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Bursa Malaysia

An Introduction to Bursa Malaysia Derivatives and the Malaysian Derivatives Market

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AN INTRODUCTION TO BURSA MALAYSIA DERIVATIVES & THE MALAYSIAN DERIVATIVES MARKET

Alif Nurhaziq Abd Rahman
Investor Management
Bursa Malaysia Derivatives Berhad

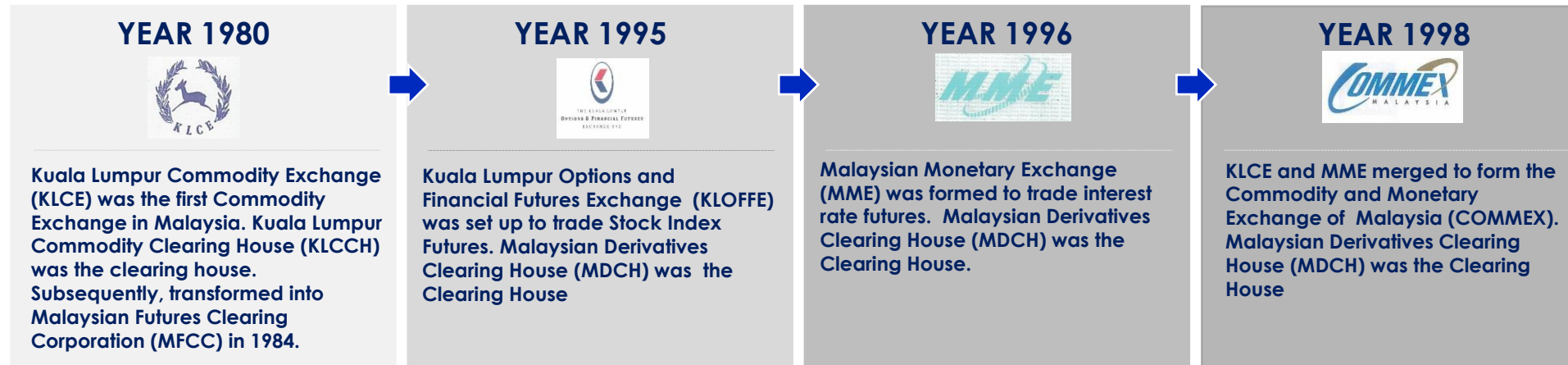
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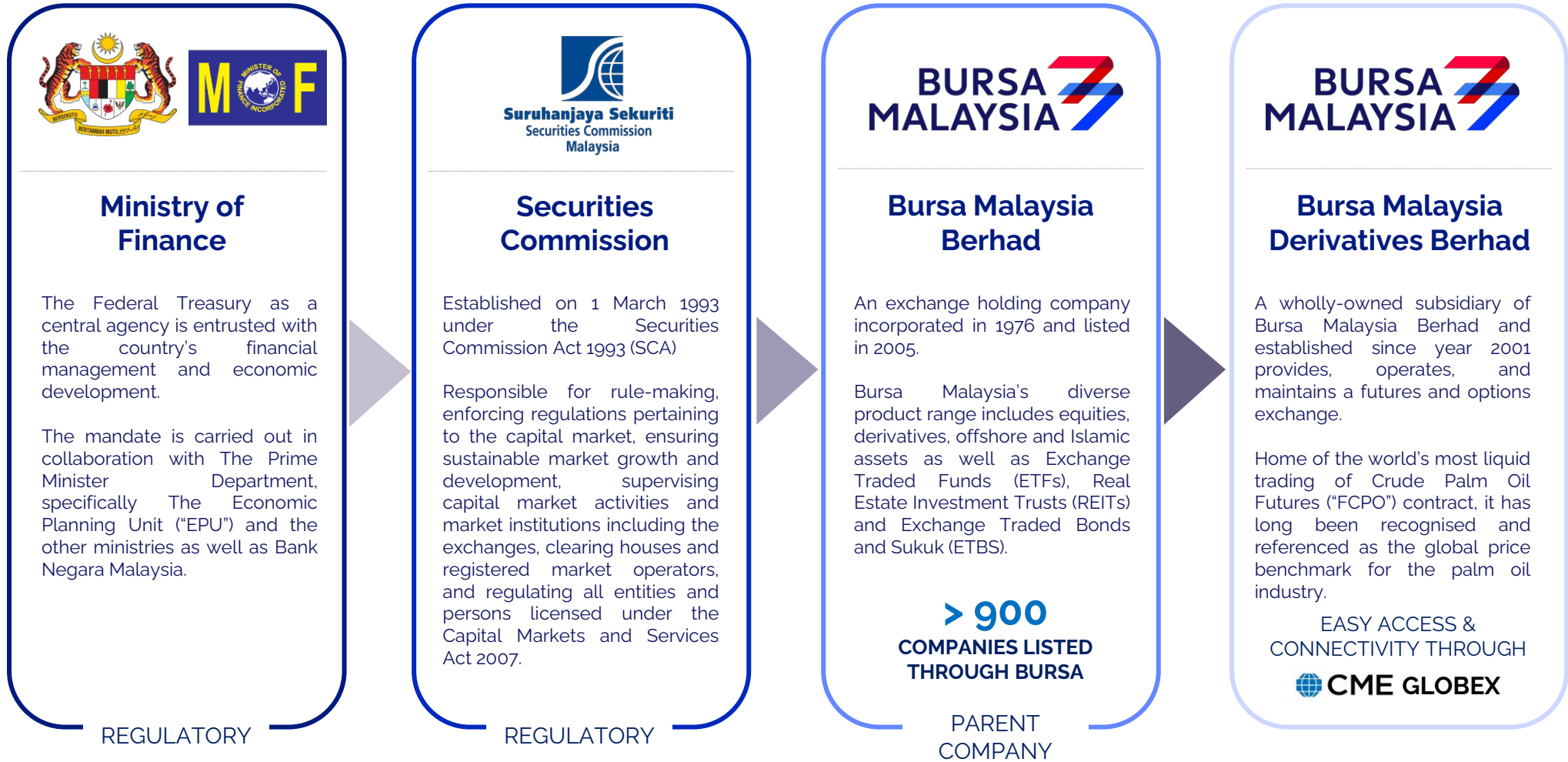
#BMD02003#



Changing Landscape of Malaysian Derivatives Exchange



Governance Structure



Recognition & Achievements

ACHIEVEMENTS

2021

- Founding member of United Nations for Sustainable Stock Exchange Derivatives Network

2022

- BMD officially approved as a member of Roundtable Sustainable Palm Oil
- The Asia Capital Markets Awards 2022 by Futures & Options World (“FOW”)
 - Exchange of The Year – Commodities
 - Exchange of The Year – Sustainability

2023

- The Asia Capital Markets Awards 2023 by Futures & Options World (“FOW”)
 - Exchange of The Year – Commodities
 - Exchange of The Year – Sustainability

