

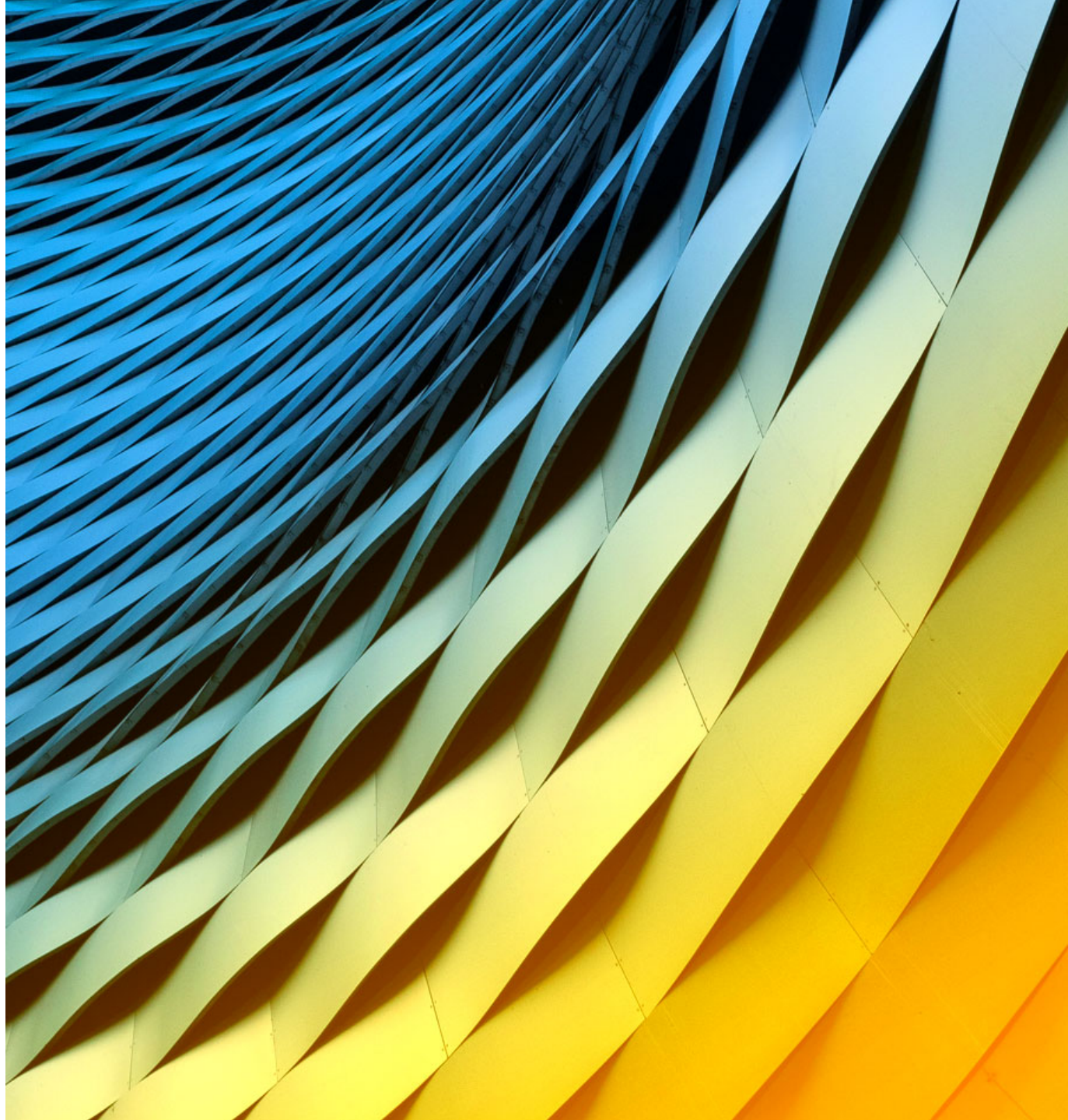
SGX – Refining Your China Strategy With Options

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May 4, 2021



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Refining Your China Strategy With Options

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About Tariq Dennison TEP CFP^{CM}

- Independent Adviser Managing accounts on Interactive Brokers Platform
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 - HK Type 9: GFM Group Limited
- 23 years global markets experience
 - 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
 - Fixed Income
 - Alternative Investments
- Author of "Invest Outside the Box"



Outline of Fundamental Part

- China in Global and EM Index Benchmarks
- China Post-COVID-19
- China's "Alphabet soup": Review of A vs H shares
- Understanding the main benchmarks: Hang Seng, H50, and A50

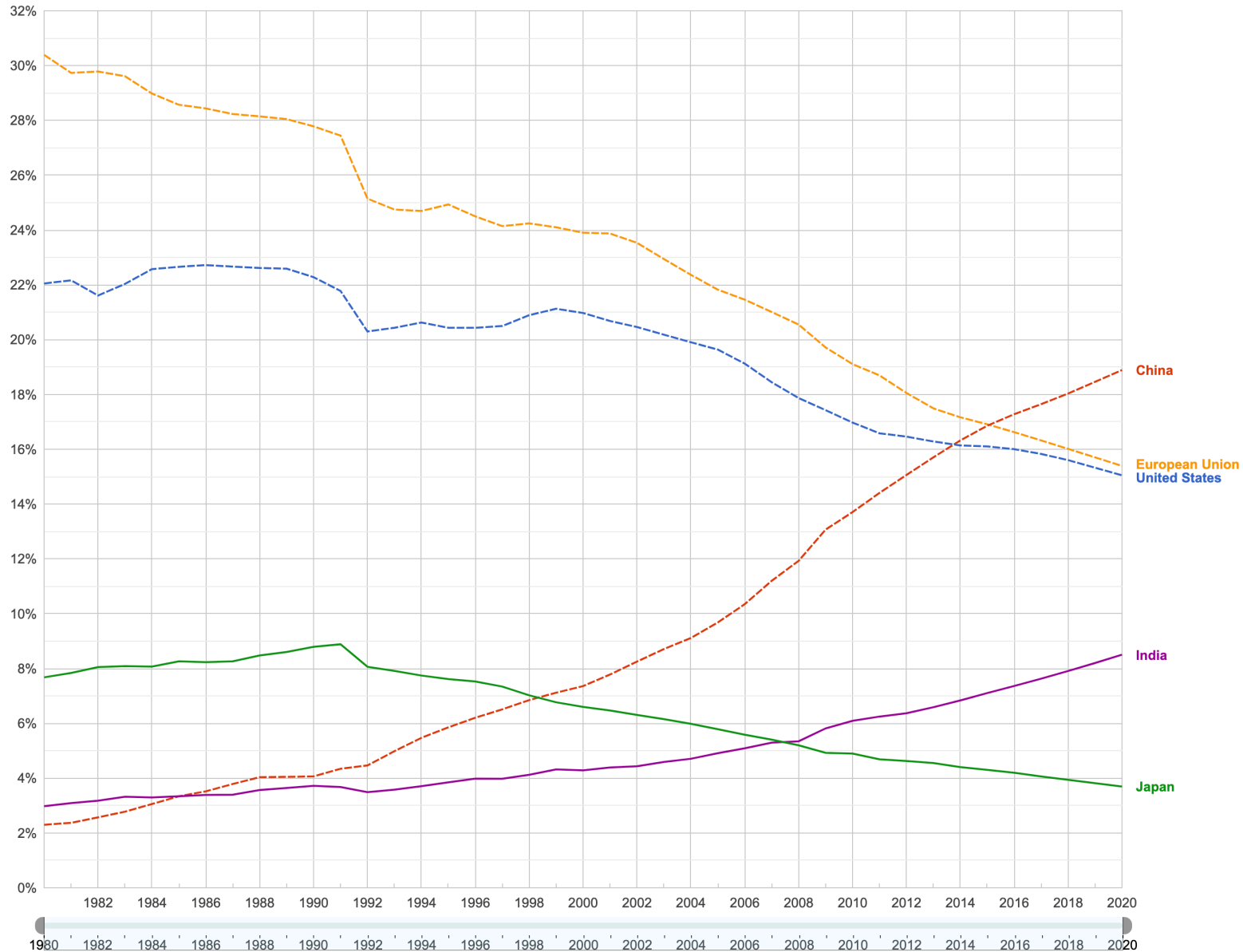
Outline of Action Part

- Understanding the options
 - ETF vs index
 - Exchanges & hours
 - Sizes & currencies
- Sample long and short trading strategies

Big picture: China vs World and EM

China's GDP % of World vs rest of "JUICE"

GDP based on PPP share of world total (%) ?

