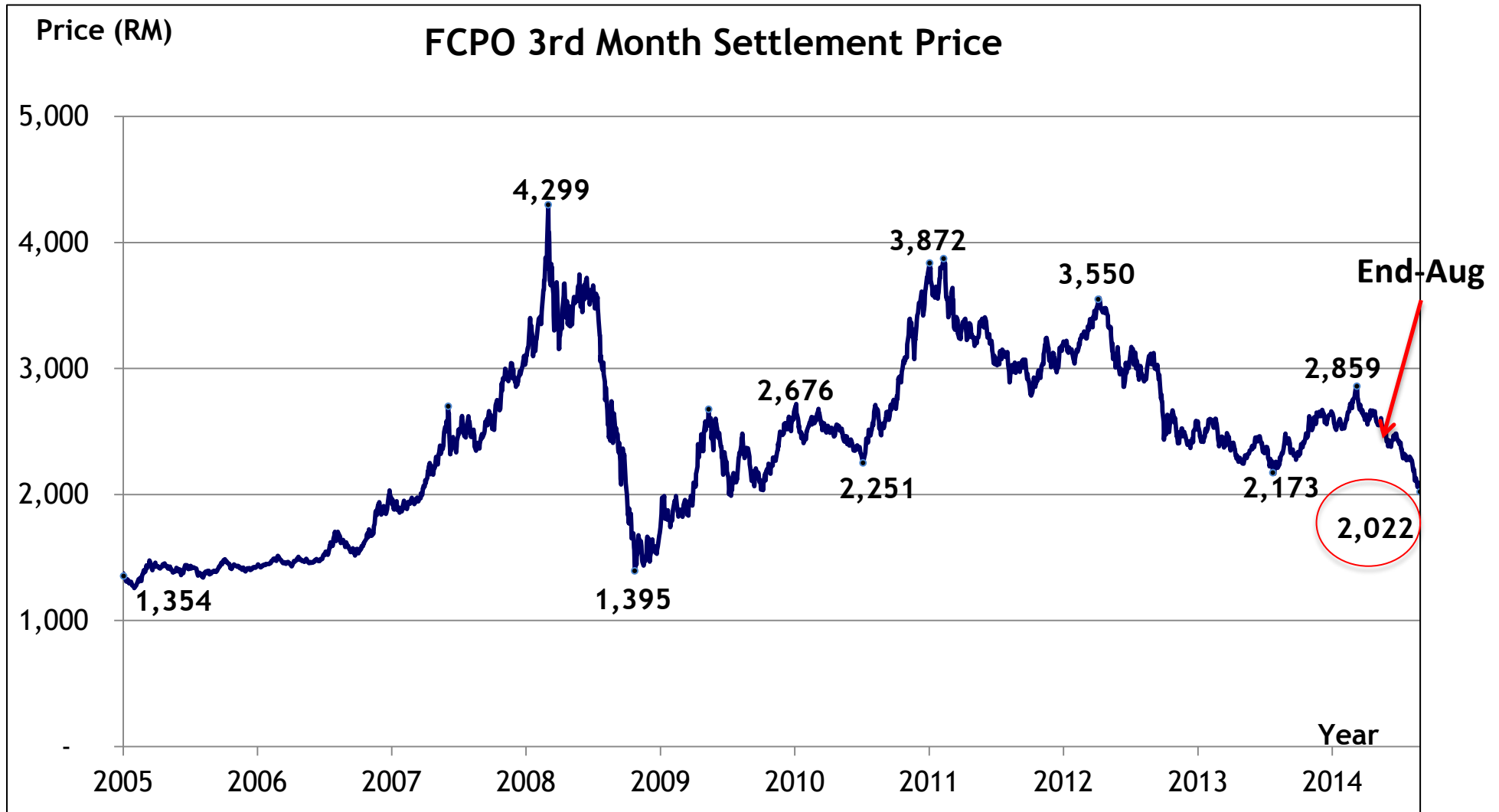
Options:

Long (buy) a put August 2014 strike price of 2400 with a premium of 12.5.