OVERSEAS REGISTRATION & RECOGNITIONS

- Registered under the Commodity Futures Trading Commission USA
- Bursa Malaysia Derivatives Clearing recognised as a Third Country Central Counterparty by the European Securities and Markets Authority and Bank of England

The Global Price Benchmark For Crude Palm Oil



Crude Palm Oil ("CPO") Futures

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97% of global trades
Most liquid CPO futures contract

Four countries offer six similar products: India, Indonesia, Malaysia and the United States of America. Bursa Malaysia holds 97% of futures trades in the world, making FCPO the most liquid futures contract for crude palm oil trading

Annual Notional Trading Volume (MT)

350mil - 400mil

3 to 5 times leverage on global production

1st ESG

Exchange in the World to Mandate Sustainable Certification Requirement

Physical delivered commodity derivatives contract with sustainable requirements are mandated for delivery to foster sustainable development



The Equity Market Composite Index For Malaysia



FTSE Bursa Malaysia ("FBM") KLCI Futures

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72% of FKLI trades are by Foreign Institutions

FKLI allows investors to gain exposure to Malaysia by facilitating their portfolio and risk management strategies, especially essential for foreign institutions as Malaysia is a key emerging ASEAN market.

Daily Notional Trading Value **Up to ≈ RM7.6bil**

Up to 6 times leverage on FTSE Bursa Malaysia KLCI

1st MALAYSIAN INDEX FUTURES LAUNCHED IN DECEMBER 1995

TRADING VOLUME

CAGR **> 14%**
Annual Volume **> 3 million**

Overview of Malaysian Derivatives Market

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NEW HIGH SINGLE DAY TRADING VOLUME

NEW 178,380, 29 MAY 2024

LAST 161,236, 17 MAR 2020

New high for consolidated daily open interest **366,962** on 26 March 2024

346,403 26 FEB 2020

✓ 350,187 13 MAR 2024

✓✓ 360,132 14 MAR 2024

✓✓✓ 366,720 25 MAR 2024

✓✓✓✓ 366,962 26 MAR 2024



Save the Date
POC2025
24 - 26 February 2025

GLOBAL'S MOST SUCCESSFUL PALM OIL CONFERENCE YEAR 2024

≈ **1,900** REGISTERED PARTICIPANTS

>**50** COUNTRY

<p>YTD MAY YEAR 2024</p> <p>8.7mil</p> <p>TRADING VOLUME</p>	<p>YEAR 2023</p> <p>17.8mil</p> <p>TRADING VOLUME</p>
<p>85.9k</p> <p>AVERAGE DAILY VOLUME</p>	<p>72.9k</p> <p>AVERAGE DAILY VOLUME</p>

NEW PRODUCT

F S O Y

BURSA MALAYSIA DCE SOYBEAN OIL FUTURES

FSOY has been successfully **launched** on **18 March 2024** marking a significant milestone for derivatives market in its journey to become a **regional edible oil hub**, aimed at enhancing trading efficiency.

TRADING ACHIEVEMENT

F C P O

CRUDE PALM OIL FUTURES

New milestones have been recorded for FCPO whereby new high for **open position** recorded at **299,190** on **14 March 2024** followed by new high record for **single-day trading volume** at **141,691** on **3 April 2024**.

F K L I

FTSE BURSA MALAYSIA KLCI FUTURES

New single day high **trading volume** registered at **95,240** on **26 April 2024** arising from vibrant movement of KLCI for the month of April with the previous new high record of 73,056 recorded on 27 October 2023.

F 4 G M

FTSE4GOOD BURSA MALAYSIA INDEX FUTURES

Following its launch in December 2022, F4GM has achieved new high **trading volume** of **165** on **31 May 2024** as well as **open position** of close to **324** on **24 May 2024** representing an increase of 4 times ADC as compared to prior years.

F C N H

MINI USD/CNH FUTURES

Following its launch in December 2023, FCNH has achieved new high **trading volume** of **420** on **19 February 2024** as well as open position of close to 500 contracts signifying a good start of trading momentum.


BMD Product Offerings

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<div data-bbox="191 207 369 421"> </div> <h2 data-bbox="382 292 764 371">COMMODITY AGRICULTURE & METAL</h2> <div data-bbox="152 435 331 549"> <p>FCPO CME</p> <p>Crude Palm Oil Futures</p> </div> <div data-bbox="382 435 573 549"> <p>OCPO CME</p> <p>Option on Crude Palm Oil Futures</p> </div> <div data-bbox="611 435 789 549"> <p>FEPO CME</p> <p>East Malaysia Crude Palm Oil Futures</p> </div> <div data-bbox="828 435 1006 549"> <p>FUPO CME</p> <p>USD Crude Palm Oil Futures</p> </div> <div data-bbox="152 678 343 792"> <p>FPKO CME</p> <p>Crude Palm Kernel Oil Futures</p> </div> <div data-bbox="382 678 573 792"> <p>FPOL CME</p> <p>USD RBD Palm Olein Futures</p> </div> <div data-bbox="611 678 789 792"> <p>OPOL CME</p> <p>USD RBD Palm Olein Options</p> </div> <div data-bbox="828 628 1057 792"> <p>NEW LAUNCH</p> <p>FSOY CME</p> <p>Bursa DCE Soybean Oil Futures</p> </div> <div data-bbox="152 913 331 1028"> <p>FGLD CME</p> <p>Gold Futures</p> </div> <div data-bbox="382 913 560 1028"> <p>FTIN CME</p> <p>Tin Futures</p> </div>	<div data-bbox="1172 214 1375 371"> <p>EQUITIES</p> </div> <div data-bbox="1477 278 1681 378"> <p>FKLI CME</p> <p>FTSE Bursa Malaysia KLCI Futures</p> </div> <div data-bbox="1732 278 1974 378"> <p>OKLI CME</p> <p>FTSE Bursa Malaysia KLCI Options</p> </div> <div data-bbox="2000 278 2254 378"> <p>F4GM CME</p> <p>FTSE4Good Bursa Malaysia Index Futures</p> </div> <div data-bbox="2267 278 2471 378"> <p>FM70 CME</p> <p>Mini FTSE Bursa Malaysia Mid 70 Index Futures</p> </div>
<div data-bbox="1172 556 1375 714"> <p>FIXED INCOME</p> </div> <div data-bbox="1477 564 1719 664"> <p>FKB3 SFTS</p> <p>3 Month Kuala Lumpur Interbank Offered Rate (KLIBOR) Futures</p> </div> <div data-bbox="1732 564 1961 664"> <p>FMG3 SFTS</p> <p>3-Year Malaysian Government Securities Futures</p> </div> <div data-bbox="2000 564 2229 664"> <p>FMG5 SFTS</p> <p>5-Year Malaysian Government Securities Futures</p> </div> <div data-bbox="2267 564 2497 664"> <p>FMGA SFTS</p> <p>10-Year Malaysian Government Securities Futures</p> </div>	
<div data-bbox="1172 856 1375 1013"> <p>CURRENCIES</p> </div> <div data-bbox="1465 856 1707 1092"> <p>NEW LAUNCH</p> <p>FCNH CME</p> <p>Mini USD/CNH Futures</p> </div>	