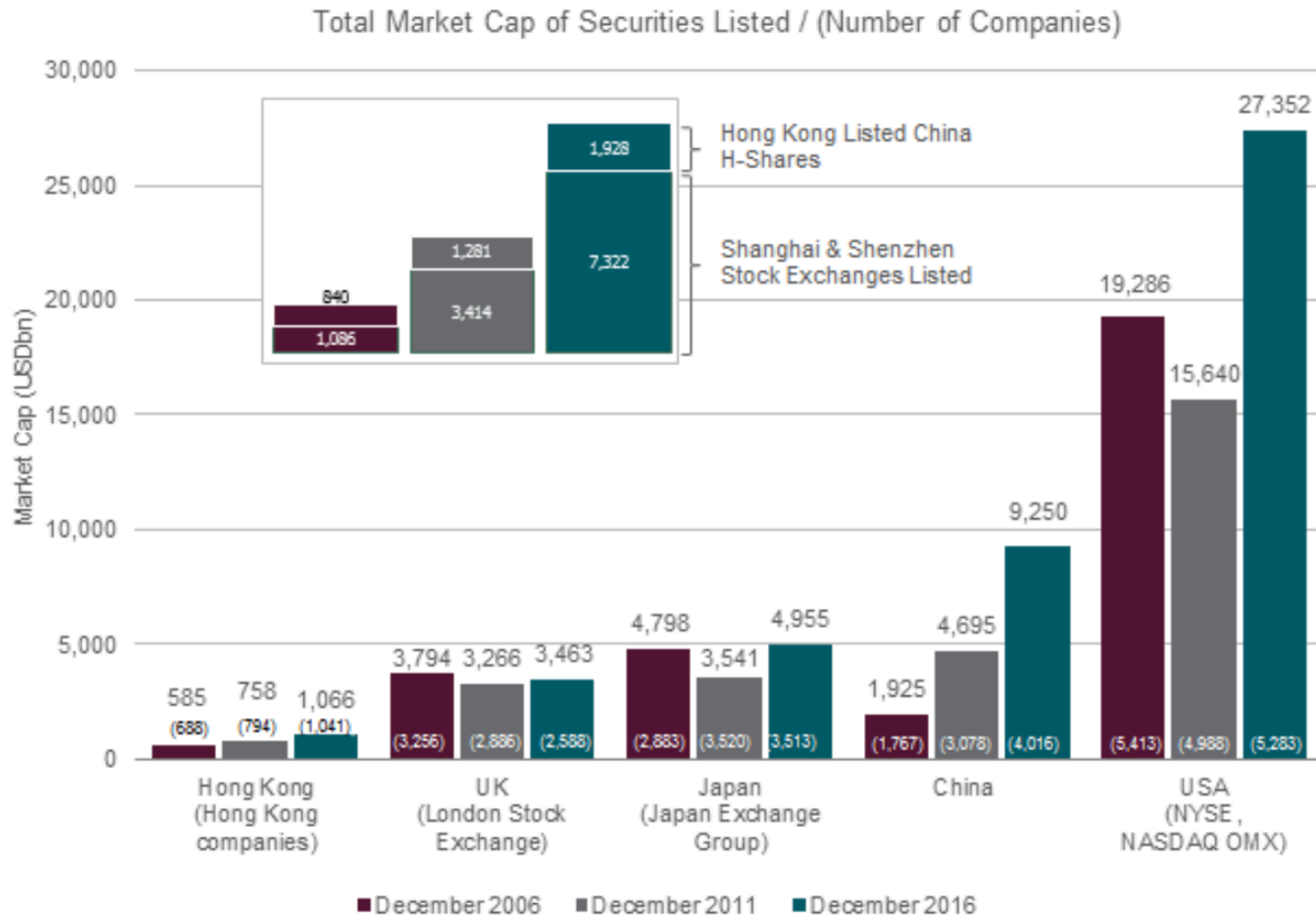


Data from IMF, October 2014 WEO Last updated: Jun 19, 2018

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Source: Google Public Data

Growth of China's Equity Market Equally Impressive

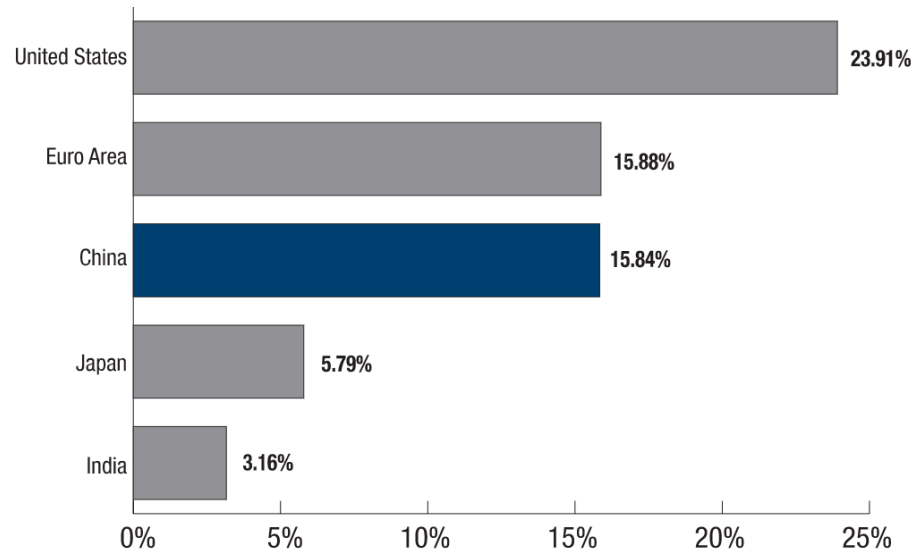


Source: WFE, FTSE Russell, data as at December 31, 2016.

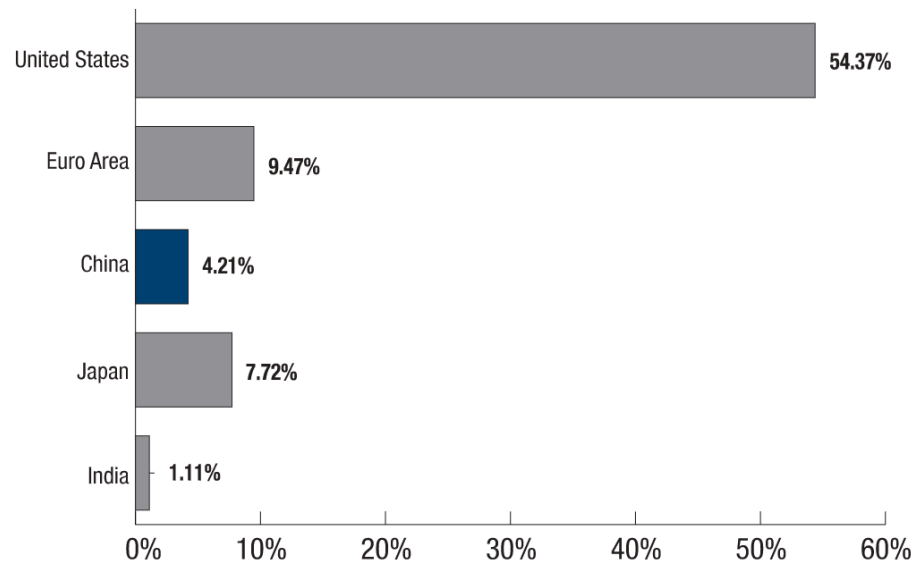
Source: <https://www.ftserussell.com/ja/research/preparing-chinas-inclusion-global-benchmarks-flexible-approach-managing-transition>

China's GDP vs Weight In Stock Benchmarks

GDP % of World



Weight % in FTSE All World Index



Source: World Bank

Source: <https://www.paceretfs.com/products/afty>

Official data? Try on the ground sanity checks...



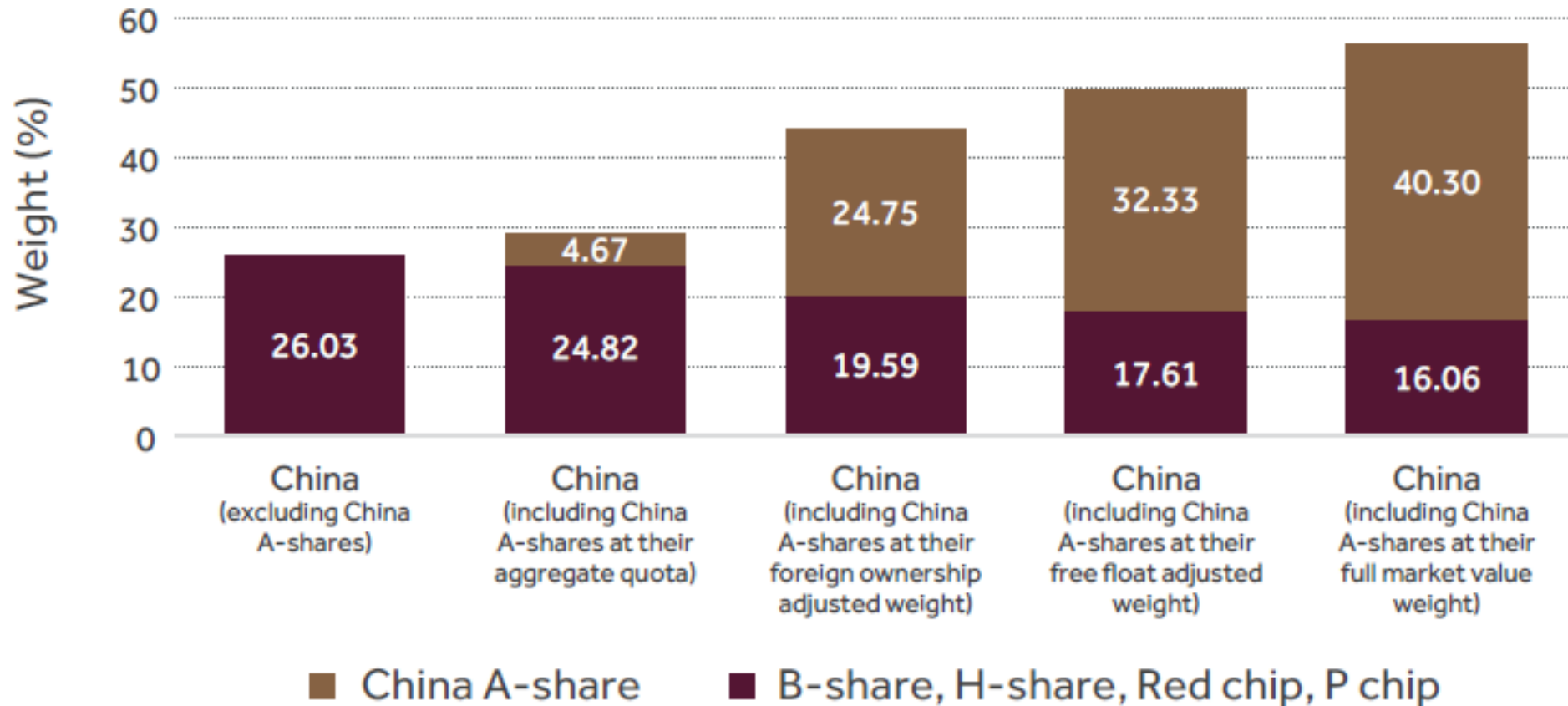
Source: <https://www.forbes.com/sites/tamarathiessen/2020/05/19/covid-19-birthplace-wuhan-china-now-top-travel-attraction/?sh=69d2ddeb1e7a>
19 May 2020

Just remember:
Prices, dividends, and opportunities
matter more than any reported
“statistics”

Options premiums are “prices”
Traveling by train to Wuhan is an “opportunity”

Within your EM fund, China is way "Too Big to Ignore"

China's expansion in the FTSE Emerging Index



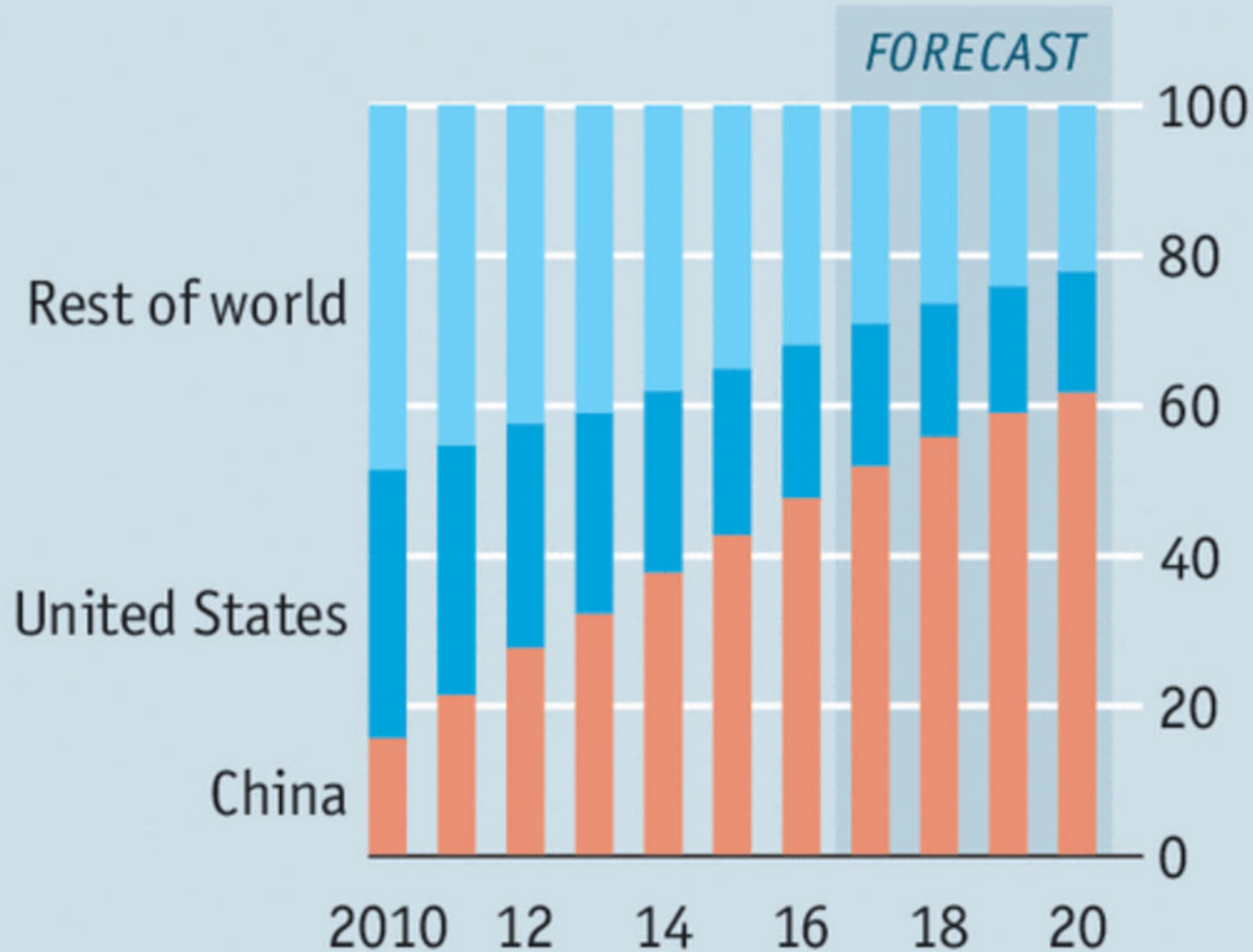
Source: FTSE Russell, data as at June 30, 2017.

