

Performance and Key Highlights of Bursa Malaysia Derivatives (BMD) Products in Q4 2019

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Global Highlights



1. US-China Phase One Trade Deal Agreement

- One of the biggest factor affecting market sentiment was undeniably the trade war between the two world's largest economies; United States and China.
- The trade tension, which swung between escalation and de-escalation over the course of the year, had nearly came to an end when US President Donald Trump announced on early October 2019 that Washington had reached a “substantial phase one deal ”with China that involves intellectual property, financial services and agricultural phases.
- At this point of writing, the phase one trade deal has already be signed in January 2020.
- Nevertheless, many analysts still foresee the expected deal would not necessarily mean an end to the relentless trade wars, but the initial agreement has at least boosted the global markets.



2. Another Interest Rate Cut by Federal Reserve

- The US Federal Reserve had cut their benchmark interest rate for the third time in 2019 by a quarter point to a range of 1.50% to 1.75% in late October 2019 in an attempt to shield the economy from the impact of a global slowdown.
- The decision came following a dismal results in US economic growth in Q3 2019 which grew at 1.9%, its slowest rate in 2019.
- The Fed cited the weak business investment and exports as the crucial factor in the decision despite the US unemployment remained low and household spending expanded.



Global Highlights



3. United Kingdom General Election 2019

- After European Union (EU) agreed to allow Brexit extension until 31 January 2020, the new United Kingdom (UK) prime minister, Boris Johnson, decided to hold a December general election.
- The election, which was held for the first time since 1923, was intended to break the deadlock in the House of Commons, where Johnson's conservative government has no majority and his Brexit legislation has met continuous resistance.
- The election saw the Conservative party securing a majority victory by seizing seats from the Labour party in its traditional heartlands in the north and midlands region.
- The results meant that Johnson would remain as UK prime minister and should now be able to get his Brexit deal through parliament.



4. Hong Kong District Council Election 2019

- A District Council election was held in Hong Kong on 24 November 2019 in the middle of the prolonged protest.
- The district councils are the lowest elected tier in Hong Kong's political structure, where there are 18 districts that make up 452 seats to be contested.
- As district councillors have no decision-making power over government policies, the election is typically seen as avenue to address local issues only like local facilities and community activities.
- However, voters had made it clear that this election was part of a democratic movement as a record of 2.94 million voters out of 4 million registered voters turned out.
- Pro-democracy candidates claimed the victory as they took 57% of the popular votes and won 388 seats as well as secured the majority in 17 of 18 districts councils.



Malaysia Highlights



1. Malaysia's Budget 2020

- The theme for Budget 2020 is “Shared Prosperity: Sustainable and Inclusive Growth toward High Income Economy”.
- The government forecasted the local GDP to improve marginally to 4.8% in 2020 from 4.7% in 2019 with private sector being a key growth driver.
- Government is also committed to continue with their commitment in fiscal consolidation as they moved to trim the budget deficit to 3.2% of GDP in 2020 from 3.4% in 2019.
- Several key focus areas was highlighted in the budget which include attracting foreign investment, digitalisation effort, financing improvement, green energy commitment, intellectual property and human capital development.



2. Malaysia's GDP Growth at 4.40% in Third Quarter 2019

- Malaysia's GDP slowed to 4.40% in Q3 2019, compared to 4.9% in Q2 2019.
- According to Bank Negara Malaysia (BNM), the slower growth was primarily driven by lower growth in key sectors and a decline in the mining and construction activities.
- Nevertheless, BNM remained confident that full year 2019 growth is expected to be within projections of between 4.30 % and 4.80% underpinned by strong household consumption.



3. BNM Maintains Overnight Policy Rate at 3.00%

- BNM had once again left the Overnight Policy Rate (OPR) unchanged at 3.00% in its November 2019 meeting.
- BNM stressed that its stance on monetary policy remains accommodative and supportive of economic activity at the current OPR level of 3.00%.



Overall BMD Performance Q4 2019

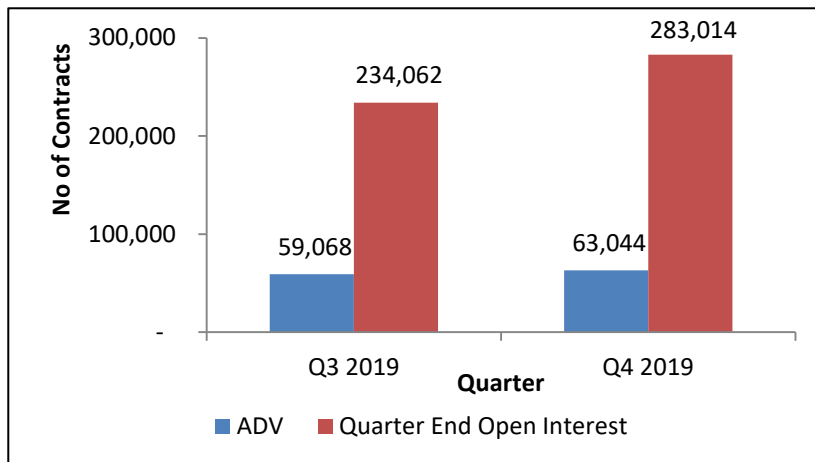
No of Trading Days

Q3 2019 : 61

Q4 2019 : 64

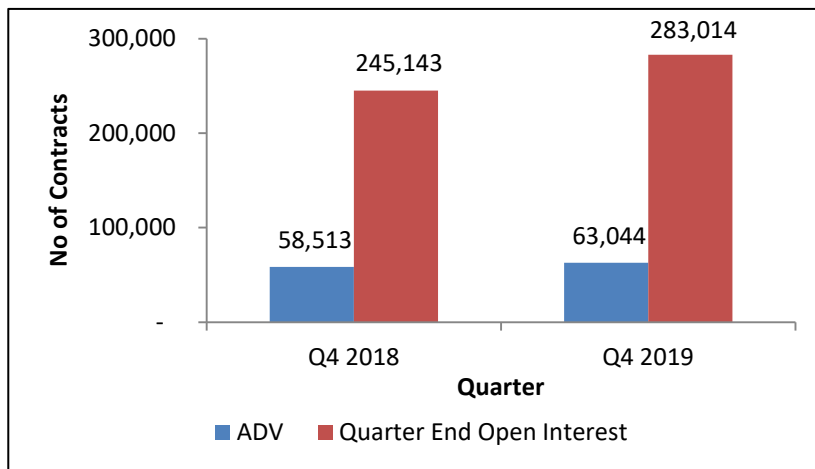
Q4 2018 : 63

QoQ Performance



- BMD closed the last quarter of 2019 with an impressive performance as both its Average Daily Volume (ADV) and quarter-end open interest recorded improvement.
- On quarter-on-quarter perspective, the ADV had risen 6.73% from 59,068 contracts in Q3 2019 to 63,044 contracts in Q4 2019 while its quarter-end open interest gained 20.91% growth from 234,062 contracts in Q3 2019 to 283,014 contracts in Q4 2019.