Crude Palm Oil Futures (“FCPO”)



FCPO

CRUDE PALM OIL FUTURES

Global price benchmark and reference point for market players for CPO since year 1980

MYR **25MT**

MYR DENOMINATED CONTRACT **CONTRACT SIZE**

15th of the month **PHYSICAL SETTLEMENT**

MATURITY DATE

CONTRACT SPECIFICATIONS

1	Underlying Asset	Crude Palm Oil
2	Settlement Method	Physical Delivery
3	Contract Size	25 Metric Tons (MT)
4	Minimum Price Fluctuation	MYR1.0/MT
5	Contract Months	Spot month and the next 11 succeeding months, and thereafter, alternate months up to 36 months ahead
6	Trading Hours	1030 – 1230 1430 – 1800 2100 – 2330
7	Final Trading Day	15th calendar day of the spot (delivery) month
8	Tender Period	1st Calendar Day to the 20th Calendar Day of the delivery month.
9	Speculative Position Limits	<ul style="list-style-type: none"> • The maximum number of net long or net short positions which a client or a participant may hold or control is: • 1,500 contracts for the spot month • 20,000 contracts for any one contract month except for spot month • 30,000 contracts for all months combined
10	Delivery Points	Port Butterworth, Port Klang & Port Pasir Gudang

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Crude Palm Oil Futures (“FCPO”)

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FCPO GLOBAL BENCHMARK PRICE

8mil
YEAR 2013
ADC 32,000



15mil
YEAR 2023
ADC 61,000



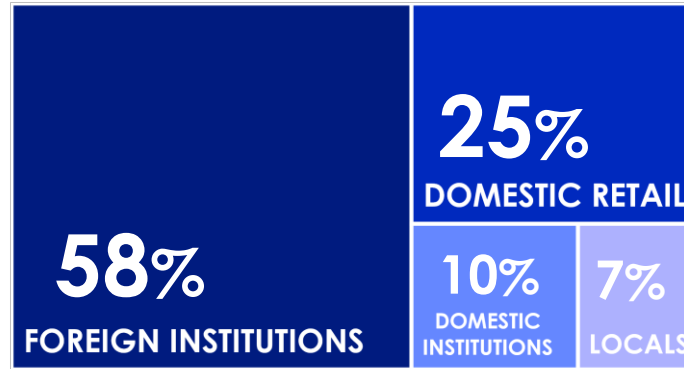
4mil
Q1 2024
ADC 69,000



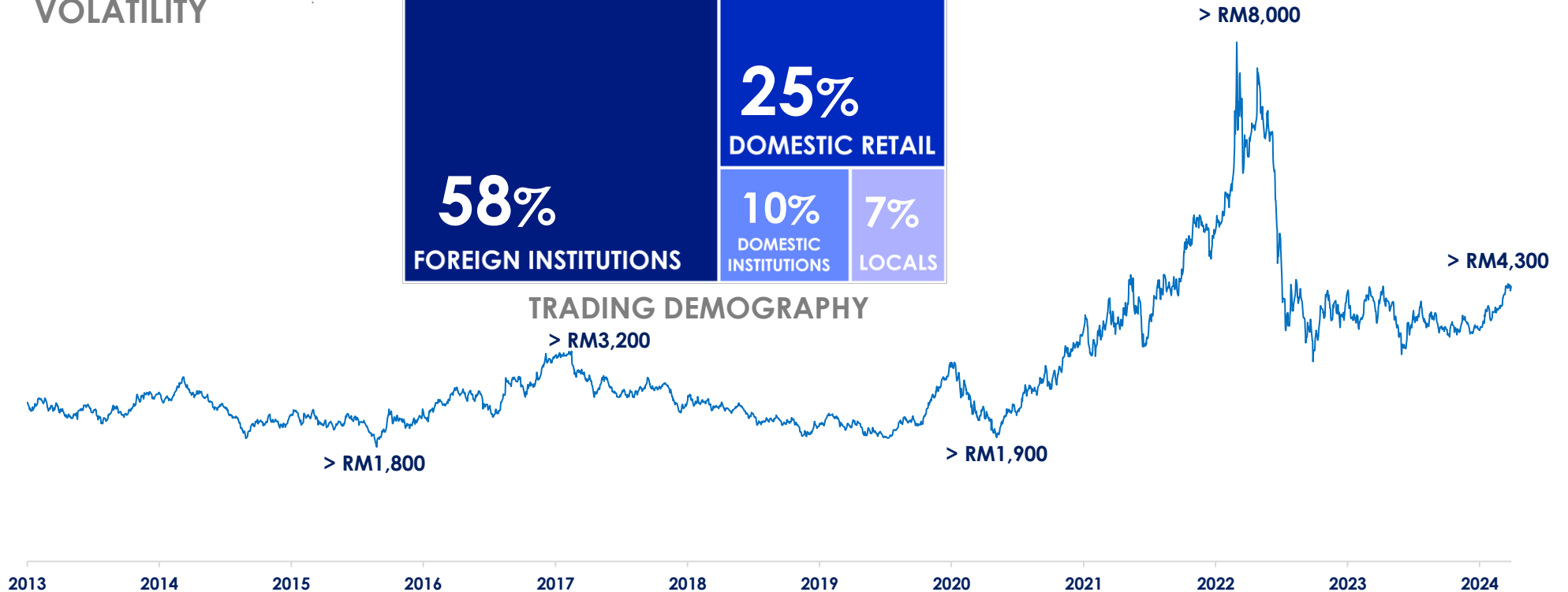
100%
GROWTH RATE
2013 – Q1 2024

17% — 50%
VOLATILITY

FCPO PRICE TREND YEAR 2013 – MAR 2024



TRADING DEMOGRAPHY



FTSE Bursa Malaysia KLCI Futures (“FKLI”)

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FKLI

FTSE BURSA MALAYSIA KLCI FUTURES
 Exposure to underlying FBM KLCI constituents and index barometer to reflect equity market