Source: <https://www.ftserussell.com/ja/research/preparing-chinas-inclusion-global-benchmarks-flexible-approach-managing-transition>

Much of that growth ← China's E-commerce boom

Retail e-commerce sales, worldwide

Share of total, %



Source: FDI China

The longer-term consumer numbers that matter...

Number of high-income consumers

(m)

12.0

10.0

8.0

6.0

4.0

2.0

0.0

2015

Additional in 2016-30

12.0

10.0

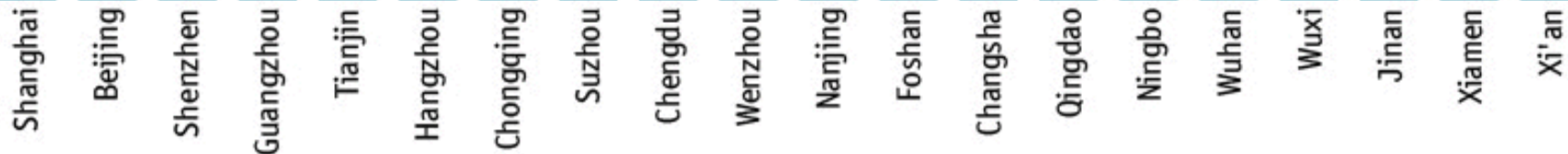
8.0

6.0

4.0

2.0

0.0



Note: high-income consumers refer to individuals with a grey income-adjusted disposable income of above Rmb200,000 per year at 2015 constant prices.

Source: The Economist Intelligence Unit.

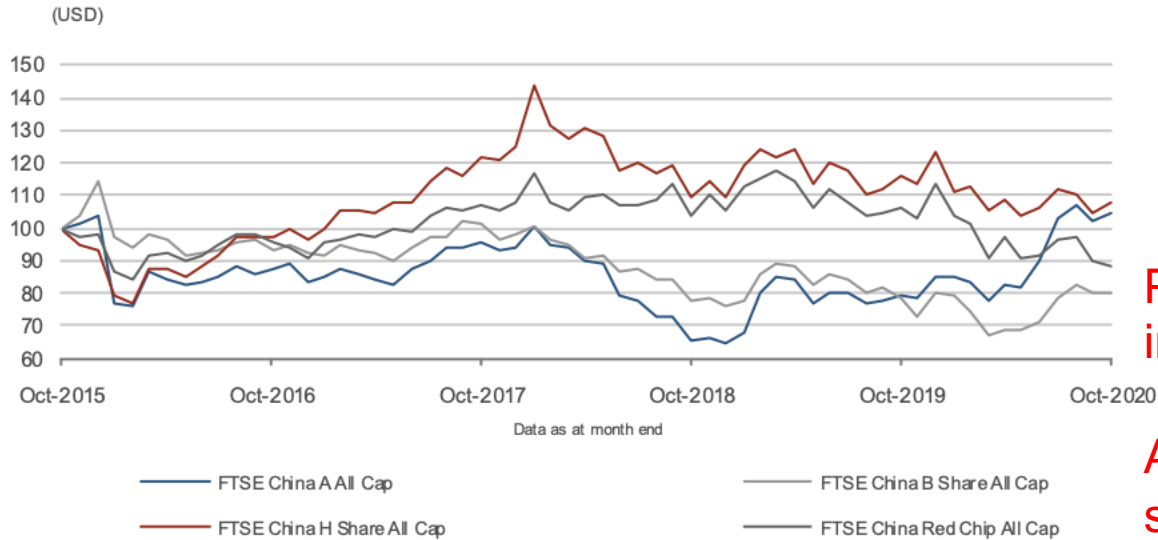
Review of China's A vs B vs H etc. Shares

China's "Alphabet Soup" of Share Classes

Share Class	Country of Incorporation	Country of Listing	Trading Currency	Other Requirements	Available to mainland Chinese investors	Available to other investors
A Share	People's Republic of China (PRC)	China	CNY	None as they are specific share classes issued by the company	Yes	Yes under QFII/RQFII/ Stock Connect programs
B Share	People's Republic of China (PRC)	China	USD (Shanghai) HKD (Shenzhen)		Yes (if they have appropriate currency accounts)	Yes
H Share	People's Republic of China (PRC)	Hong Kong	HKD		Yes if QDII approved or under Stock Connect programs	Yes
Red Chip	Non-PRC Min 25% ownership by Chinese State entity	Hong Kong	HKD	See notes below	Yes if QDII approved or under Stock Connect programs	Yes
P Chip	Non-PRC Private ownership & leadership Min 45% PRC revenues & assets	Hong Kong	HKD		Yes if QDII approved or under Stock Connect programs	Yes
S Chip	Non-PRC	Singapore	SGD		Yes if QDII approved	Yes
N Share	Non-PRC	United States	USD		Yes if QDII approved	Yes

... very different performance over the past 5 years

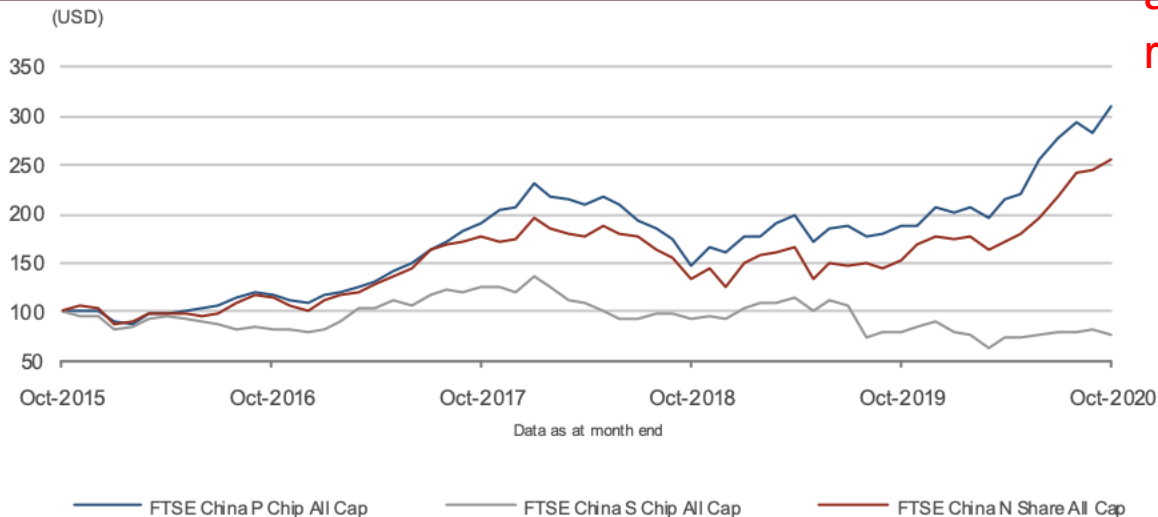
5-Year Performance - Total Return



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5-Year Performance - Total Return



Some Statistics on H shares vs A shares...

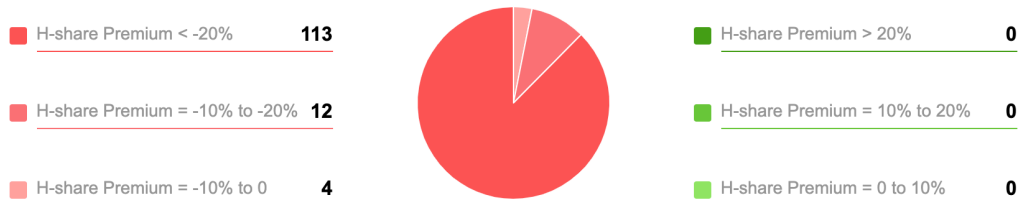
	Hong Kong Exchange (23/03/2021)		Shanghai Stock Exchange (23/03/2021)		Shenzhen Stock Exchange (23/03/2021)	
	Main Board	GEM	A Share	B Share	A Share	B Share
No. of listed companies	2,184	366	1,594	48	2,382	45
No. of listed H shares	273	19	n.a.	n.a.	n.a.	n.a.
No. of listed red-chips stocks	172	4	n.a.	n.a.	n.a.	n.a.
Total no. of listed securities	17,966	367	n.a.	n.a.	n.a.	n.a.
Total market capitalisation (Bil. dollars)	HKD 52,238	HKD 143	RMB 41,676	RMB 67	RMB 32,577	RMB 54
Total negotiable capitalisation (Bil. dollars)	n.a.	n.a.	RMB 36,986	RMB 67	RMB 25,373	RMB 54
Average P/E ratio (Times)	19.88	26.24	15.69	8.20	32.33	12.60
Total turnover (Mil. shares)	288,045	653	32,244	22	37,791	26
Total turnover (Mil. dollars)	HKD 166,584	HKD 322	RMB 324,728	RMB 90	RMB 447,193	RMB 102
Total market turnover (Mil. dollars)	HKD 166,906		RMB 345,182		RMB 447,296	

Source: <https://www.hkex.com.hk/eng/csm/highlight.htm>

For stocks with both A and H Shares...

All Listed AH Shares SZ Listed AH Shares SH Listed AH Shares

AH Premium distribution chart ?