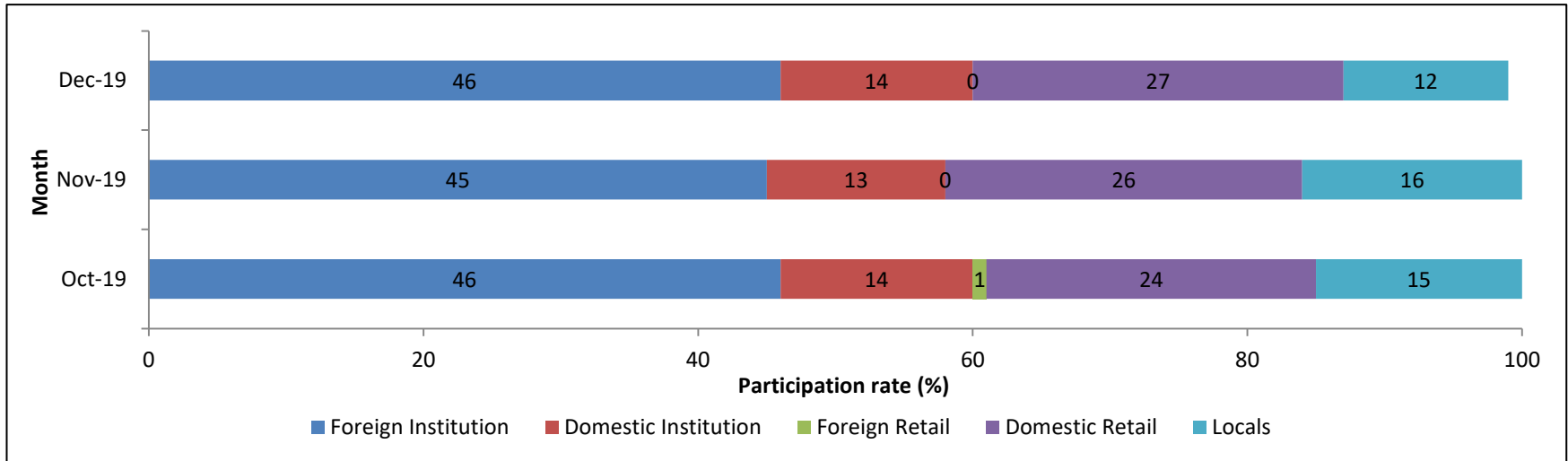
YoY Performance



- On year-on-year basis, both ADV and quarter-end open interest also show great improvement from the same quarter in 2018.
- ADV grew 7.74% from 58,513 contracts in Q4 2018 to 63,044 contracts in Q4 2019, while its quarter-end open interest increased by 15.45% from 245,143 contracts in Q4 2018 to 283,014 contracts in Q4 2019.



Overall BMD Market Demography Q4 2019



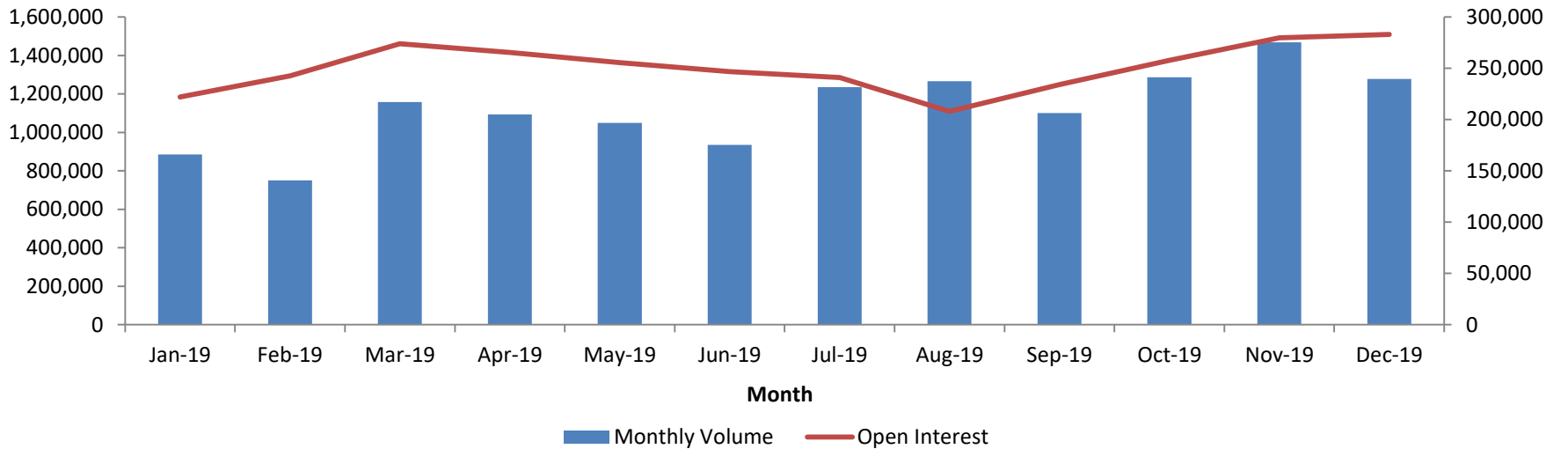
Review :

- The demographic composition for the overall BMD products remains unchanged for fourth quarter 2019 as the foreign institution continued to be the largest participants in BMD with participation rate of 45% and 46%.
- Behind foreign institution was the domestic retail participants who managed to retain their spot as the second largest BMD participants with participation rate range of 24%-27%.
- For the first two months in Q4 2019, local participants maintain their position as the third largest participants in BMD market, a position they seized from domestic institution since Q3 2019.
- However, domestic institution managed to surpass the participation rate of the local participants in the final month of the year to claim back the third spot of participation rate in Q4 2019.