MYR

MYR DENOMINATED CONTRACT

FBM KLCI

X 50 MYR
CONTRACT SIZE

MONTHLY

MATURITY DATE



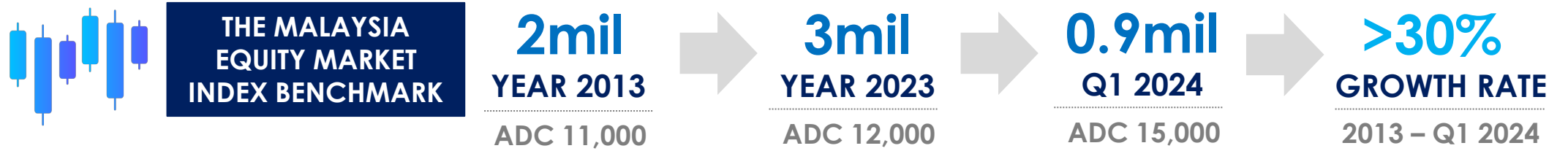
CASH SETTLEMENT

PRODUCT SPECIFICATION

1	Underlying Asset	FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI)
2	Contract Size	FBM KLCI multiplied by RM50
3	Minimum Price Fluctuation	0.5 index point valued at RM25
4	Daily Price Limits	20% per trading session for the respective contract months except the spot month contract. There shall be no price limits for the spot month contract. There will be no price limit for the second month contract for the final five Business Days before expiration
5	Contract Months	Spot month, the next month and the next two calendar quarterly months. The calendar quarterly months are March, June, September and December
6	Trading Hours	0845 – 1245 1430 – 1715 2100 – 0230 (T+1)
7	Final Trading Day & Settlement	The last Business Day of the contract month. Cash settlement based on the Final Settlement Value
8	Speculative Position Limit	Maximum number of net long or net short positions to be held: 10,000 contracts for all months combined

FTSE Bursa Malaysia KLCI Futures (“FKLI”)

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6% — 27%
VOLATILITY

FBM KLCI PRICE TREND YEAR 2013 – MAR 2024



TRADING DEMOGRAPHY

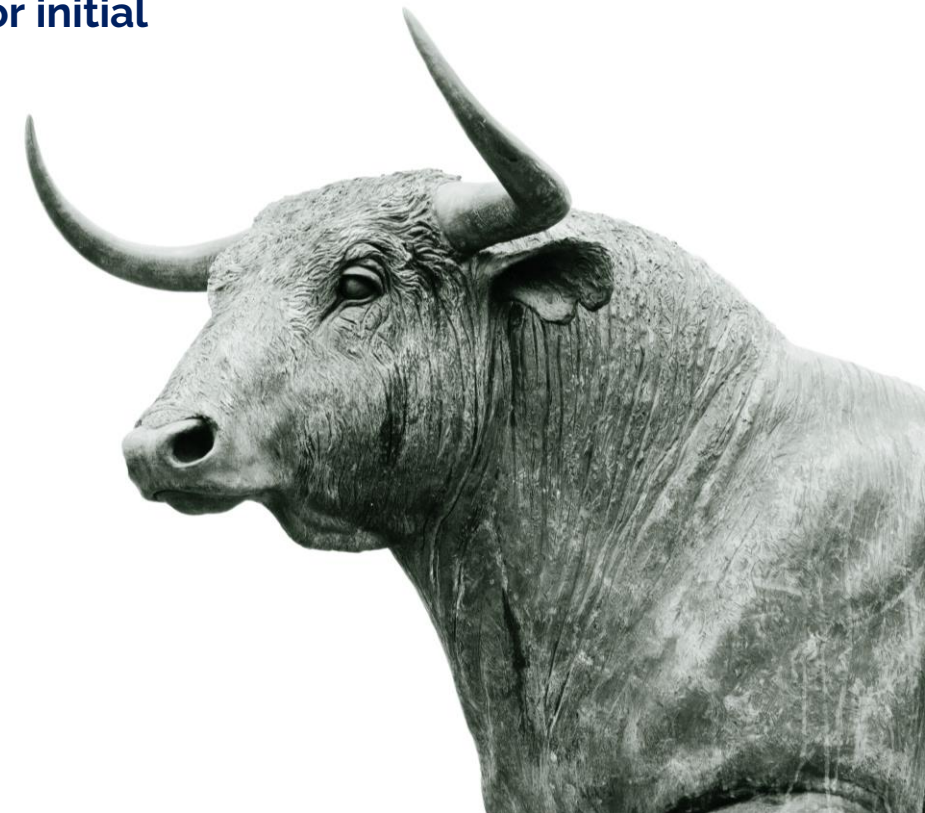


Facilitating Offshore Market Participants

OFFSHORE TRADERS

- ▶ **ALLOWED** to repatriate funds – No entry and exit levy.
- ▶ **ALLOWED** to maintain foreign currency or Ringgit accounts with licensed onshore Malaysian banks.
- ▶ Can lodge the following **APPROVED CURRENCIES** as collateral for initial margin with the Clearing House:

MYR RINGGIT MALAYSIA	USD UNITED STATES DOLLAR	EUR EURO
AUD AUSTRALIAN DOLLAR	JP¥ JAPANESE YEN	SGD SINGAPORE DOLLAR
CNY CHINESE YUAN	GBP POUND STERLING	HKD HONG KONG DOLLAR



Thank You

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As with all investments, your capital is at risk

Overview on BMD FKLI & FCPO

CGS International Futures Malaysia Sdn. Bhd.

Tee Guy Shaun

14th August 2024

CGSI.COM

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Speakers profile

Tee Guy Shaun



Dealing with corporate and institutional clients



Senior dealer in derivatives with 9 years experience



Keen on commodity correlations, research, and analysis

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01 Malaysian Economy Overview

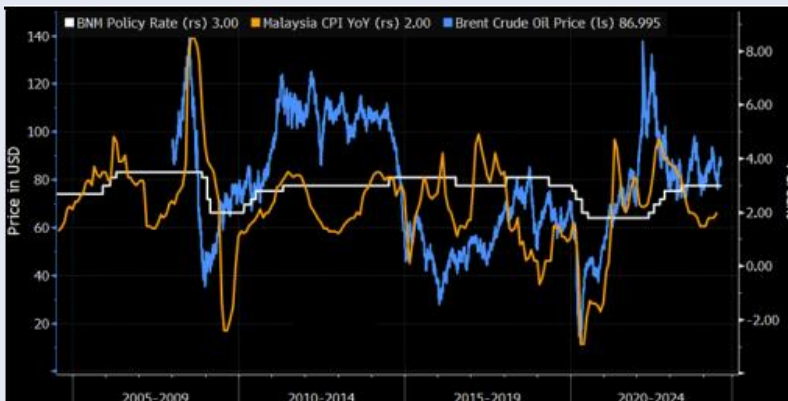
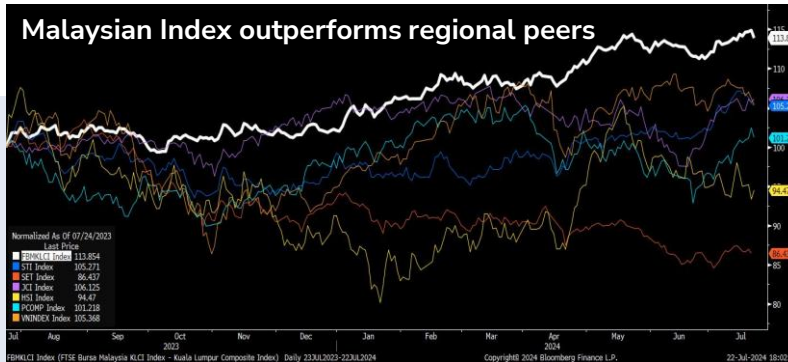
First half 2024

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Malaysia Economy 1H2024



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Investor confidence

Growing conviction among investors amid stable domestic political landscape. FBMKLCI index is leading peers in Southeast Asia with a 12% advance this year, IPO numbers have surged.