AH Shares	H Shares ¹			A Shares ²			H Shares VS. A Shares
Name	Symbol▼	Last (HKD)	Change (%) ³ ▼	Symbol▼	Last (RMB)	Change (%) ³ ▼	Premium (%) ⁴ ▲ ?
CHINA SUNTIEN	00956.HK <small>CON</small>	3.000	+2.389%	600956.SH <small>3M Hi CON</small>	13.06	+10.025%	-80.754%
GUOLIAN SEC	01456.HK <small>10D Hi CON</small>	4.200	+5.000%	601456.SH <small>1M Hi CON</small>	17.90	+9.480%	-80.341%
LA CHAPELLE	06116.HK	0.530	-1.852%	603157.SH <small>3M Hi</small>	2.11	+3.941%	-78.955%
ZHEJIANG SHIBAO	01057.HK <small>10D Lo CON</small>	1.400	-5.405%	002703.SZ <small>5D Lo CON</small>	5.12	-1.727%	-77.090%
FIRST TRACTOR	00038.HK <small>1M Lo CON</small>	3.410	-4.213%	601038.SH <small>CON</small>	12.07	-2.029%	-76.329%
FUDANZHANGJIANG	01349.HK <small>5D Lo CON</small>	4.320	-1.818%	688505.SH <small>CON</small>	14.90	+0.134%	-75.708%
ANDRE JUICE <small>1</small>	02218.HK <small>CON</small>	6.350	+1.276%	605198.SH <small>CON</small>	21.74	+2.162%	-75.528%
CSC	06066.HK <small>CON</small>	9.960	0.000%	601066.SH <small>5D Hi CON</small>	33.05	+1.443%	-74.751%
CC SECURITIES	01375.HK <small>CON</small>	1.530	-0.649%	601375.SH <small>10D Hi CON</small>	4.70	+3.524%	-72.726%
CICC	03908.HK <small>CON</small>	17.460	0.000%	601995.SH <small>10D Hi CON</small>	52.88	+4.362%	-72.336%
COMEC	00317.HK <small>5D Lo CON</small>	7.920	-2.703%	600685.SH <small>CON</small>	23.38	-2.380%	-71.618%
SINOPEC SSC	01033.HK <small>1M Lo CON</small>	0.700	-4.110%	600871.SH <small>CON</small>	2.01	0.000%	-70.821%
LUOYANG GLASS	01108.HK <small>CON</small>	4.890	+2.088%	600876.SH <small>10D Lo CON</small>	15.27	-1.037%	-72.854%

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A-H Premium since SH Stock Connect



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Now, let's look at the Index Benchmarks

FTSE China (H50) vs A50 vs HSI

#	H-Ticker	Name	ISIN	Sector	Weighting	A-Ticker	H-Premium	A50 Weight	HSI Weight	P, H, Red
1	3690	MEITUAN DIANPING	KYG596	Consumer Discre	10.2%					
2	700	TENCENT HLDGS.	KYG875	Communication	9.2%				10.1%	P CHIP
3	939	CHINA CONSTR.BANK	CNE100	Financials	8.8%	601939	-25.4%	0.8%	6.4%	H SHARE
4	9988	ALIBABA GR. HLDG.	KYG017	Consumer Discre	5.1%				4.3%	P CHIP
5	2318	PING AN	CNE100	Financials	4.9%	601318	-13.2%	10.9%	5.3%	H SHARE
6	1398	IND. AND COM. BANK OF	CNE100	Financials	4.3%	601398	-23.5%	1.5%	3.4%	H SHARE
7	2963	WUXI BIO	KYG970	Health Care	4.3%				2.4%	P CHIP
8	1810	XIAOMI	KYG983	Information Tech	4.2%				4.4%	P CHIP
9	3968	CHINA MERCHANTS BAN	CNE100	Financials	3.5%	600036	-6.5%	7.4%		
10	3988	BANK OF CHINA H	CNE100	Financials	3.4%	601988	-30.2%	0.9%	2.2%	H SHARE
11	941	CHINA MOBILE	HK0941	Communication	3.3%				2.9%	RED CHIP
12	883	CNOOC	HK0883	Energy	2.6%				1.7%	RED CHIP
13	2020	ANTA SPORTS PRODUCT	KYG040	Consumer Discre	2.4%					
14	2628	CHINA LIFE INS. H	CNE100	Financials	2.4%	601628	-64.8%	0.9%	1.3%	H SHARE
15	1211	BYD COMPANY	CNE100	Consumer Discre	2.3%	002594	-10.9%			
16	1109	CHINA RESOURCES LAN	KYG210	Real Estate	1.8%				1.1%	RED CHIP
17	981	SEMICONDUCTOR MANU	KYG802	Information Tech	1.8%	688981	-68.5%			
18	386	CHINA PETROLEUM & CH	CNE100	Energy	1.6%	600028	-28.1%	0.6%	0.9%	H SHARE
19	241	ALIBABA HEALTH INF. TE	BMG017	Health Care	1.6%					
20	960	LONGFOR PROPERTIES	KYG563	Real Estate	1.6%					
21	1288	AGRICUL BK CHINA H	CNE100	Financials	1.6%	601288	-26.2%	1.7%		
22	2007	COUNTRY GARDEN	KYG245	Real Estate	1.4%				0.8%	P CHIP
23	2601	CHINA PACIFIC INS. H	CNE100	Financials	1.3%	601601	-32.0%	1.3%		
24	688	CHINA OVERSEAS LD & II	HK0688	Real Estate	1.3%				0.7%	RED CHIP
25	914	ANHUI CONCH H SHS.	CNE100	Materials	1.1%	600585	-23.0%	1.4%		
26	788	CHINA TOWER CORP	CNE100	Communication	1.0%					
27	2202	CHINA VANKE H	CNE100	Real Estate	1.0%	000002	-21.2%	2.8%		
28	857	PETROCHINA H	CNE100	Energy	1.0%	601857	-48.9%	0.4%	0.5%	H SHARE
29	1088	CHINA SHENHUA ENERG	CNE100	Energy	0.9%	601088	-30.1%	0.5%		
30	6862	HAIDILAO INTL. HLDG.	KYG429	Consumer Discre	0.9%					
31	3333	CHINA EVERGRANDE GR	KYG211	Real Estate	0.7%					
32	1658	POSTAL SAVINGS BANK	CNE100	Financials	0.7%	601658	-26.8%			
33	6030	CITIS SECURITIES	CNE100	Financials	0.7%	600030	-50.4%	3.5%		
34	728	CHINA TELECOM	CNE100	Communication	0.6%					
35	2359	WUXI APPTec	CNE100	Health Care	0.6%	603259	-3.2%			
36	3692	HANSOH PHARMA RG	KYG549	Health Care	0.6%					
37	998	CHINA CITIC BANK	CNE100	Financials	0.6%	601998	-46.6%	0.2%		
38	3328	BANK OF COMMUNICATI	CNE100	Financials	0.6%	601328	-23.6%	1.3%	0.4%	H SHARE
39	267	CITIC PACIFIC	HK0267	Industrials	0.6%				0.4%	RED CHIP
40	762	CHINA UNICOM	HK0000	Communication	0.5%				0.3%	RED CHIP
41	1988	CHINA MINSHENG BANKI								
42	1339	PEOPLES INS.CO								
43	6886	HUATAI SECURITIES (H)								
44	1816	CGN POWER								
45	763	ZTE H								
46	390	CHINA RAILWAY GROUP								
47	1766	CSR CORP								
48	6818	CHINA EVERBRIGHT BAN								
49	6066	CSC FINANCIAL H								
50	2611	GUOTAI JUNAN SECURIT	CNE100	Financials	0.2%	601211	-49.7%			

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Source: DWS, iShares, SPDR TraHK, Nov 2020



Raw sector weight numbers

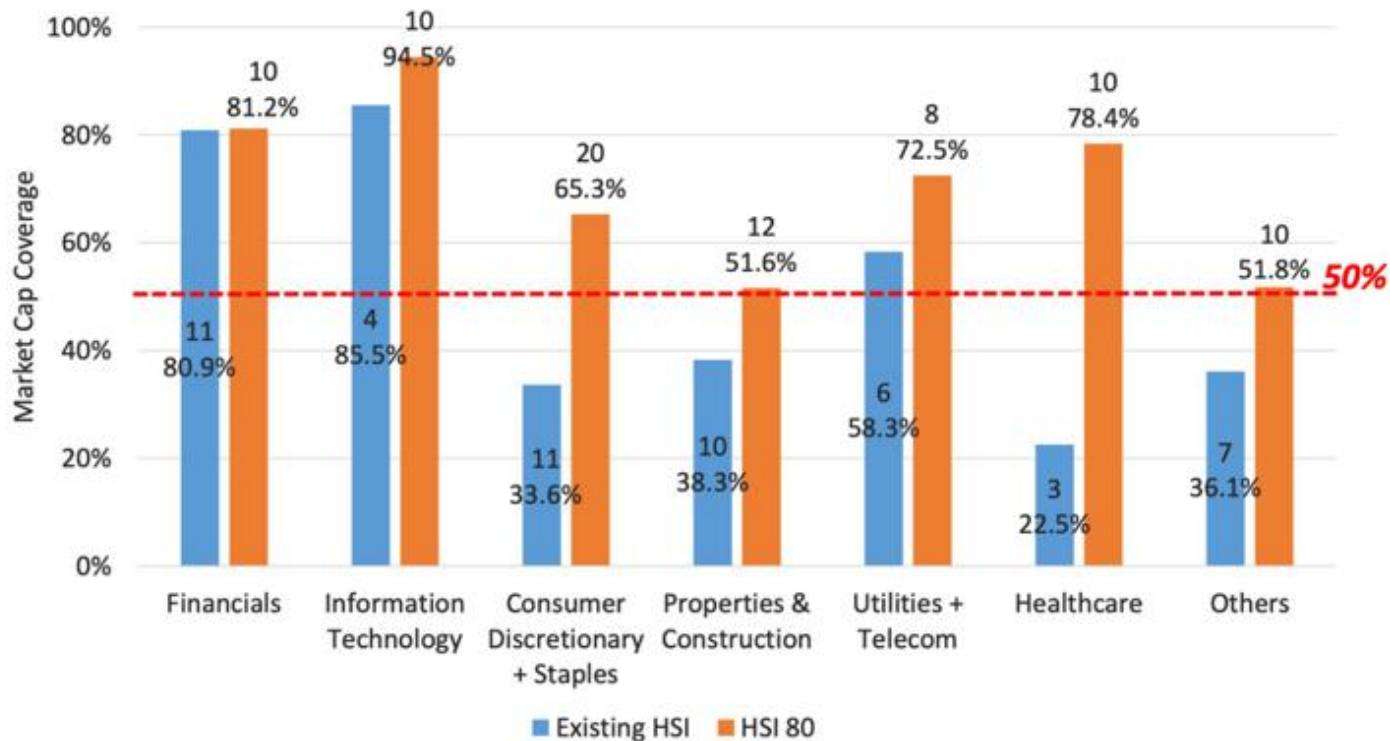
Sector Weights	A50	H50
Communication	0.5%	14.7%
Consumer Discretionary	9.3%	20.9%
Consumer Staples	23.0%	
Energy	1.4%	6.0%
Financials	42.8%	34.4%
Health Care	4.7%	7.1%
Industrials	2.9%	1.1%
Information Technology	5.7%	6.3%
Materials	3.1%	1.1%
Real Estate	4.4%	7.8%
Utilities	1.1%	0.3%

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Source: DWS, iShares

Upcoming Major Changes to the Hang Seng Index

Market Cap Coverage by Industry Group (Simulated Results)



Hypothetical constituent number, Industry Group market cap coverage (for reference only)
(Data as of 11 Feb 2021)

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Top 5 H-Share “Tech Giants” (not in A50)