Overall BMD Performance FY 2019

Total Volume	: 13.51 million	Total Open Interest	: 3.01 million	YoY Volume Change (%)	: -1.57%	YoY Open Interest Change (%)	: +15.45
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Monthly Volume



2019 Performance Highlight

Volume		Open Interest	
Yearly High	: 1,468,858 (November)	Yearly High	: 283,014 (December)
Yearly Low	: 750,162 (February)	Yearly Low	: 208,094 (August)

FCPO Performance Q4 2019

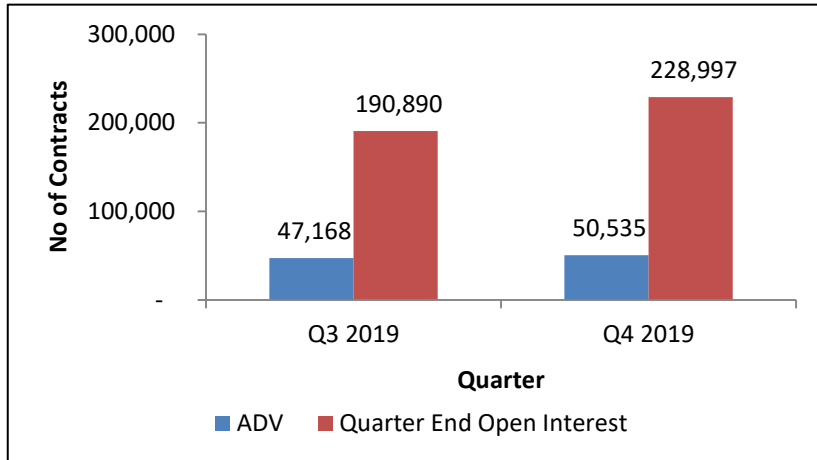
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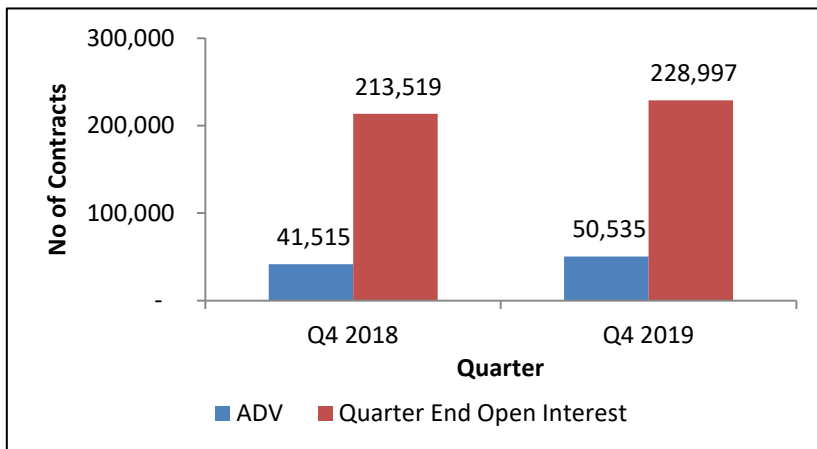
Q4 2018 : 63

QoQ Performance



- On QoQ comparison, ADV continued to record growth from the previous quarter whereby in Q4 2019, the ADV had grown 7.14% to 50,535 contracts from 47,168 contracts in the previous quarter.
- Meanwhile, the quarter-end open interest of FCPO contracts increased from 190,890 contracts in Q3 2019 to 228,997 contracts in Q4 2019, a 19.96% growth.

YoY Performance



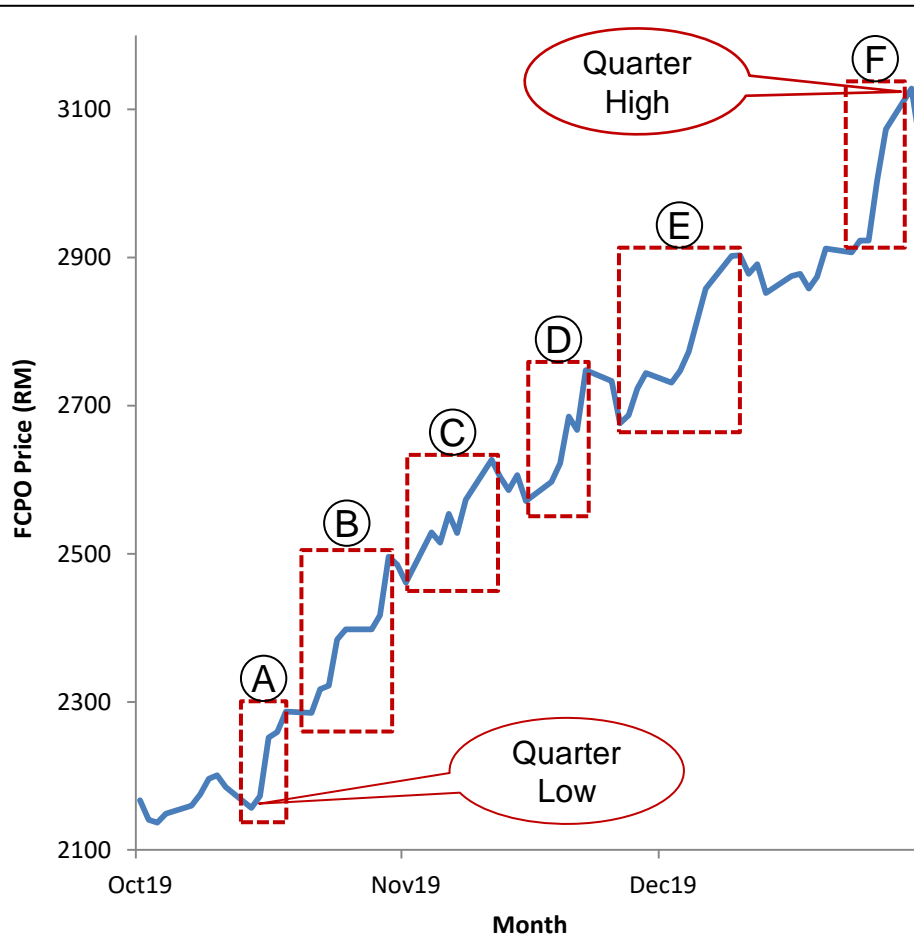
- Q4 2019 saw an outstanding achievement when the ADV in FCPO contracts recorded a double digit growth of 21.73% from 41,515 contracts in last quarter of 2018 to 50,535 contracts in last quarter of 2019.
- Meanwhile, the quarter-end open interest increased 7.25% from 213,519 contracts in Q4 2018 to 228,997 contracts in Q4 2019.