FDIs return

Foreigners bought \$172.5 million of Malaysian equities. Construction and Utility sectors are the top gainers, as investors laid bets on the major beneficiaries of the tech and data-center boom.

Stable policy rate

Despite a cut in diesel fuel subsidy, Malaysia's CPI remain unchanged at 2% on June. Central Bank no rush to adjust rates, It extended its pause in July and indicated the coming inflation from fuel subsidy cuts still manageable.

Robust exports & imports

Exports and imports rose by 3.9% and 13.8% yoy, contributed by higher demand for machinery, equipment and parts, LNG, palm oil-based manufactured products.

Oil price boost ringgit

Relatively elevated oil prices prompted the ringgit to be one of the top Asian performers in 2Q, and may continue to defend ringgit strength if geopolitical tension or an OPEC+ production cut buoys oil prices

02 Malaysian Economy Outlook

First half 2024

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Slower growth in 2024

- Weaker external demand will weigh on exports, investment, and government revenues.
- The central bank is likely to hold rates steady
- GDP growth to slow to 3.4% in 2024.

Ringgit near 4.80

- Oil prices could be supported in the near term, given lingering geopolitical conflicts, production cut by OPEC+, widening of the currency's undervaluation against the dollar.
- The central bank has coordinated with government-linked investment companies and the corporate sector to back the near the 4.8-per-dollar level.

Tourism sector

- Tourism sector could still have scope for recovery, normalization in 2H might bring net tourism service account closer to pre-covid levels, especially given a looser global environment amid rate cuts.
- A further revival of the tourism sector could support local economy. If delay cuts to late 2024, the normalization could be gradual and slow

03 Palm oil Supply

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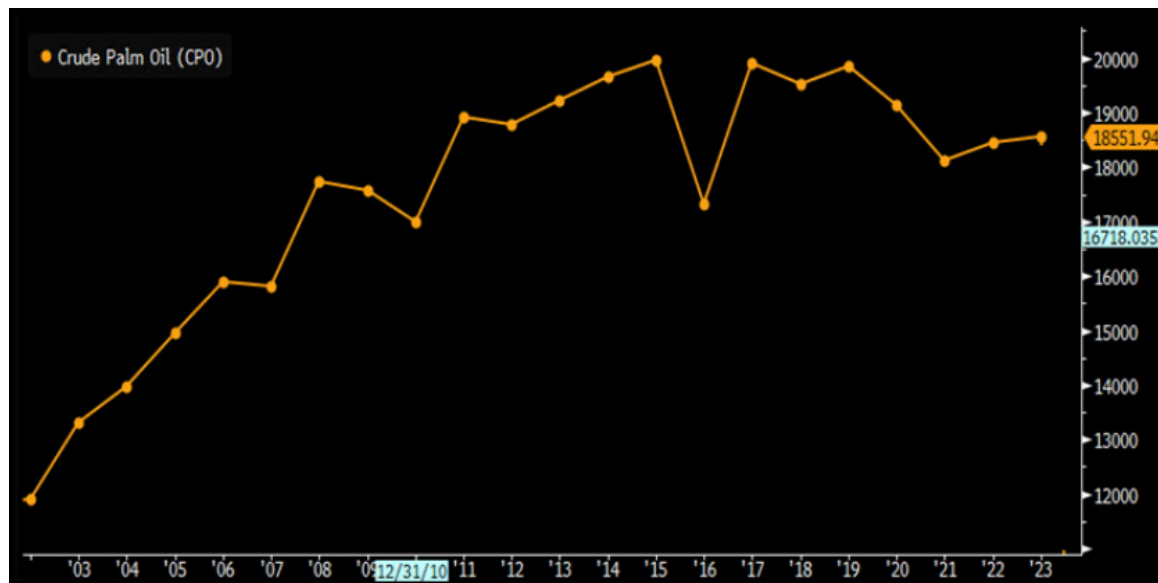
Palm oil Output

Palm-oil output growth may be driven by a Malaysian crop-yield recovery in upcoming two years as Indonesia's production growth slows due to aging trees and replanting.

Indonesia's palm-oil yield may not surpass its 2018 peak of 3.79 metric tons per hectare until it has sufficiently replanted its old trees.



Palm-Oil Output Growth Could Slow in 2024



Source: MPOB/ Bloomberg

Malaysia could be a bigger output growth driver in 2024 and 2025 as it resolves its labor shortage, which has dragged its fresh fruit-bunch yield below 16 tons per hectare for the past three years.

Should yields normalize to 17 tons per hectare, Malaysia's palm-oil output could approach 20 million tons over the next two years, up 1.45 million tons from 2023.

The lack of dry weather in 2023 is supportive of strong crop yield in 2024. Indonesia's output expected to be flat at 48.2 million tons in 2024, so Malaysia could be instrumental in lifting palm-oil output this year.

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Palm producer Weather

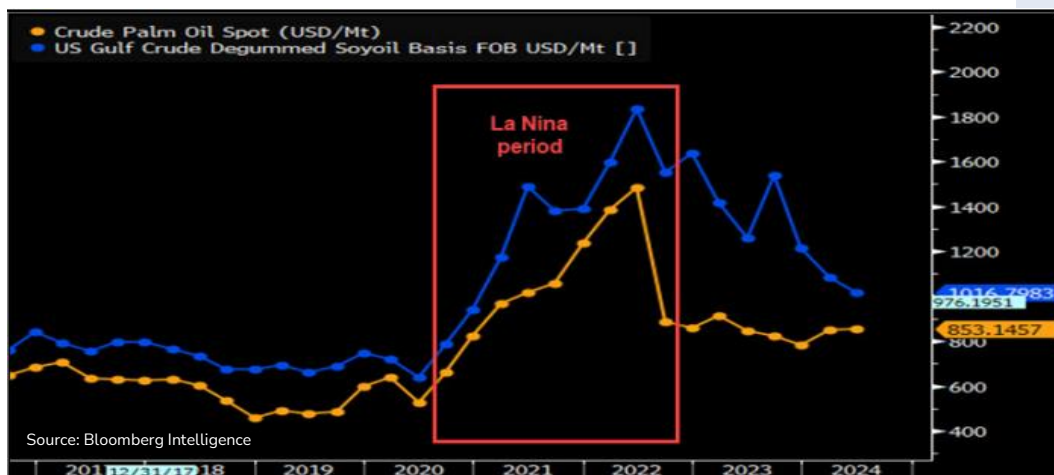
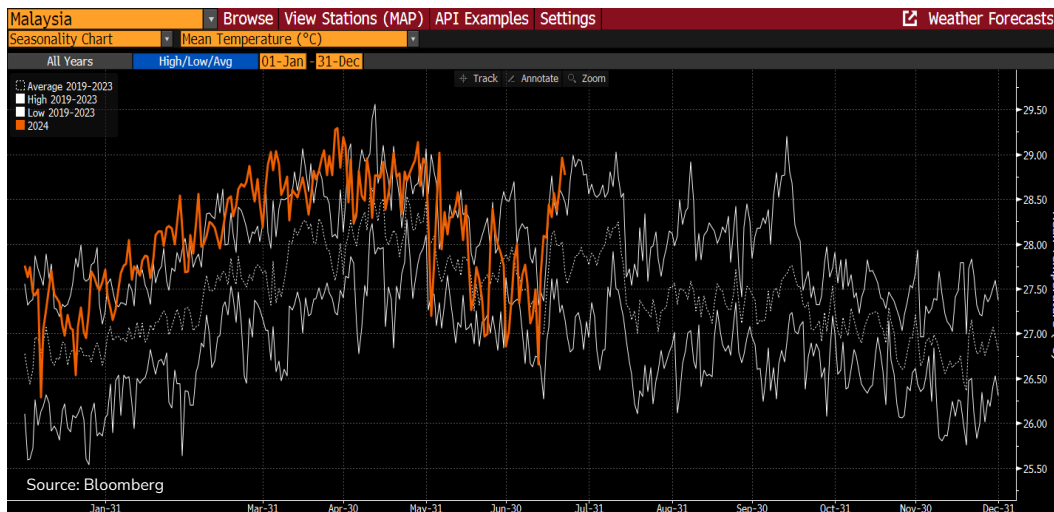
The 2023-2024 El Nino weather pattern could hurt palm oil yield in 4Q, yet palm oil prices may get only a slight lift, capped by strong soybean output in the US.