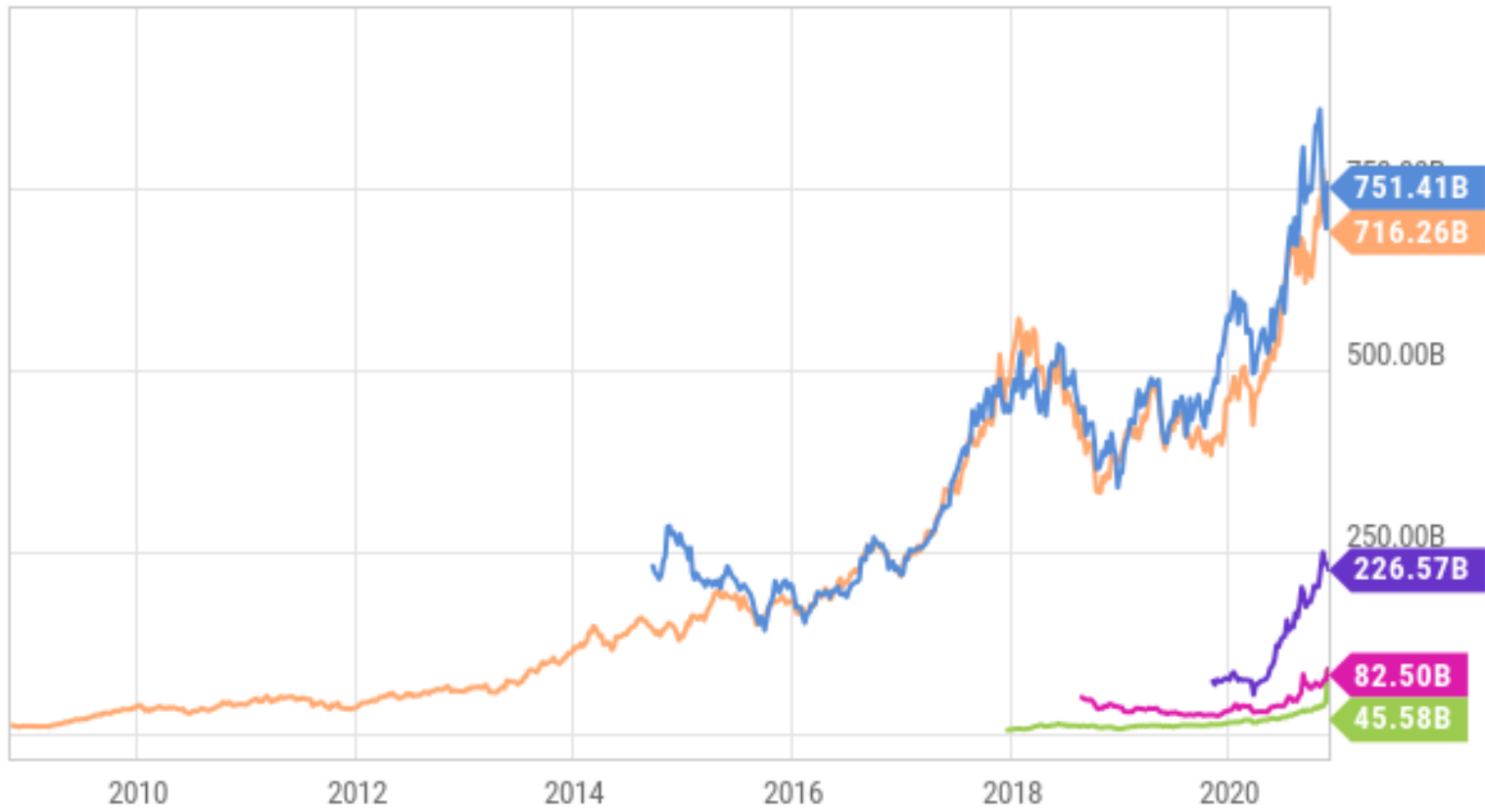
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Source: Companies’ Website

10% Meituan still smaller than 9% Tencent or 5% Ali

- Meituan Market Cap
- Tencent Holdings Ltd Market Cap
- Alibaba Group Holding Ltd Market Cap
- WuXi Biologics (Cayman) Inc Market Cap
- Xiaomi Corp Market Cap

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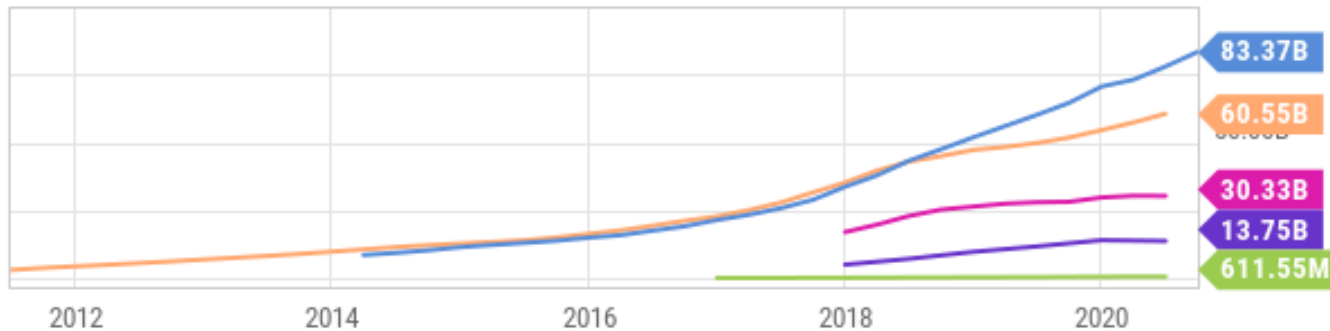


Nov 26 2020, 4:33AM EST. Powered by **YCHARTS**

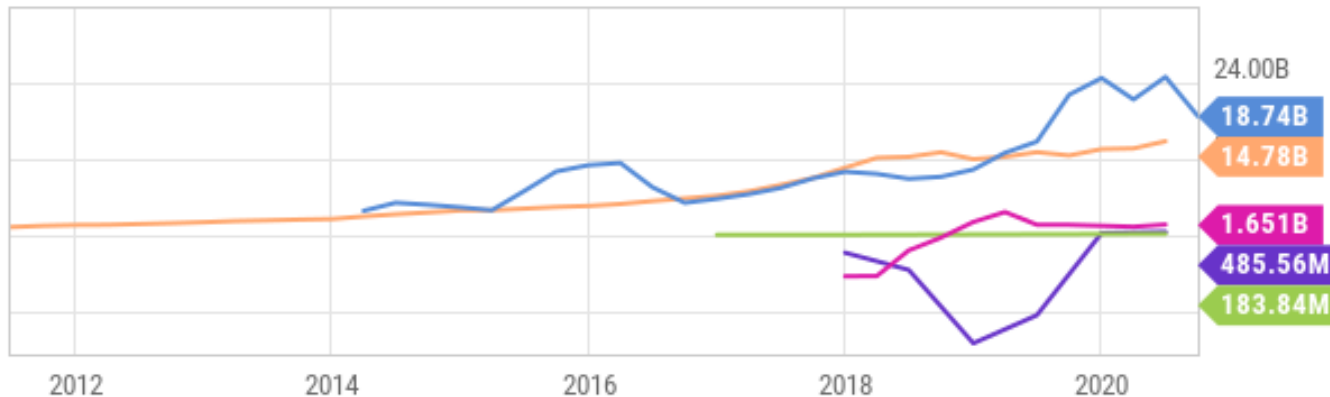
Revenue Growth vs Earnings (~ FCF, roughly)...

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- Meituan Revenue (TTM)
- Tencent Holdings Ltd Revenue (TTM)
- Alibaba Group Holding Ltd Revenue (TTM)
- WuXi Biologics (Cayman) Inc Revenue (TTM)
- Xiaomi Corp Revenue (TTM)



- Meituan Net Income (TTM)
- Tencent Holdings Ltd Net Income (TTM)
- Alibaba Group Holding Ltd Net Income (TTM)
- WuXi Biologics (Cayman) Inc Net Income (TTM)
- Xiaomi Corp Net Income (TTM)



Valuation multiples...

- Meituan Price to Book Value
- Tencent Holdings Ltd Price to Book Value
- Alibaba Group Holding Ltd Price to Book Value
- WuXi Biologics (Cayman) Inc Price to Book Value
- Xiaomi Corp Price to Book Value

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Date Range: 03/23/2011 - 03/23/2021



What A50 has that H50 lacks...



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Summary of H-Shares

- Tech giant P-Chips
- Red Chips like CNOOC and China Mobile
- Average 35% discount on H-Shares vs overlapping A-Shares¹
- 50% Overlap with the Hang Seng Index¹

¹ See Slide 22

Summary of A50

- Big liquor, and other domestic names
- More weight in financials and SOEs
- 38% overlap with the **names** in the H50 (another 7% of H50 names with A shares aren't in the A50)²

² See Slide 22

Trading Mechanics & Strategies

What & Why Options?

- Precise risk/return vs specific prices and timelines
- Manage risk, enhance yield, and/or enforce discipline
- “Simple contracts” like futures contracts

Why not options?

- Many feel options are “complicated” or “risky” (like automobiles)
- Behavioral temptations (very easy to lose huge amounts rapidly!)
- Expiring options require regular trading and maintenance, not “buy and hold”

Options on the Hang Seng Index vs on its ETF

DESCRIPTION	
Mini Hang Seng Index	
Security Type	OPT
Underlying	<u>MHI IND</u>
Contract Month	SEP21
Expiration Date	SEP 29 '21
Last Trading Date	SEP 29 '21 16:00 HKT
Strike	28000
Right	Call
Currency	HKD
Multiplier	10
Exchange	HKFE
Trading Class	MHI
Symbol	MHI28000I1
Product Type	Equity Index
Settlement Method	Cash
Exercise Style	European
Trading Hours: March 24, 2021 Calendar	
Regular Trading Session	09:15 HKT - 12:00 HKT 13:00 HKT - 16:30 HKT
Total Available Hours	<i>17:15 HKT - 03:00 HKT</i> 09:15 HKT - 12:00 HKT 13:00 HKT - 16:30 HKT
<i>Note: times in italics are on the calendar date preceding trade date</i>	

DESCRIPTION	
TRACKER FUND OF HONG KONG	
Security Type	OPT
Underlying	<u>2800 STK</u>
Contract Month	MAR21
Expiration Date	MAR 30 '21
Last Trading Date	MAR 30 '21 16:00 HKT
Strike	28
Right	Call
Currency	HKD
Multiplier	500
Exchange	SEHK
Trading Class	TRF
Symbol	TRF MAR21 28 C
Product Type	Equity
Settlement Method	Physical Delivery
Exercise Style	American
Trading Hours: March 24, 2021 Calendar	
Total Available Hours	09:30 HKT - 12:00 HKT 13:00 HKT - 16:00 HKT

H50 on SGX vs US-listed ETF...