FCPO Q4 2019 Price Performance

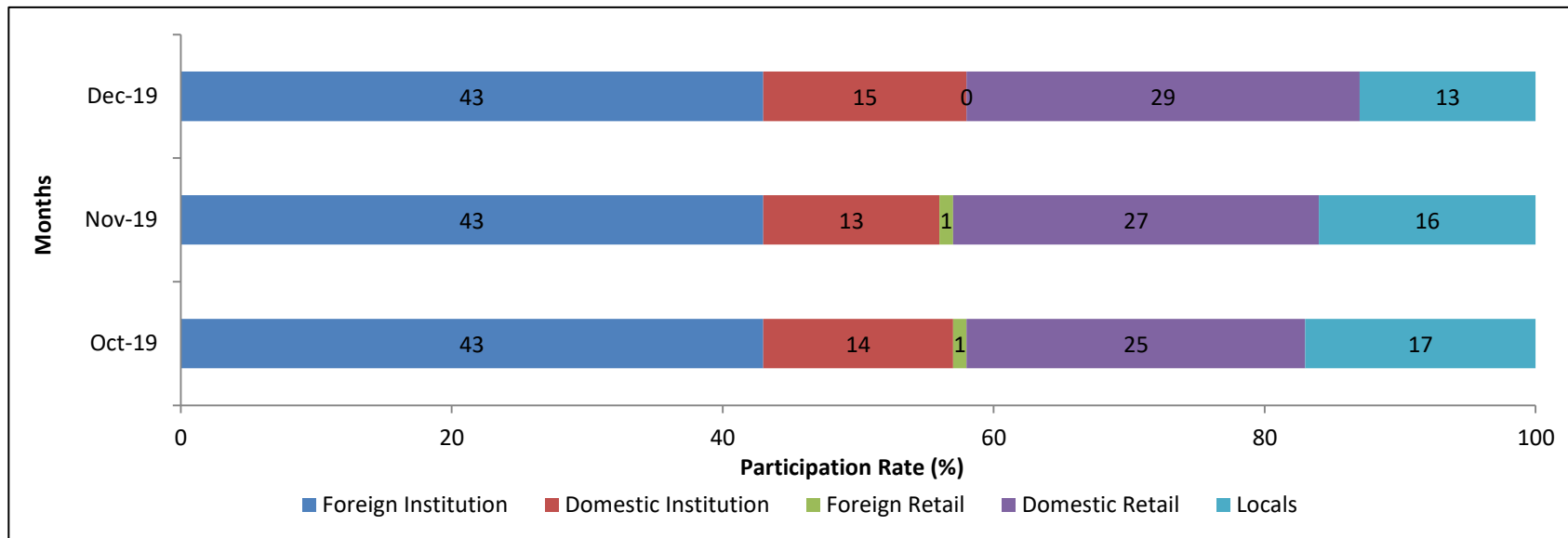
Snapshot of FCPO Performance

Price as at : **3,052** Quarter High : 3,128 Quarter Low : 2,137 Q4 2019 : **+40.84**
 31/12/2019 (Last trading day) (30/12/2019) (03/10/2019) Performance (% Change)



Period	Remarks
A	14 Oct 19 – 18 Oct 19 (+6.03%) Improved sentiment after Malaysian government said the country will import more products from top palm buyer India in a bid to mend relations following a row over Kashmir
B	21 Oct 19 – 31 Oct 19 (+8.75%) • Malaysian government announcement on the implementation of B20 biodiesel programme in 2020 • Stronger US soy oil market after China granted a fresh round of waivers for 10 million tons of US soybeans • Improved palm oil exports shipment in October
C	1 Nov 19 – 11 Nov 19 (+6.75%) • A better revised price outlooks in 2020 by Dorab Mistry due to the expectation of flat production in Indonesia and Malaysia amid the dry weather and low fertiliser usage • Bullish MPOB data on palm oil reserves, output and export in October
D	18 Nov 19 – 22 Nov 19 (+5.81%) Tighter palm oil supply outlook by industry analyst James Fry
E	26 Nov 19 – 10 Dec 19 (+8.48%) • Indonesia government's decision to cut its fossil fuel consumption by 165,000 bpd • Weaker Malaysian ringgit • Prospect of lower palm oil production in 2020
F	23 Dec 19 – 30 Dec 19 (+7.60%) Expectation of a sharp fall in palm oil supply in December from Malaysian Palm Oil Association and Southern Peninsular Palm Oil Millers Association.

FCPO Market Demography Q4 2019

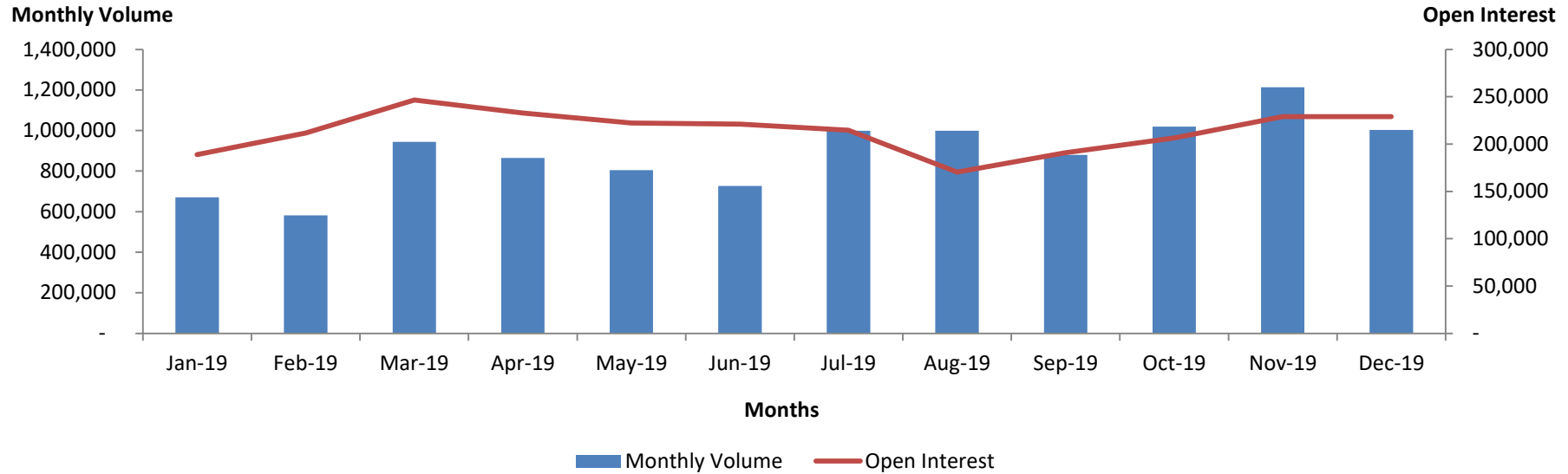


Review :

- Foreign institutions are the major participants in FCPO market for Q4 2019 as they consistently make up 43% of participation rate each month in Q4 2019.
- Meanwhile, domestic retail remained to be the second largest participants in FCPO market with participation rate range of 25%-29%.
- Local participants retain their position as the third largest participants in FCPO for the first two month of Q4 2019 before the domestic institution overtook the position in December 2019.