Maximum losses will only be the premium paid

Result: August 2014 closed at RM2022. Producer protected against falling prices

CPO Price Chart



Consumer Protection against Rising Prices



Date : 2 January 2014

FCPO March 2014 : RM2649

OCPO March 2014, strike price of 2600 call : 59.50

Futures:

Long (buy) FCPO March 2014 at RM2649

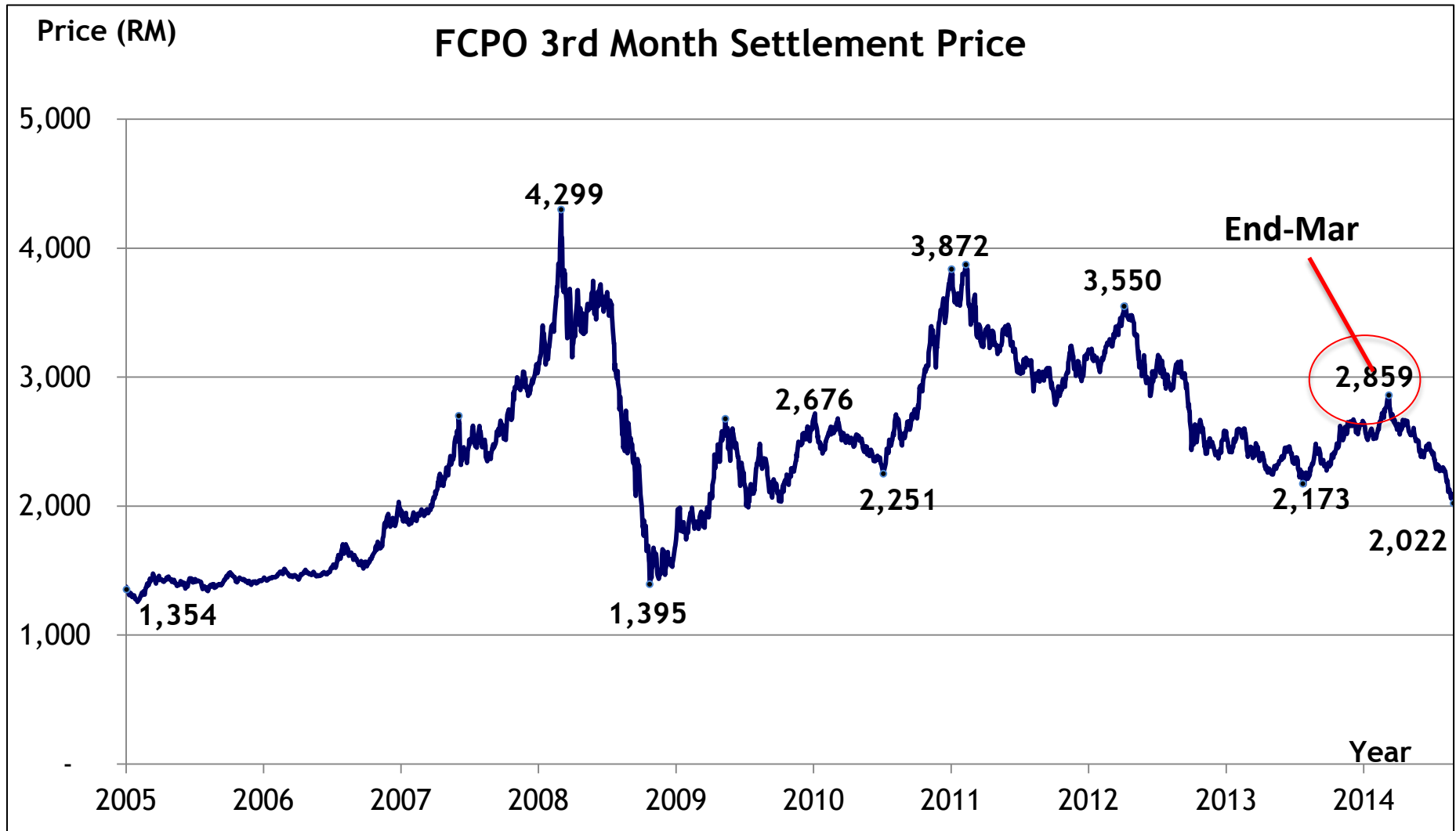
Options:

Long (buy) a March 2014 call, strike of 2600 at premium of 59.5

Maximum loss = premium paid

March 2014 CPO closed at RM2859. **Consumer protected against rising prices**

CPO Price Chart



How Bursa CPO can help you...