DESCRIPTION	
Stock Description	
FTSE China H50	
Product	XINOI
Security Type	FOP
Underlying	<u>FCHM21 JUN 29 '21 FUT</u>
Contract Month	JUN21
Expiration Date	JUN 29 '21
Last Trading Date	JUN 29 '21 16:35 HKT
Strike	20000
Right	Put
Currency	USD
Multiplier	2
Exchange	SGX
Symbol	FCHM21_P20000
Trading Class	FCH
Product Type	Equity Index
Settlement Method	Cash
Exercise Style	European
Trading Hours: April 12, 2021 Calendar	
Total Available Hours 09:00 HKT - 16:35 HKT	

DESCRIPTION	
Stock Description	
ISHARES CHINA LARGE-CAP ETF	
Security Type	OPT
Underlying	<u>FXI STK</u>
Contract Month	AUG21
Expiration Date	AUG 20 '21
Last Trading Date	AUG 20 '21
Strike	50
Right	Call
Currency	USD
Multiplier	100
Exchange	SMART
Trading Class	FXI
Symbol	FXI 210820C00050000
Product Type	Equity
Settlement Method	Physical Delivery
Exercise Style	American
Trading Hours: March 24, 2021 Calendar	
Total Available Hours 09:30 EST - 16:00 EST (21:30 HKT - 04:00 HKT)	
Exchange Time Zone Eastern Standard Time	
<i>Note: times in italics are on the calendar date preceding trade date</i>	

... A-Share ETF options in HK vs the US

DESCRIPTION		File	Configure
Stock Description			
ISHARES FTSE CHINA A50 ETF			
Security Type	OPT		
Underlying	2823 STK		
Contract Month	SEP21		
Expiration Date	SEP 29 '21		
Last Trading Date	SEP 29 '21 16:00 HKT		
Strike	20		
Right	Call		
Currency	HKD		
Multiplier	5000		
Exchange	SEHK		
Trading Class	A50		
Symbol	A50 SEP21 20 C		
Product Type	Equity		
Settlement Method	Physical Delivery		
Exercise Style	American		
Trading Hours: March 24, 2021 Calendar			
Total Available Hours	09:30 HKT - 12:00 HKT 13:00 HKT - 16:00 HKT		

DESCRIPTION		File	Configure
Stock Description			
XTRACKERS HARVEST CSI 300 CH			
Security Type	OPT		
Underlying	ASHR STK		
Contract Month	JUL21		
Expiration Date	JUL 16 '21		
Last Trading Date	JUL 16 '21		
Strike	38		
Right	Put		
Currency	USD		
Multiplier	100		
Exchange	SMART		
Trading Class	ASHR		
Symbol	ASHR 210716P00038000		
Product Type	Equity		
Settlement Method	Physical Delivery		
Exercise Style	American		
Trading Hours: March 24, 2021 Calendar			
Total Available Hours	09:30 EST - 16:00 EST (21:30 HKT - 04:00 HKT)		
Exchange Time Zone	Eastern Standard Time		
<i>Note: times in italics are on the calendar date preceding trade date</i>			

Sample option chain screen

MHI INDEX Calls and Puts											C28497.00					
MAR 30 '21 6 DAYS		APR 29 '21 36 DAYS		JUN 29 '21 97 DAYS		SEP 29 '21 189 DAYS		MORE		TABBED VIEW	3.5 SD	HKFE	MHI 10			
CALLS						PUTS										
OPTN ...	VOLUME	BID	SIZE	BID x ASK	DELTA	IMPLD ...	ASK SI...	STRIKE	OPTN ...	VOLUME	BID	SIZE	BID x ASK	DELTA	IMPLD ...	ASK SI...
				x	0.757			25400	5	35	840 x 904			-0.243	22.1%	7
				x	0.743			25600		35	897 x 963			-0.257	21.9%	7
				x	0.728			25800	1	20	967 x 1012			-0.272	21.6%	20
4				x	0.712			26000	28	4	20	1032 x 1080		-0.288	21.4%	20
				x	0.696			26200	24	5	20	1103 x 1148		-0.304	21.2%	20
				x	0.679			26400	15	20	1176 x 1226			-0.321	21%	20
				x	0.662			26600	13	20	1251 x 1301			-0.338	20.9%	20
	2			x	0.644			26800	12	20	1333 x 1385			-0.356	20.8%	20
9				x	0.626			27000	9	2	27	1422 x 1473		-0.374	20.6%	20
				x	0.607			27200	4	20	1520 x 1572			-0.393	20.5%	20
		20		1484 x 1547	0.588	19.7%	20	27400	11	7	1614 x 1688			-0.412	20.6%	7
6	1	20		1386 x 1450	0.569	19.6%	20	27600	7	7	1717 x 1791			-0.431	20.5%	7
6	4	20		1298 x 1353	0.549	19.6%	20	27800	14		x 1900			-0.451	20.3%	1
9		20		1210 x 1265	0.528	19.5%	20	28000	12		x			-0.472		
7		20		1131 x 1182	0.508	19.5%	20	28200	9	2	x			-0.492		
8		20		1055 x 1095	0.488	19.4%	20	28400	8		x			-0.512		
6		20		983 x 1009	0.467	19.2%	20	28600	3		x			-0.533		
15		20		911 x 959	0.448	19.4%	20	28800	2		x			-0.552		
8		7		839 x 911	0.428	19.5%	35	29000	3		x			-0.572		
11		7		782 x 849	0.409	19.4%	35	29200	5		x			-0.591		
6		7		724 x 790	0.391	19.5%	35	29400	30		x			-0.609		
3		7		673 x 736	0.372	19.5%	35	29600	2		x			-0.628		
12		7		625 x 685	0.355	19.5%	35	29800			x			-0.645		
4		7		582 x 639	0.336	19.5%	7	30000	8		x			-0.664		
8		7		539 x 592	0.320	19.6%	7	30200			x			-0.680		
9		7		501 x 550	0.304	19.5%	7	30400	1		x			-0.696		
2		7		464 x 510	0.288	19.6%	7	30600	1		x			-0.712		
6		35		419 x 479	0.273	19.6%	35	30800			x			-0.727		
7		35		387 x 445	0.257	19.6%	35	31000	3		x			-0.743		
6		35		357 x 414	0.244	19.6%	35	31200			x			-0.756		
1		35		329 x 384	0.230	19.6%	35	31400			x			-0.770		
1		25		293 x 357	0.217	19.7%	25	31600			x			-0.783		

Sample Sell Index Call Option Order

Order Confirmation

Mini Hang Seng Index

Financial Instrument

Bid

Ask

Last

MHI Sep29'21 30000 CALL @HKFE

576

633

c762

Order Description

SELL 1

Order Type LMT

Routing HKFE

Time in Force DAY

Limit Price 660

Clearing IB

Amount

Balances (in HKD)

Amount 6,600 HKD

Current Change Post-trade*

Commission (est.) 10.60 HKD

Equity with Loan 2,131,823 -11 2,131,812

Total 6,589.40 HKD

Initial Margin 565,743 19,994 585,737

Performance Profile

Maintenance Margin 485,169 15,002 500,172

Position 0 -1 -1

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

Don't display this message again.