FCPO Performance FY 2019

Total Volume	: 10.70 million	Total Open Interest	: 2.56 million	YoY Volume Change (%)	: +2.22	YoY Open Interest Change (%)	: +7.25
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2019 Performance Highlight

Volume		Open Interest	
Yearly High	: 1,212,871 (November)	Yearly High	: 246,407 (March)
Yearly Low	: 582,039 (February)	Yearly Low	: 170,434 (August)



FKLI Performance Q4 2019

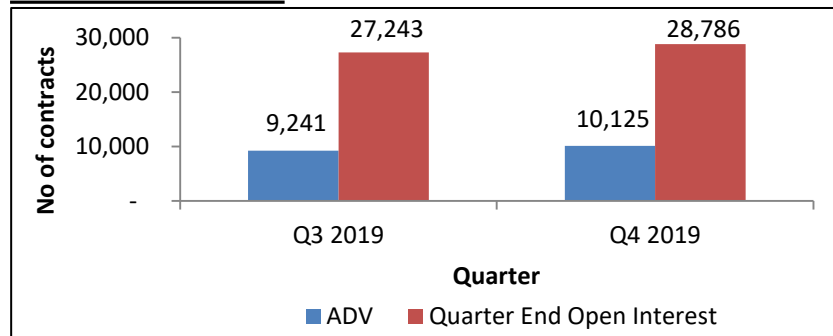
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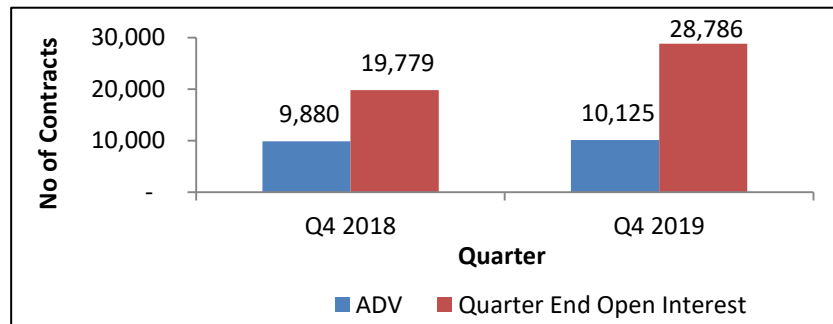
Q4 2018 : 63

QoQ Performance



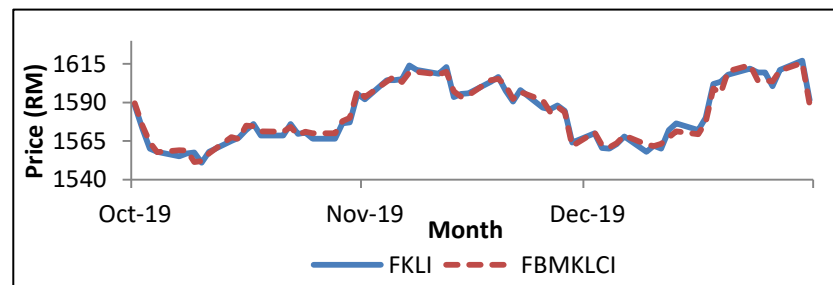
- FKLI managed to yield a steady growth in both its ADV and quarter end open interest on QoQ basis.
- The ADV gained 9.56% growth from 9,241 contracts in Q3 2019 to 10,125 contracts in Q4 2019
- For the quarter-end open interest, the number of contracts improved by 5.66% from 27,243 contracts in Q3 2019 to 28,786 contracts in Q4 2019.

YoY Performance



- On YoY basis, FKLI charted a slight increase of 2.48% in its ADV from 9,880 contracts in fourth quarter 2018 to 10,125 contracts in same quarter of 2019.
- However, the quarter-end open interest jumped 45.54% growth from 19,779 contracts in Q4 2018 to 28,786 contracts in Q4 2019.

Spread between FKLI and FBMKLCI

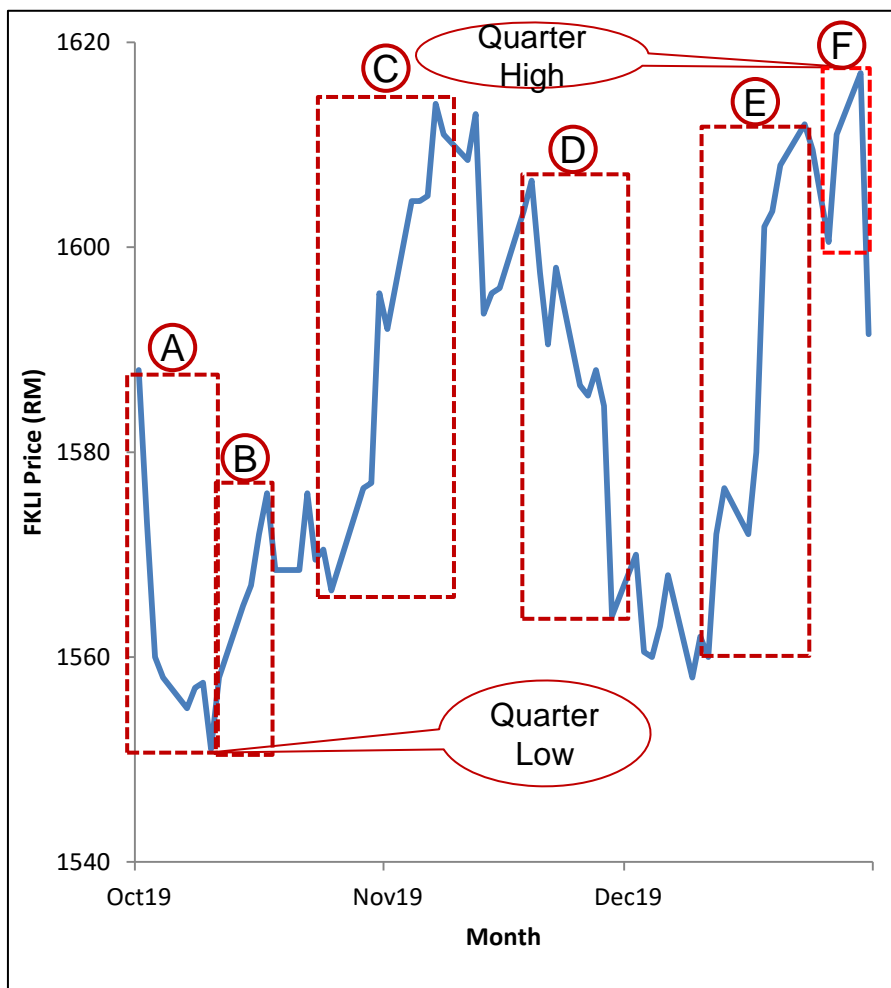


- Widest Premium : +7.49
(19/12/2019)
- Widest Discount : -4.85
(25/11/2019)