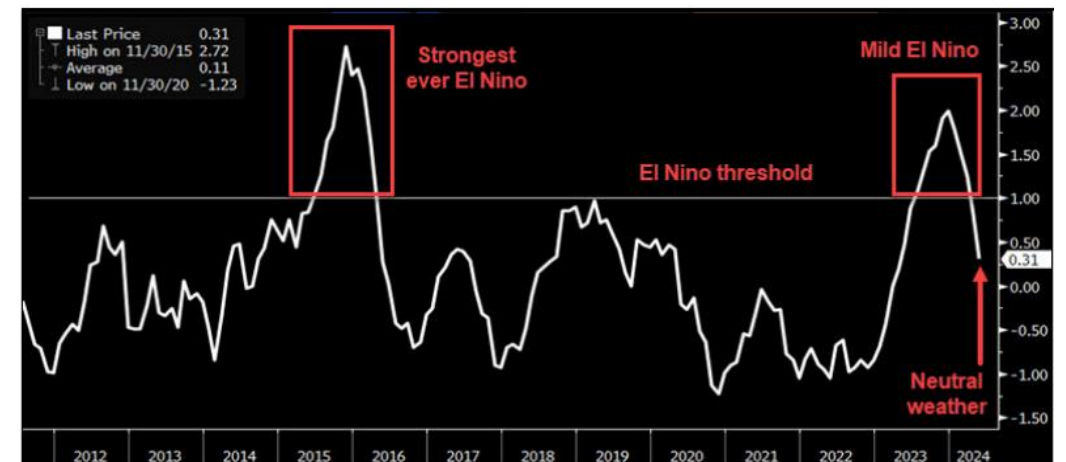
El Nino tends to appear every 7-10 years, with its 2015 occurrence being the strongest recorded.

Yet palm oil prices withheld their rally until 2016, when the delayed impact on crop yields became apparent.

Malaysian Weather: recorded higher temperature in July '24



Mild El Nino may lift palm prices slightly



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La Nina's could return and buoy oil palm planters' earnings by lifting palm oil yields while hurting soybean yields, but only in 2025.

There's a 50% probability of La Nina emerging in late 2024, according Australia's Bureau of Meteorology.

Any deterioration in soybean yield could reduce soybean oil output, stoking demand for alternative oils.

Related Edible Oils

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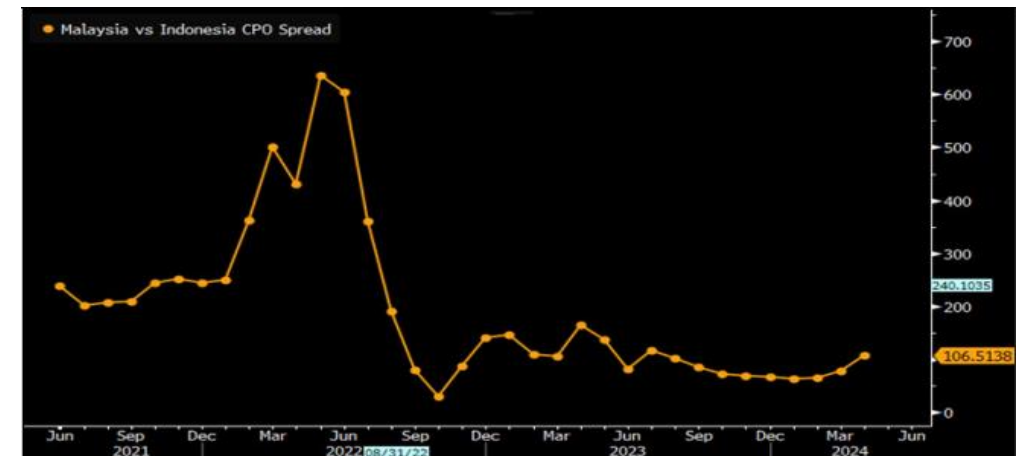
Bean Oil – Palm Oil Spread Narrowing and steady



The two products are substitute goods. Soybean oil prices historically at a premium to palm oil. Spread narrowed due to cheaper prices soybean oil and steady soybean oil supply.

The neutral weather could lead to a bumper soybean crop in the US, USDA expects the country's soybean production to rise 6.9% to 121.1 million tons, Soybean crops in good and excellent condition are at 72%, the highest in five years.

Malaysia, Indonesia PO Price Spread Narrowing



Source: Bloomberg intelligence

Indonesia's domestic palm-oil price discount to Malaysia's might narrow further. The discount averaged \$77 a ton in 2024 vs \$131. A smaller discount would improve the effective palm-oil price for Malaysian planters with operations in Indonesia. In 2020-22, the discount surged to \$635 a ton due to temporary Indonesian export restrictions.