Transmit

Cancel

DATA POWERED BY 

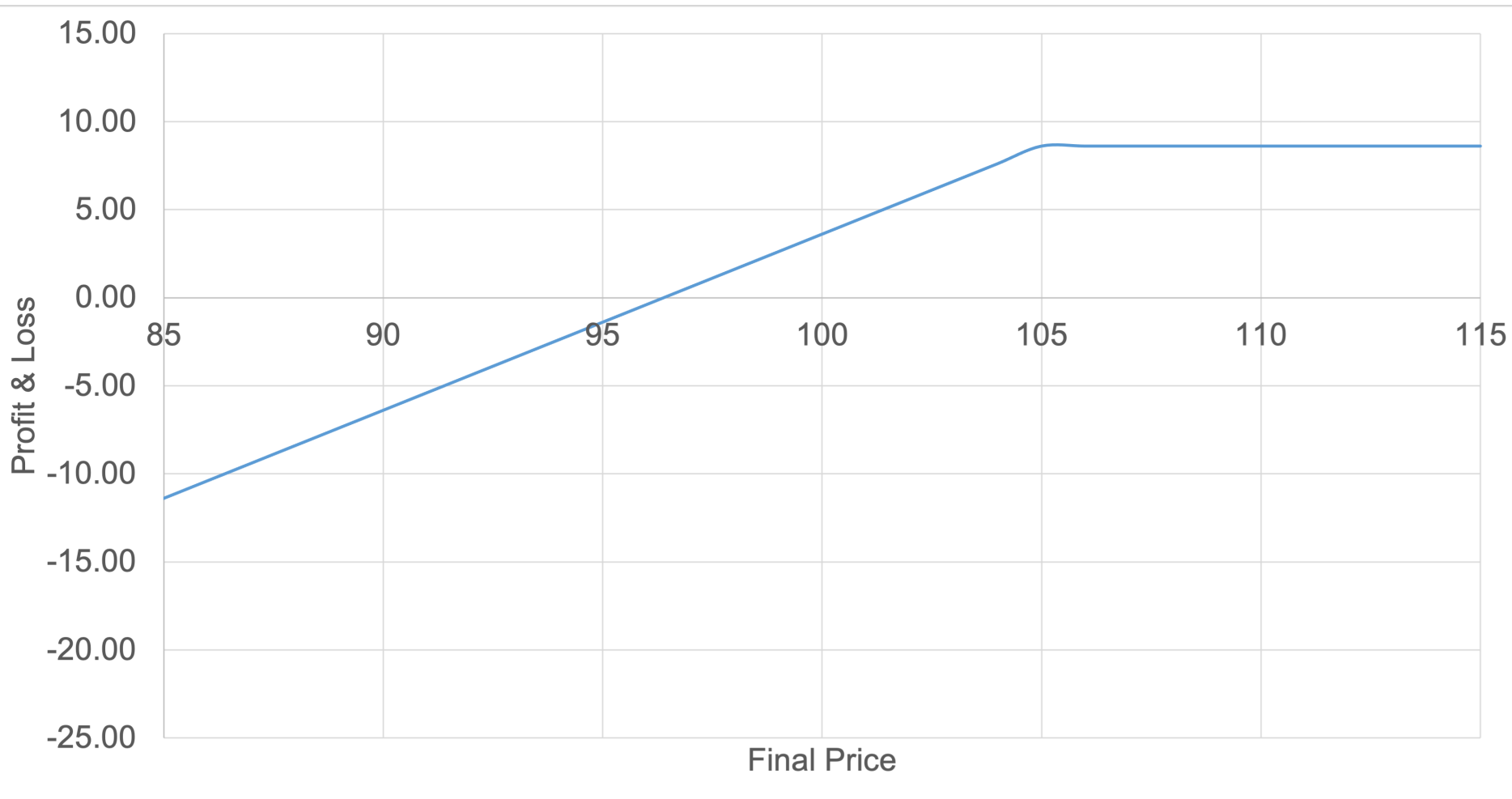


Source: Interactive Brokers

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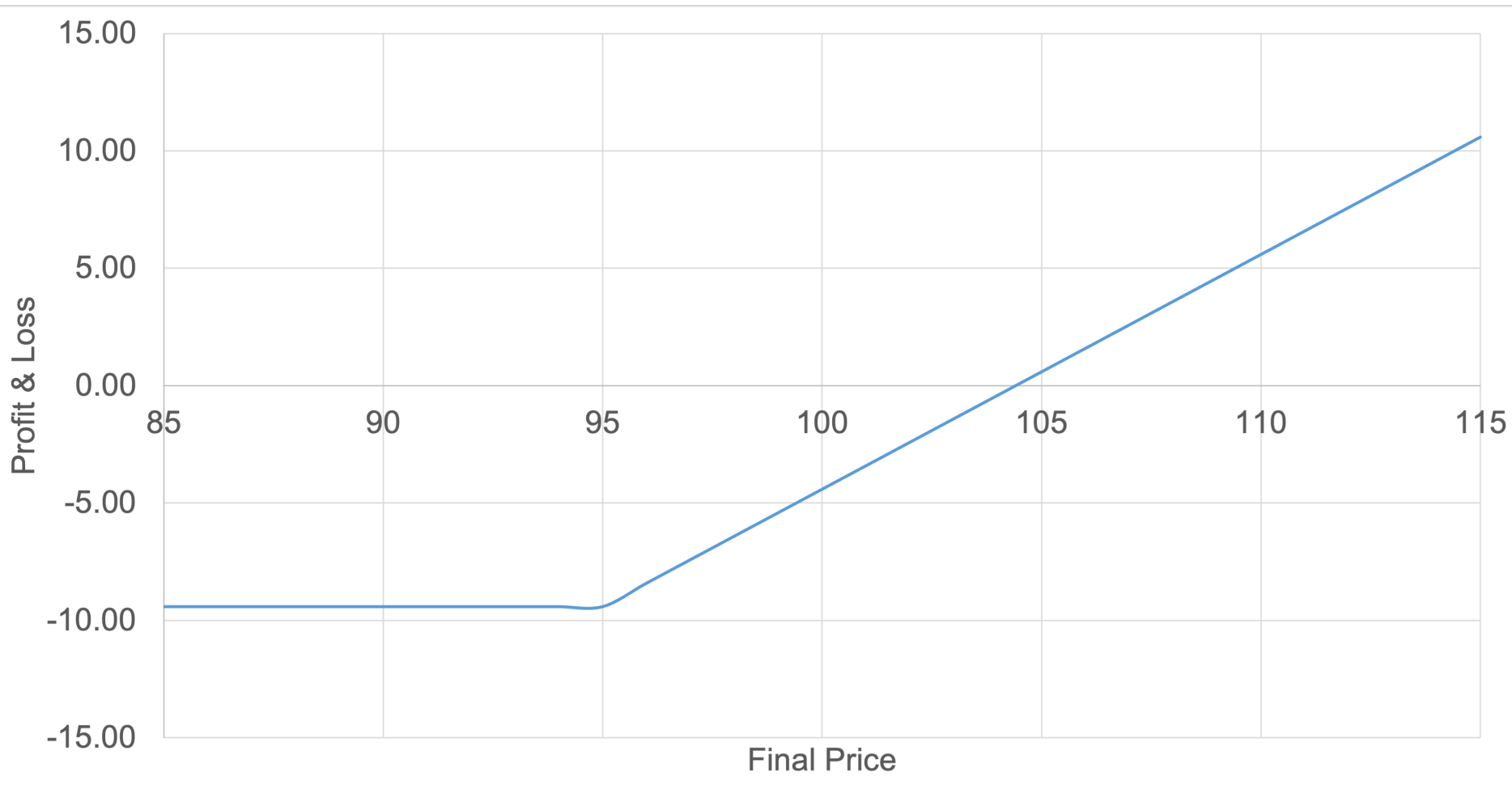
Strategy #1: Covered Call

(Similar to cash-secured put write)



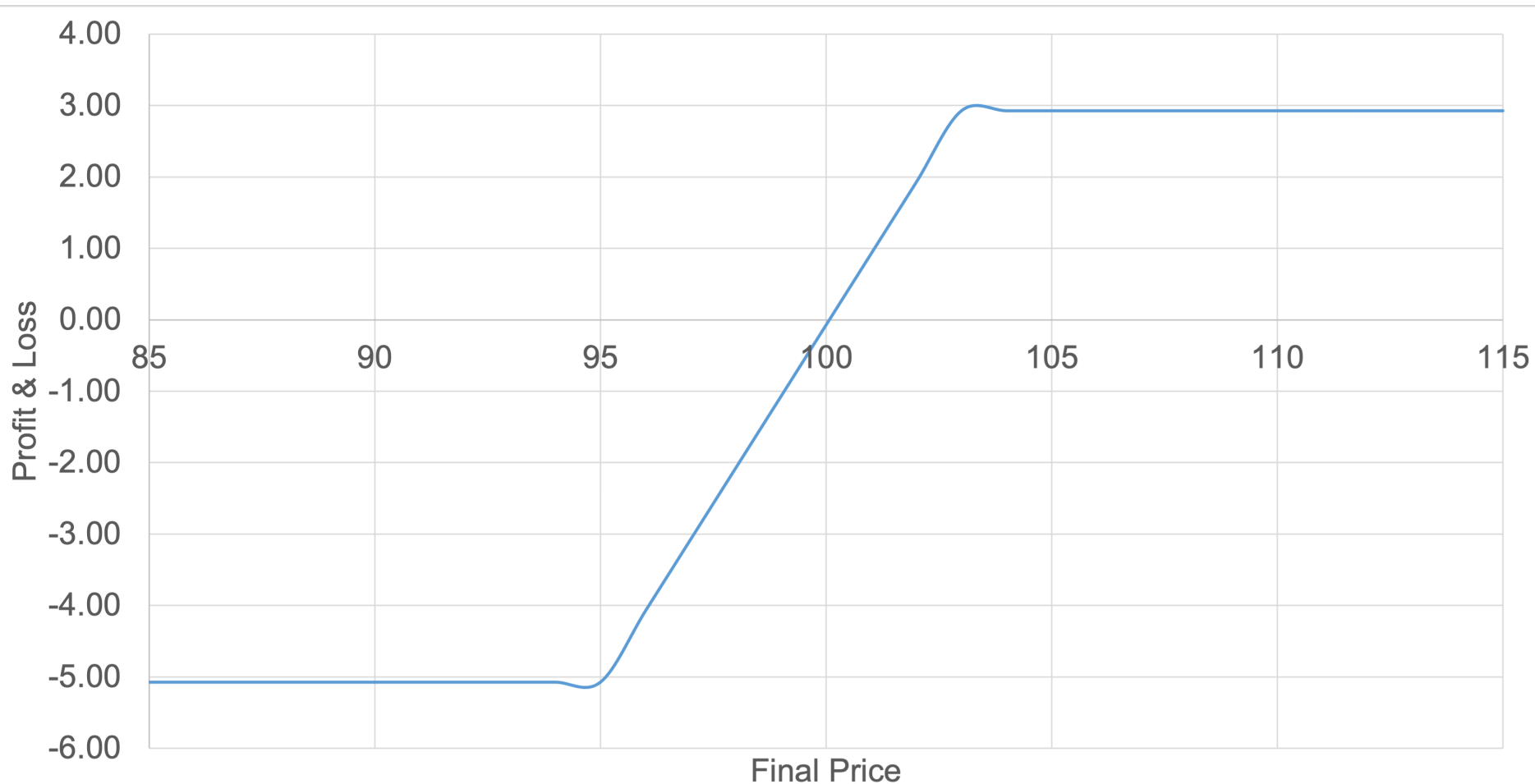
Strategy #2: Protective Put

(Similar to buying a call outright)