FKLI Q4 2019 Price Performance

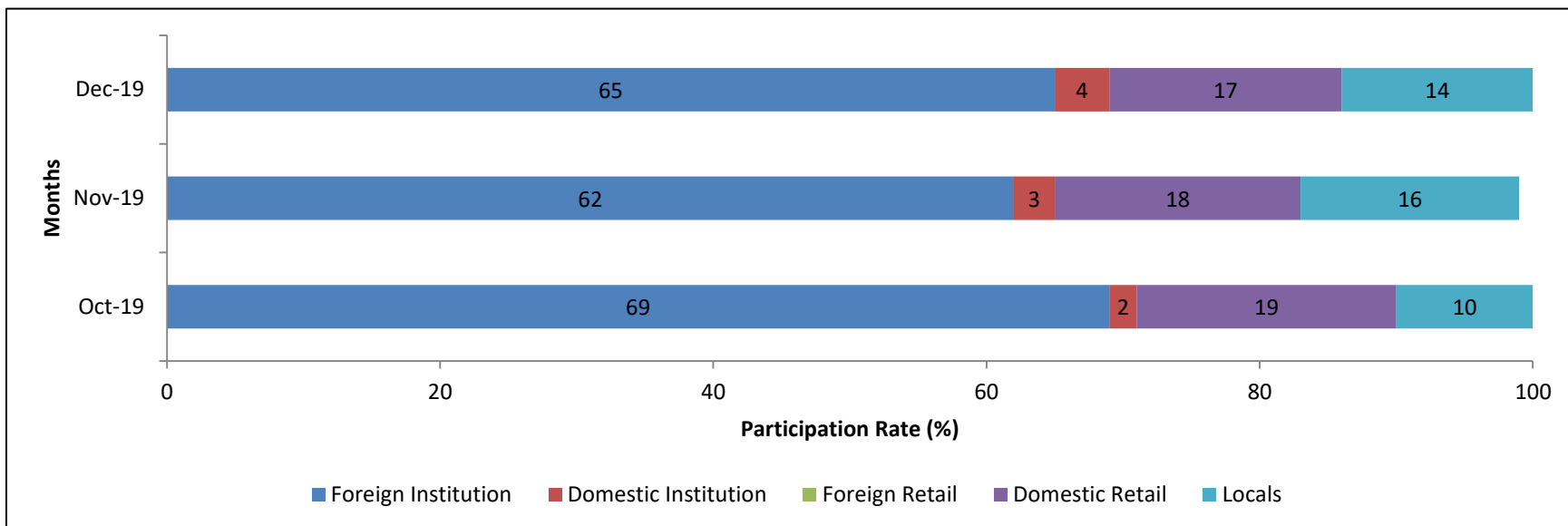
Snapshot of FKLI Performance

Price as at 31/12/2019 (Last trading day) : **1,591.50** Quarter High : **1,617** (30/12/2019) Quarter Low : **1,551** (10/10/2019) Q4 2019 (% Change) : **+0.22**



Period	Remarks
A	1 Oct 19 – 10 Oct 19 (-2.33%) FKLI opened Q4 2019 in weaker tone due to several factors, including the weaker US manufacturing data, US' announcement of new import tariffs on EU imports and rising US-China dispute following US' decision to blacklist 28 Chinese organisations for their involvement in abuses against ethnic Uighurs in China
B	11 Oct 19 – 17 Oct 19 (+1.16%) The local market recovered on positive sentiment brought by the announcement of higher allocation in development expenditure in Malaysian Budget 2020 and progress in US-China trade talks.
C	25 Oct 19 – 7 Nov 19 (+3.03%) Market was on uptrend tracking the stronger Malaysian Ringgit following BNM's decision to maintain the overnight policy rate (OPR) at 3% and positive news on US-China trade deal after both nations agreed to cancel tariffs on each other's good in phases.
D	19 Nov 19 – 29 Nov 19 (-2.65%) FKLI tumbled in late November as the prospects for US-China trade deal dimmed when Beijing condemned the US House of Representatives' decision to pass two Bills intended to support protesters in Hong Kong
E	11 Dec 19 – 23 Dec 19 (+3.33%) Market rose in middle of December after both US and China announced that they have reached agreement on text of a "phase one" trade agreement
F	26 Dec 19 – 30 Dec 19 (+1.03%) Market was lifted on window dressing activities ahead of New Year holiday but gains were pared on 31 Dec due to profit-taking activities.

FKLI Market Demography Q4 2019

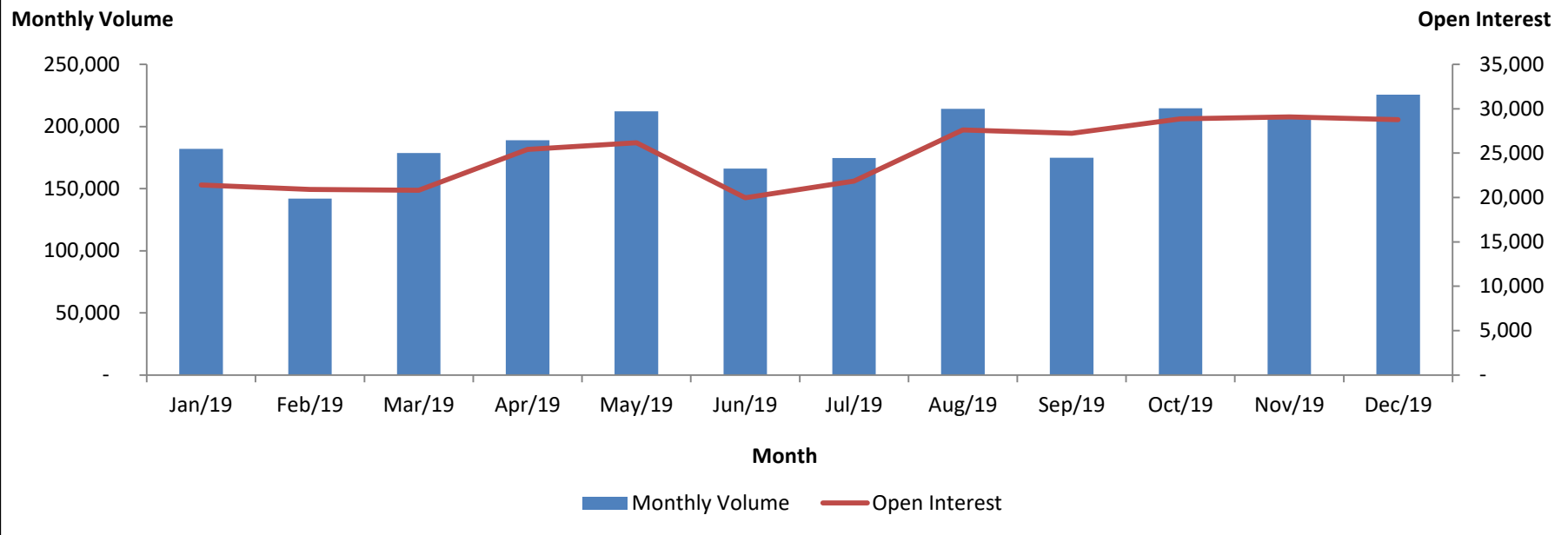


Review :

- Foreign institutions continued its domination in the BMD market as they remained to be the largest market participants in FKLI market with participation rate range of 62%-69%.
- Behind foreign institutions were domestic retail and local participants, which claimed the second and third spot in terms of participation rate with participation rate range of 17-19% and 10%-16% respectively.
- Domestic institutions were only able to be in the fourth spot in FKLI market share as their participation rate range is only accounted around 2%-4%.