04 Palm oil Demand

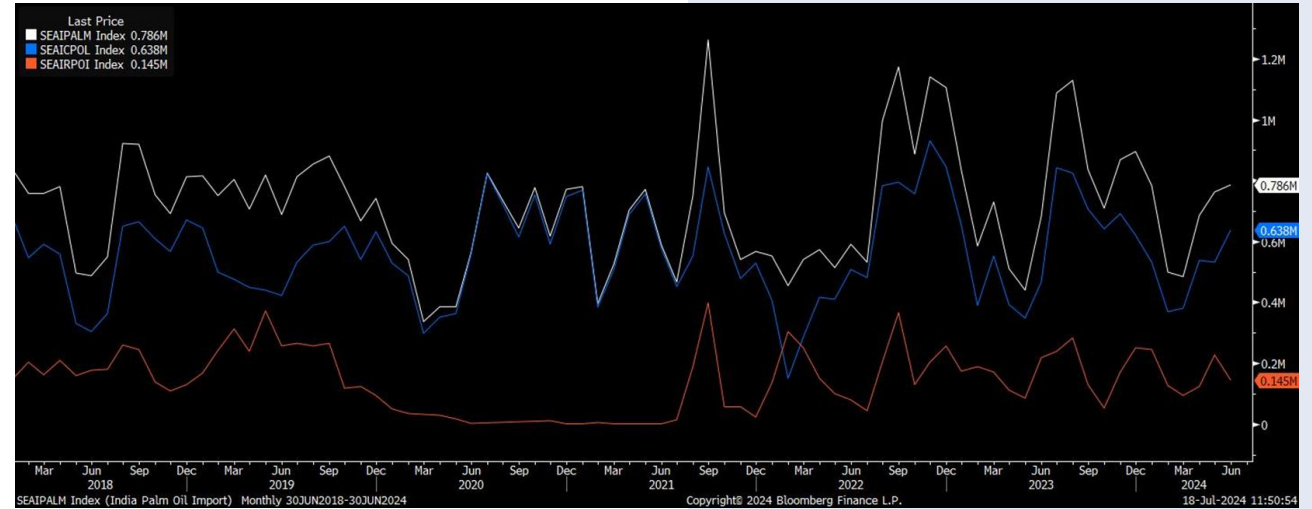
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India's Palm Oil Demand

India PO/CPO/ RBD PO import

India's imports palm oil, could be flat this year, given its monsoon rainfall is expected to be 6% above the long-term average. A good crop season may result in more imported edible oils, boosting palm oil producers' shipments. India's summer crop yields depend heavily on its June-September monsoon rainfall.



Source: Bloomberg

Recent July exports reported by surveyors ITS and Am Spec rose 65%, 39%, and 31% for first 15, 20, and 25 days compared to June, reflecting India's stocking up palm oil aggressively before the usual months of August and September.

ITS July 1st 25 days export

	July	July	July	July	July	June	June
	1-25	1-20	1-15	1-10	1-5	2024	1-25
Total	1,240,593	1,062,238	799,268	536,193	277,705	1,306,689	944,009
MoM%	31.42%	39.20%	65.93%	82.06%	150.94%	-11.82%	-16.12%

Source: Intertek Services

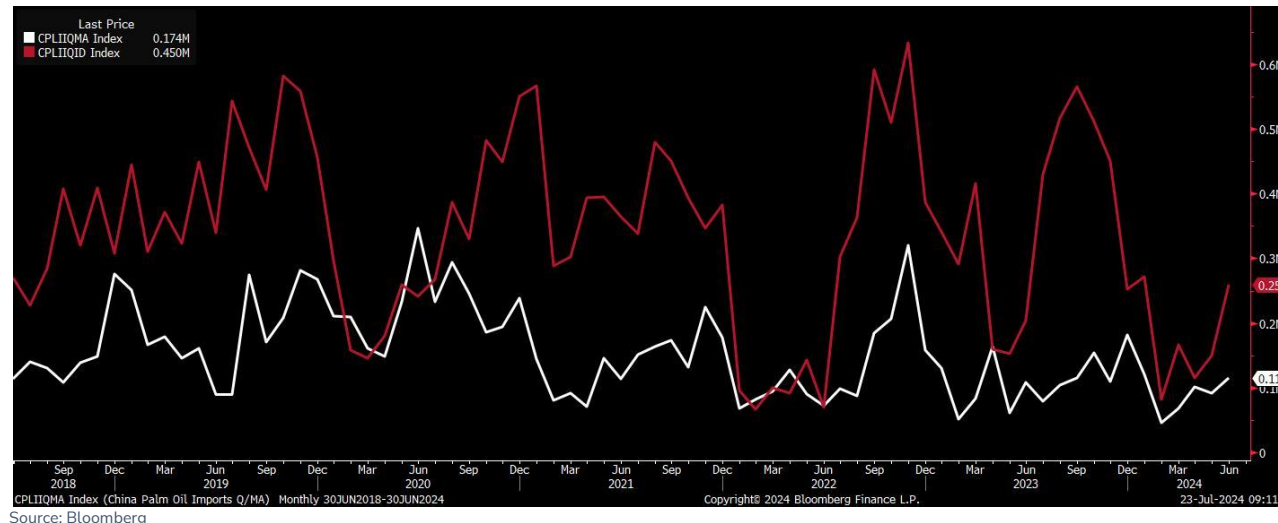
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China Palm Oil Demand

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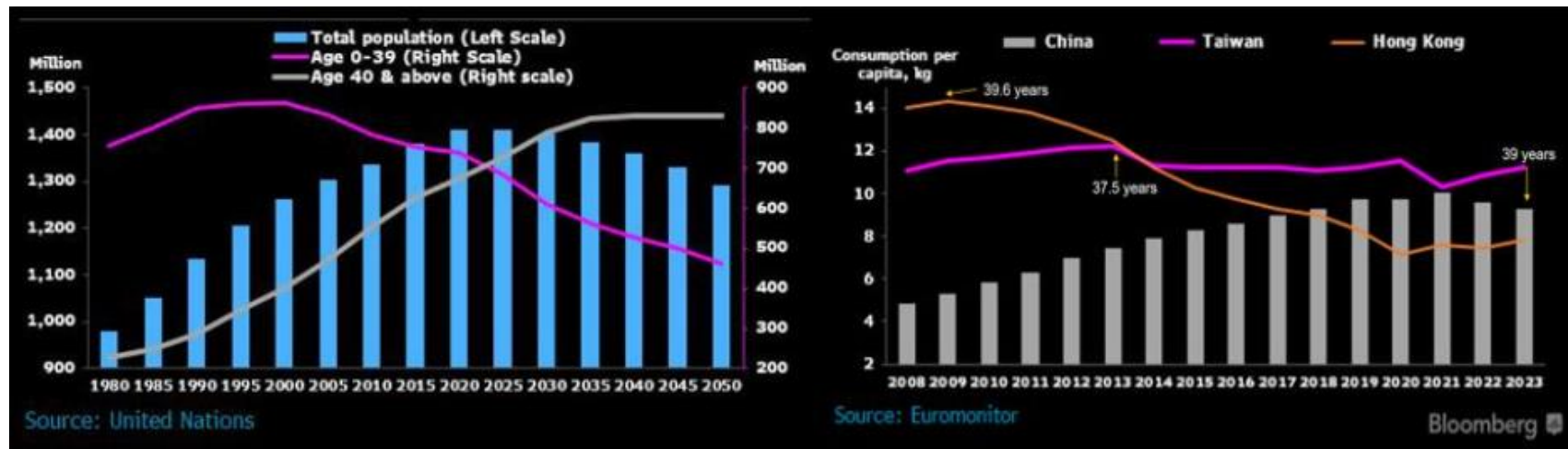


Hopes on improving palm oil import by second largest buyer China, with PBOC surprised a cut in key short-term policy rate to support economy growth. This boosted futures as market expecting increased Chinese demand and consumption. July's first 20 days export was up 39%, with shipments to China leaped more than 250% compared to June (ITS).



