BURSA MALAYSIA

Greater Global Accessibility to Crude Palm Oil Pricing

FUPO

USD Crude Palm Oil Futures

Traded on Bursa Malaysia

WHAT IS FUPO?

FUPO is a USD-denominated Crude Palm Oil Futures Contract. It is listed on Bursa Malaysia Derivatives Berhad and traded alongside the MYR denominated Crude Palm Oil Futures (FCPO).

When you buy or sell a FUPO Contract, it is equivalent to buying or selling 25 metric tonnes (MT) of Crude Palm Oil at an agreed price now. Upon expiry, the FUPO is cash settled, i.e. it is settled against a Final Settlement Price that is based on the FCPO prices. However, you may close out your bought (long) or sold (short) Contract at any time before expiry with an offsetting trade.

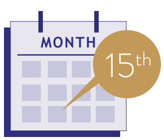
Features

CONTRACT SIZE

Each FUPO Contract is equivalent to 25 metric tonnes (MT) of Crude Palm Oil

SETTLEMENT METHOD

Cash settled Contract against a Final Settlement Price that is based on the FCPO prices



MATURITY DATE

15th day of the Contract month

How Is It Different From FCPO?

FUPO is a USD-denominated Contract and will be cash settled upon expiry, i.e. the 15th business day of the Contract month whereas FCPO is a MYR Contract that is physically settled upon maturity. Although you may choose to deposit MYR to trade FUPO, you would be exposed to the US currency risk rather than the MYR currency risk when trading in FUPO, as the prices are quoted in USD.

WHY TRADE FUPO?

Profit from both Bull or Bear Commodities Market

Both FUPO and FCPO provide retail investors with a structured product to access the Crude Palm Oil market. You can take either a bullish or bearish position on movement of Crude Palm Oil prices by buying low and selling high for a bullish outlook, and vice versa for bearish outlook.

Leverage/Gearing

The Initial Margin is about 10% to 13% of the notional value (FUPO traded price x 25 [size of Contract]), which frees up cash, and enables you to invest the difference or make use of the funds for other purposes. Initial Margin may be posted in the form of USD or MYR cash, selected foreign currencies, approved stocks and/or letters of credit.

Gain Immediate Exposure to the Commodity Market

Via FUPO, global fund managers, commodity trading advisors and proprietary traders are able to be part of the active commodity market.

WHAT ARE THE MARGIN REQUIREMENTS FOR FUPO?

The minimum Initial Margins for FUPO levied by the clearing house are revised from time to time depending on the volatility of the market. Initial Margins are increased in response to higher price volatility, and vice versa. Refer to Clearing Circulars for the latest Initial Margin rates. Futures Brokers may require a higher Initial Margin deposit from their clients, depending on their risk management policies.

Outright Margin

Outright Margin is levied on futures positions which have no accompanying risk-reducing positions.

Spread Margin

Lower margin rates are levied on futures positions that have accompanying risk-reducing positions. For FUPO, Spot Month Spread Margins are applicable for spread positions that include the spot month Contract, whilst Back Month Spread Margins are applicable for spread positions that do not include the spot month Contract. However, Spot Month Spread Margin is not applicable for FCPO, as spot month may involve physical delivery and is margined on an outright basis.

FUPO/FCPO Inter-commodity Margin Offset

As both FCPO and FUPO have the same underlying product – i.e. Crude Palm Oil, clients that hold opposite positions of both Contracts under the same account will receive rebates/offset on total initial margin requirement.

TRADING EXAMPLE

Assume that the FUPO September price is currently trading at USD660. You believe that it will rise over the short term and decide to buy 1 FUPO September Contract, which is equivalent to 25 metric tonnes (MT) of Crude Palm Oil. Assuming that your futures broker sets an Initial Margin (a form of collateral) of USD1,450 per Contract, this amount will be debited from your trading account and deposited in trust with the broker.

Let us assume that the FUPO September Contract rises steadily upwards and reaches USD700.

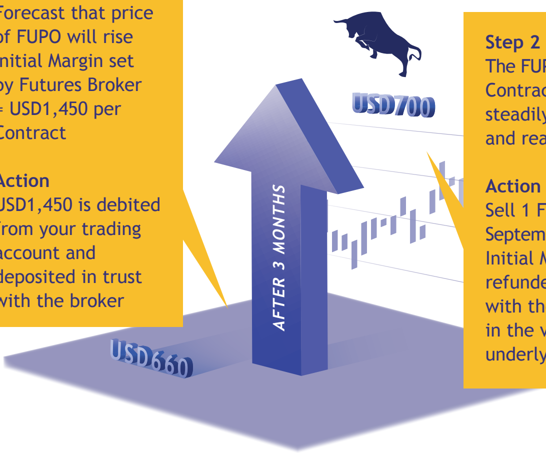
You now believe that it has peaked and decide to close out the position. You will then sell 1 FUPO September Contract to close your outstanding long position. The Initial Margin is then refunded along with the difference in the value of the underlying shares, which is 25 metric tonnes (MT) x (USD700 – USD660) = USD1,000.

Your capital has now increased to USD2,450 from USD1,450.

1 FUPO Contract = 25 metric tonnes (MT) of Crude Palm Oil
Assuming FUPO September price is currently trading at USD660

Step 1
Forecast that price of FUPO will rise Initial Margin set by Futures Broker = USD1,450 per Contract

Action
USD1,450 is debited from your trading account and deposited in trust with the broker



Step 2
The FUPO September Contract rises steadily upwards and reaches USD700

Action
Sell 1 FUPO September Contract. Initial Margin is refunded along with the difference in the value of the underlying shares

1. ***Initial margin per Contract = USD1,450***
2. ***Buy 1 FUPO September Contract at USD660***
   USD660 x 25MT = USD16,500
3. ***Sell 1 FUPO September Contract at USD700***
   USD700 x 25MT = USD17,500
4. ***Total profit:***
   USD17,500 - USD16,500 = USD1,000
5. ***Total capital:***
   USD1,000 + USD1,450 = USD2,450

Note: This example does not take transaction costs into account

Open a Futures Trading Account with one of the licensed Futures Brokers of Bursa Malaysia Derivatives to get started.

Please refer to our list of Trading Participants at www.bursamalaysia.com

For more information and latest updates:
Visit Bursa Malaysia website

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