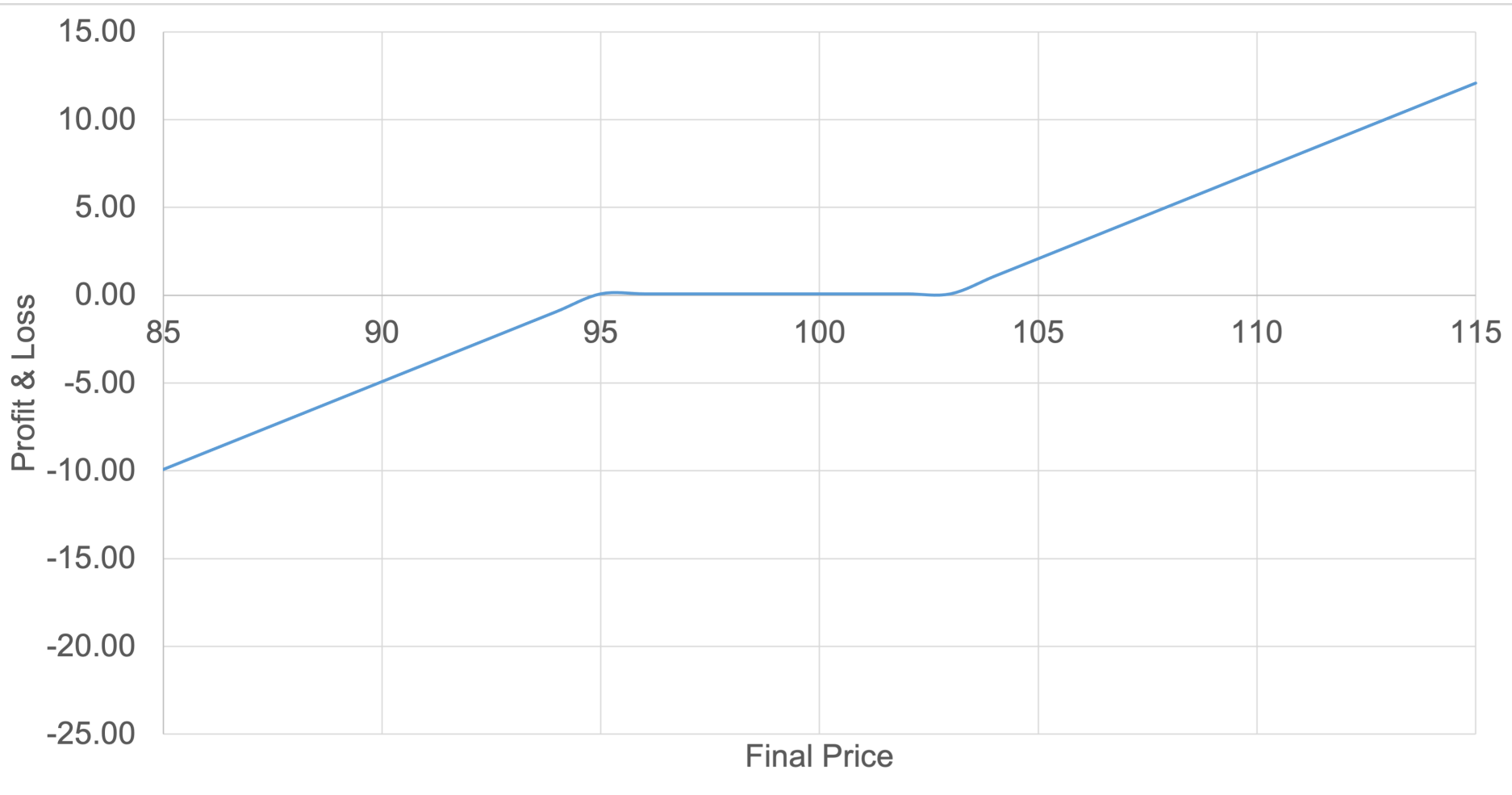


Strategy #3: Collared Long

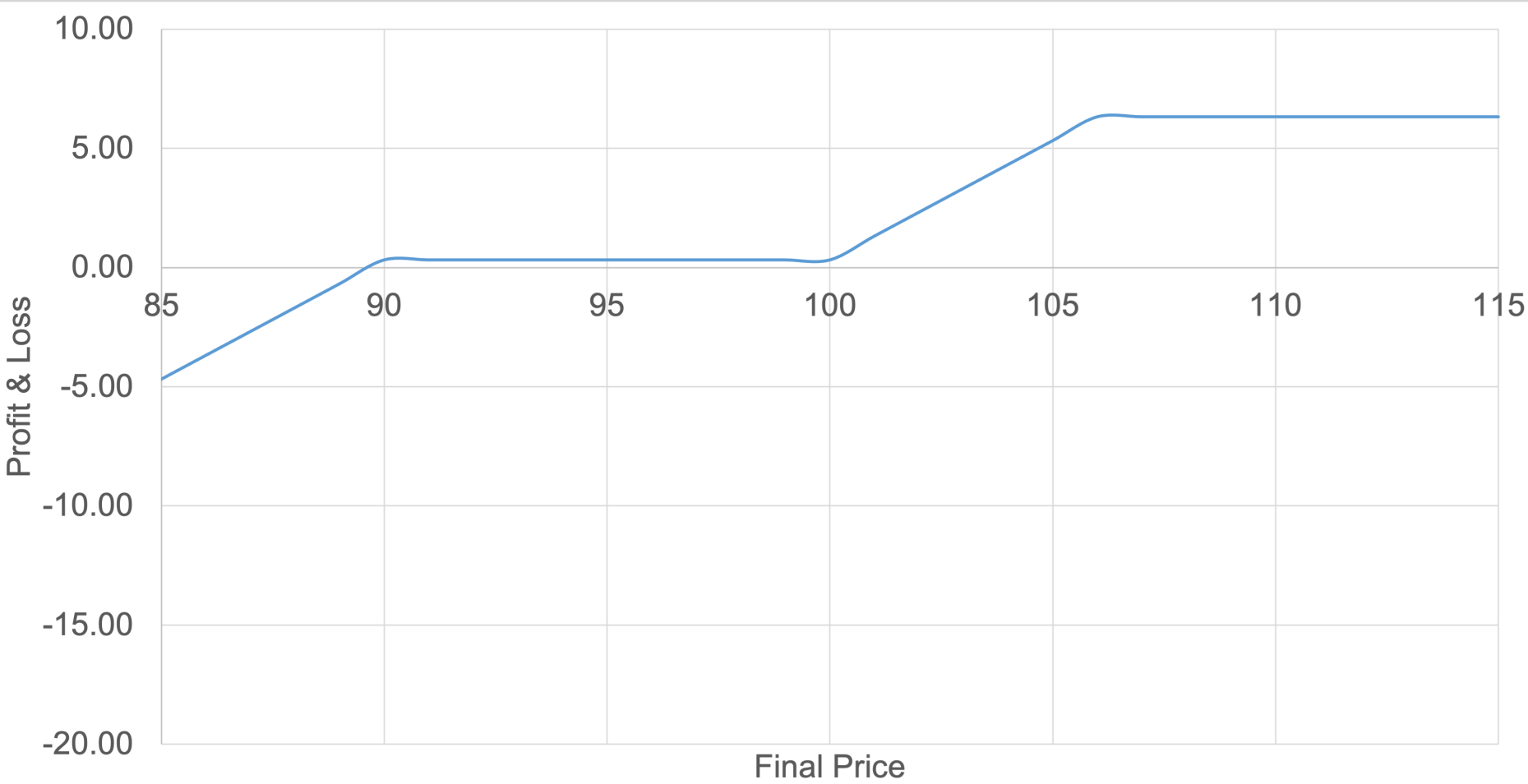
(Similar to buying a vertical call spread or selling a vertical put spread)



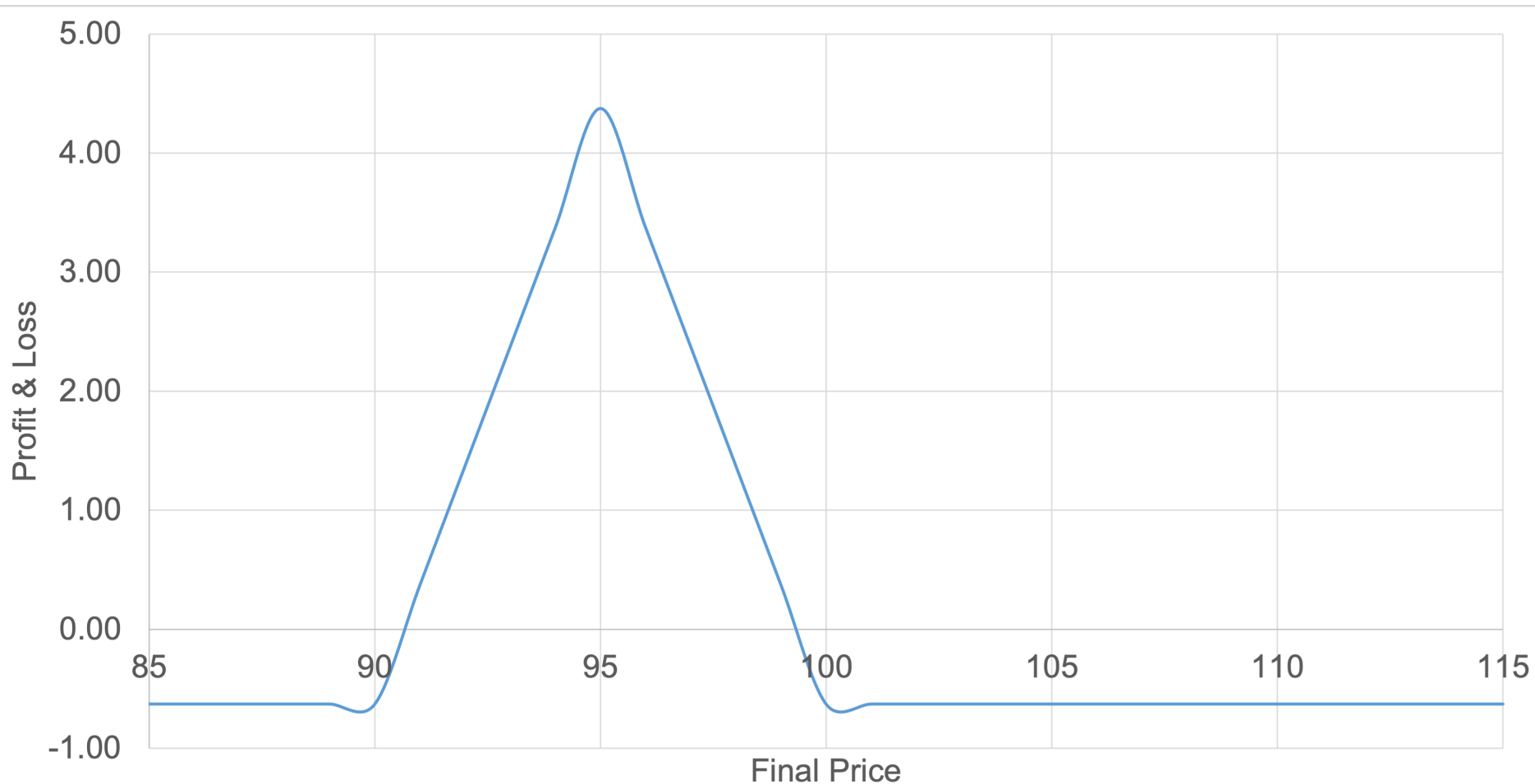
Strategy #4: "Risk Reversal"



Strategy #5: Buffer (featured in “defined outcome” ETFs)



Strategy #6: “Backspread” (sample 6x payoff)



IBKR has a powerful "Strategy Builder"

MHI INDEX Calls and Puts
C28497.00

MAR 30 '21
6 DAYS
APR 29 '21
36 DAYS
JUN 29 '21
97 DAYS
SEP 29 '21
189 DAYS
MORE ▾

TABBED VIEW ▾
3.5 SD ▾
HKFE ▾
MHI ▾
10

CALLS						PUTS								
OPTN ...	VOLUME	BID	SIZE	BID x ASK	DELTA IMPLD ... ASK SI...	STRIKE	OPTN ...	VOLUME	BID	SIZE	BID x ASK	DELTA IMPLD ... ASK SI...		
				x	0.743	25600		35	904 x 967		-0.257	21.9%	7	
				x	0.728	25800	1	20	980 x 1018		-0.272	21.6%	20	
4				x	0.712	26000	28	4	1045 x 1084		-0.288	21.4%	20	
				x	0.696	26200	24	5	1114 x 1153		-0.304	21.2%	20	
				x	0.679	26400	15	20	1189 x 1228		-0.321	21%	20	
				x	0.662	26600	13	20	1266 x 1307		-0.338	20.9%	20	
	2			x	0.644	26800	12	20	1349 x 1392		-0.356	20.8%	20	
9				x	0.625	27000	9	2	1435 x 1480		-0.375	20.6%	20	
				x	0.607	27200	4	20	1526 x 1573		-0.393	20.5%	20	
	20	1478 x 1530		0.588	19.7%	20	27400	11	7	1622 x 1696		-0.412	20.5%	7
6	1	20	1383 x 1433	0.569	19.7%	20	27600	7	7	1725 x 1799		-0.431	20.4%	7
6	6	20	1293 x 1340	0.549	19.5%	20	27800	14		x		-0.451	20.3%	
9		20	1207 x 1252	0.528	19.5%	20	28000	12		x		-0.472		
7		20	1126 x 1169	0.508	19.5%	20	28200	9	2		x	-0.492		
8		20	1051 x 1092	0.488	19.4%	20	28400	8		x		-0.512		
6		20	979 x 1009	0.467	19.2%	20	28600	3		x		-0.533		
15		20	911 x 950	0.448	19.4%	20	28800	2		x		-0.552		
8		7	839 x 908	0.428	19.5%	35	29000	3		x		-0.572		

Strategy Builder Strategies ▾

ACTN	RT	LST TRD DAY	STRIKE	TYPE	DELTA	THETA	BID/ASK	SIZE	PAYOFF
× Leg 1	Sell	1 SEP 29 '21	29800	Call	0.354	-3.879	622 x 683	7x7	
× Leg 2	Buy	1 SEP 29 '21	27600	Put	-0.431	-4.148	1725 x 1799	7x7	
× Leg 3	Sell	1 SEP 29 '21	26000	Put	-0.288	-3.859	1045 x 1084	20x20	
Total					-0.498	3.591	-42 x 132	7x7	

Clear All Legs
+ PROFILE
+ Add to Watchlists

-42 132

BID MID ASK

Order Entry

LMT QTY 1 LMT ... 0.00 DAY advanced +

Margin Impact: 26,995 HKD

Submit Order



Cross-Index Spreads

- For example, sell put on H50, buy put on A50
- Can offer far more precise risk/reward spread trades than outright futures or ETFs
- Nearly limitless combinations
- Easier between “less different” options (e.g. FX, hours, index vs physical).

Risks

- Being wrong
- Pushing margin limits
- HKD vs USD basis
- H50 futures liquidity may take time to develop (which is why I’m not yet sampling a momentum strategy)



GLOBAL FINANCIAL MARKETS
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Questions?



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Alternative “Official” Data

- Reports of listed Chinese companies
 - Usual red flag checks
- Reports of trading partners
- Reports of foreign companies doing business in China
 - Apple, Starbucks, etc.

Even More Alternative Data

- “On the ground” surveys
 - In person
 - Phone/WeChat network
- Overseas purchases by Chinese (e.g. Vancouver apartments)
- Satellite images

A-shares

Originally limited to
Mainland investors

Open to QFIIs in 2002

Open via Stock Connect
programs in 2014 (SH)
and 2016 (SZ)

See slide 20 premium
chart

H-shares, Red Chips and
P-Chips

China's own
“international offshore”
market

Open to Mainland via
QDII, then Stock
Connect

US ADRs also get much
attention