Source: Bloomberg

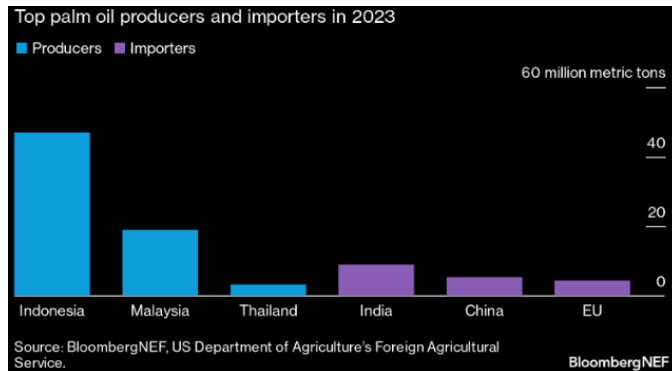
Ageing Chinese population with growing 40yo demographic rising to 51% in 2024 vs 50% in 2023. China may be closing in on peak cooking oil consumption, with annual usage per capita probably close to maxing out at 10 kilograms. Consumption tends to peak when the median age approaches 40, which is often associated with shifts in dietary habits.



Palm Oil Biofuel

Indonesia can afford to raise its biodiesel blend to 35%, helping palm oil producers despite crude oil prices below \$80 per barrel making biodiesel unfeasible. The country's palm oil export levy can raise around \$2 billion for the necessary subsidies.

Southeast Asia leading in Palm oil-based biofuels



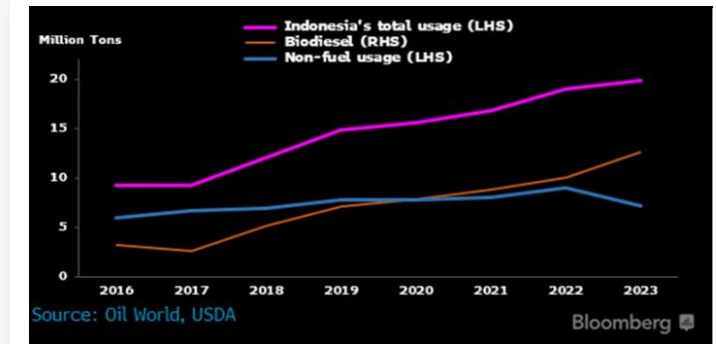
Indonesia and Malaysia account more than 83% of palm oil supply. Indonesia's testing on diesel blended with 40% cooking oil. Will divert to biofuel and reduce supply for exports, potential to drive up global prices and increase cooking oil cost.

Palm Oil Price Too High to Aid Biodiesel



Crude oil retreated more than palm oil despite weaker palm oil prices, rendering Indonesia's biodiesel program unfeasible without the use of subsidies. Palm oil biodiesel costs \$1.72 per metric ton more than petroleum diesel in Dec. 2023 vs. average \$103 per metric ton in 3Q23.

Indonesia's Biofuel Overshadows Food Usage



The growth of Indonesia's palm-oil consumption mainly driven by biodiesel usage, steady growth in food use. In 2016-23, Indonesia's PO non-fuel purposes grew 20.1% 1.2 million tons to 7.17 million tons. Palm oil's use in biodiesel surged 292.2% to 12.63 million tons.

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05

Palm oil Outlook

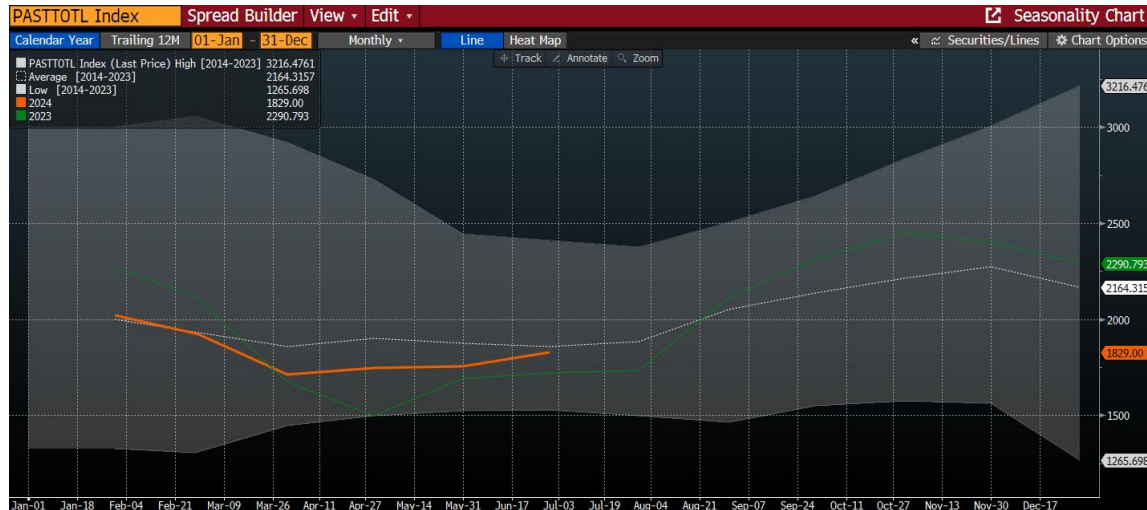
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Palm Oil Inventory



Source: Bloomberg

Seasonal MPOB data indicates:

PO inventories remain 1.8mil tons and climb to 10y average 2.0mil tons towards the end of 2024, CPO production heightened above 1.6mil tons with ample rainfall amid 2H monsoon season. Prolonged monsoon rain will impact year end harvest, causing flood at producing states in Malaysia.

Exports should climb above 1.3mil tons towards August or September buying from India ahead of Diwali festive-season buying, peak again in October, supported by Chinese buying before Lunar New Year. Eye on China economic development on coming months ahead.

Palm Oil Production



Source: Bloomberg

Palm Oil Export



Source: Bloomberg

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Backwardation shift from seasonal contango



Source: Bloomberg

Comparing current and previous year Malaysian CPO term structures, indicates near month contract prices shifted towards backwardation trend from contango. Lifted by sidelined Indonesia's export, along with near term buying interest. Nearer spread pairs are bullish for speculative shorter term, while observing returning Indian and Chinese buying. Bearish bias at plateauing price difference on improving inventories, monitoring developments of year end La Nina precipitation impacting harvesting.

THANK YOU

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