FKLI Performance FY 2019

Total Volume	: 2.28 Million	Total Open Interest	: 298,149	YoY Volume Change (%)	: -8.65	YoY Open Interest Change (%)	: +45.54
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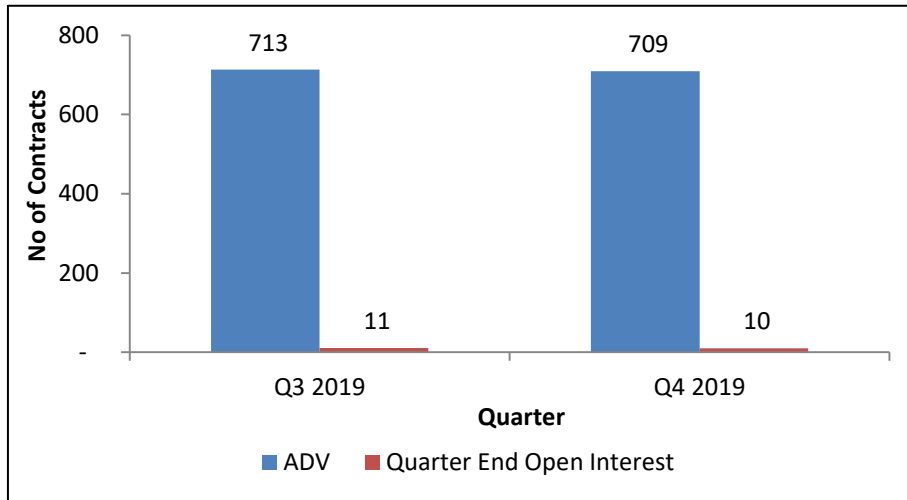


2019 Performance Highlight

Volume		Open Interest	
Yearly High	: 225,628 (December)	Yearly High	: 29,095 (November)
Yearly Low	: 141,892 (February)	Yearly Low	: 19,983 (June)

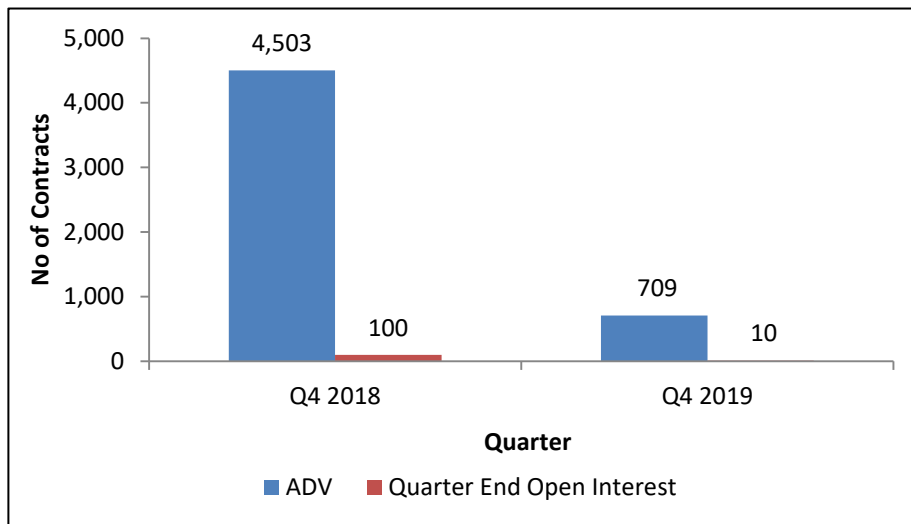
FPOL Performance in Q4 2019

FPOL QoQ Performance



- From ADV perspective, the number of contracts traded had declined 0.60% from 713 contracts in Q3 2019 to 709 contracts in Q4 2019.
- Meanwhile, the quarter-end open interest dropped 9.09% from 11 contracts in Q3 2019 to 10 contracts in Q4 2019.

FPOL YoY Performance

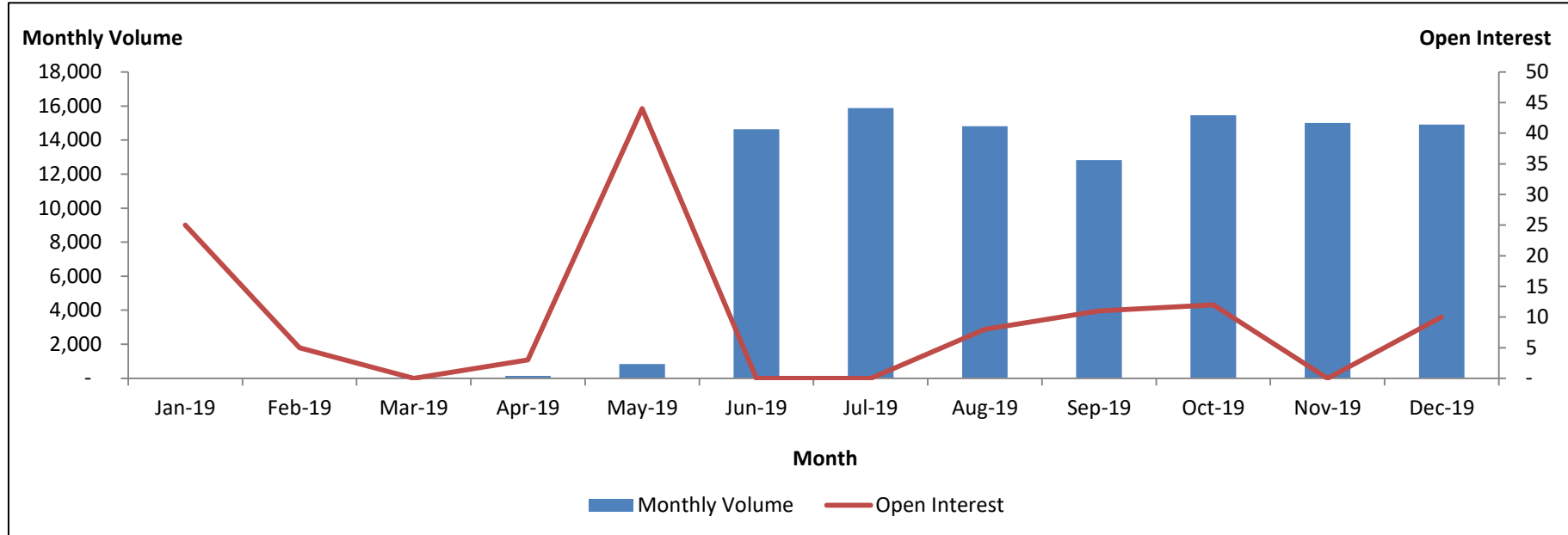


- On YoY comparison, FPOL saw deterioration in both of its ADV and quarter-end open interest performance.
- ADV declined by 84.26% from 4,503 contracts in Q4 2018 to 709 contracts in Q4 2019.
- The quarter-end open interest also plunged by 90% from 100 contracts in Q4 2018 to only 10 contracts in Q4 2019.