3 key ways:

Hedging

Pricing Benchmark

Price Discovery

How Bursa CPO can help you...



3 key ways:

Hedging

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Trading Screen (as at 11 Sep)



Live Quotes														
FCPO OCPO FKLI OKLI FKB3 FGLD FPOL														
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Quoted Instrument	Bid Vol	Bid	Offer	Offer Vo	Last	Last Vol	Low	High	Total Vol	Change(YDSP)	Mkt St	Net	YDSP	O Interest
BMD/FCPO/SEP14	4	2060	2067	5	2066	5	2060	2066	21	17	Op	0	2049	1,160
BMD/FCPO/OCT14	26	2058*	2059	3	2059	1	2016	2060	1,112	15	Op	0	2044	12,490
BMD/FCPO/NOV14	52	2045*	2046*	14	2045	1	2007	2049	8,930	12	Op	0	2033	89,429
BMD/FCPO/DEC14	30	2059*	2060*	44	2060	4	2032	2065	3,495	5	Op	0	2055	49,339
BMD/FCPO/JAN15	6	2092*	2094*	33	2093	2	2074	2102	1,495	-4	Op	0	2097	32,961
BMD/FCPO/MAR15	4	2149*	2152	1	2150	3	2136	2160	766	1	Op	0	2149	34,569
BMD/FCPO/MAY15	4	2163*	2166*	1	2164	3	2151	2174	1,483	2	Op	0	2162	29,549
BMD/FCPO/JUL15	21	2165*	2169*	7	2169	1	2152	2176	497	5	Op	0	2164	10,160
BMD/FCPO/SEP15	28	2167	2168*	20	2167	4	2157	2179	138	4	Op	0	2163	8,114
BMD/FCPO/NOV15	21	2168*	2169*	5	2169	2	2156	2175	124	4	Op	0	2165	24,147
BMD/FCPO/JAN16	16	2186*	2194*	4	2188	1	2186	2188	13	3	Op	0	2185	2,224
BMD/FCPO/MAR16	4	2192*	2204*	4					0		Op	0	2199	694
BMD/FCPO/MAY16	23	2187*	2218*	1					0		Op	0	2204	501
BMD/FCPO/JUL16	13	2187*	2254*	2					0		Op	0	2201	

- Volume and open interest has grown tremendously and palm oil futures has become an international pricing benchmark
- Increasing maturity of the palm oil market with well developed infrastructure for physical trade complemented by the risk management and price discovery facility of Bursa's CPO futures
- BMD working together with the palm industry to provide more hedging and price discovery instruments for other palm products

Provides palm industry with integrated palm products

Currently

1. Crude palm oil futures (1980)
2. Crude palm kernel oil futures (1992)
3. Crude palm oil options (2012)
4. RBD Palm Olein futures (2014)

Depending on market demand, we may introduce other palm derivatives

International Demand

- More palm olein exported than CPO, 8.2m tons (RM26b) vs 4.6m tons (RM14b)
- China is largest importer, DCE's large volumes. Will strengthen the global palm oil market with price discovery on both producing and consuming countries

Commercial Needs

- Price risk management tool for palm refiners, traders, exporters and importers
- Higher volatility and eliminate significant basis risks to CPO

- Bursa's CPO has become an important pricing reference for edible oil globally
- Will provide an integrated palm oil trading and hedging marketplace with different palm products
- Bursa's palm products complements, supports the continued development of the palm oil industry and is an increasingly indispensable tool for risk management and price discovery

Thank You

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