FPOL Performance FY 2019

Total Volume	: 104,492	Total Open Interest	: 118	YoY Volume Change (%)	: -79.41	YoY Open Interest Change (%)	: -82.41
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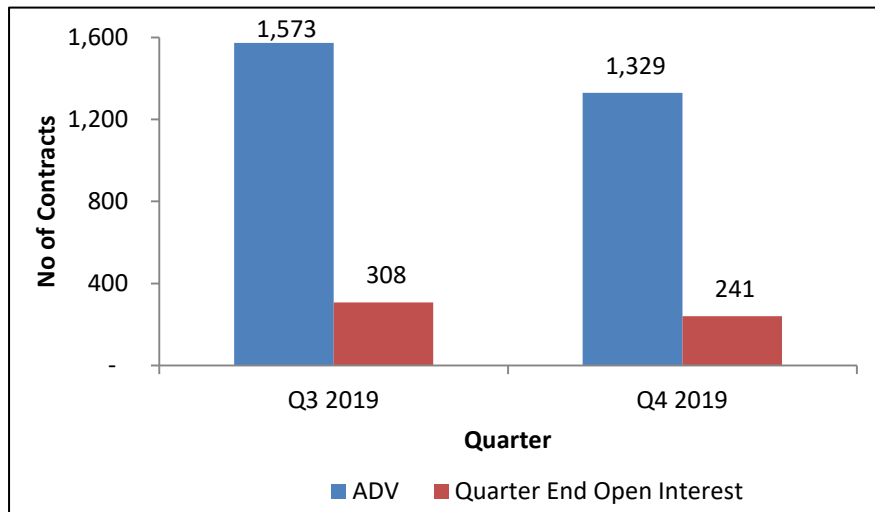


2019 Performance Highlight

Volume		Open Interest	
Yearly High	: 15,885 (July)	Yearly High	: 44 (May)
Yearly Low	: 0 (February)	Yearly Low	: 0 (March & November)

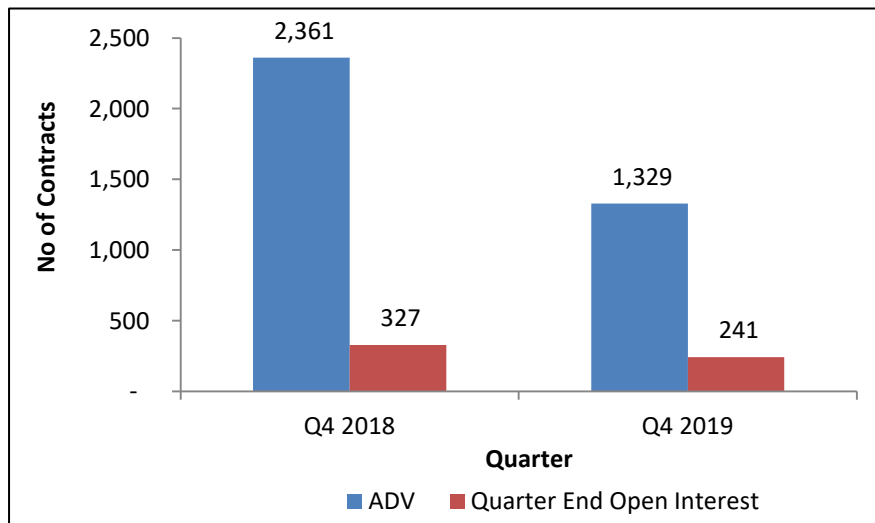
FM70 Performance Q4 2019

FM70 QoQ Performance



- Similar to FPOL, the ADV and quarter end open interest performance for FM70 contracts were not encouraging.
- On QoQ comparison, FM70 dropped 15.49% in its ADV growth as the number of contracts decreased by 244 contracts from 1,573 contracts in Q3 2019 to 1,329 contracts in Q4 2019.
- The quarter-end open interest declined by 21.75% from 308 contracts in Q3 2019 to 241 contracts in Q4 2019.

FM70 YoY Performance

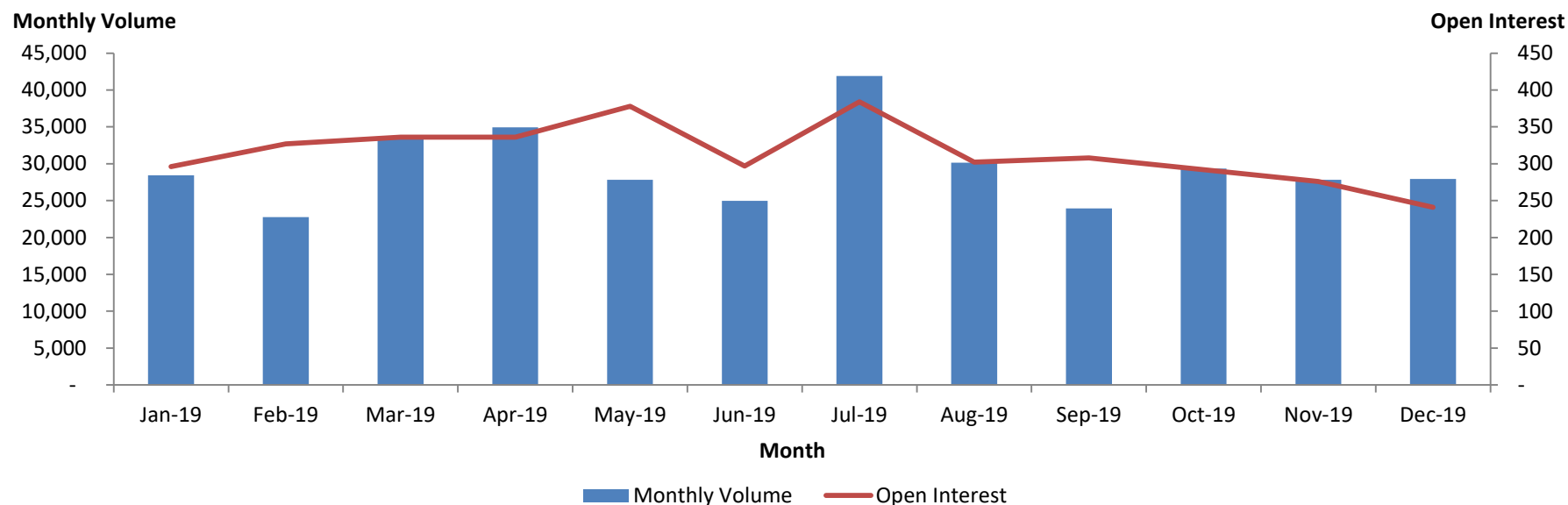


- Comparing from the final quarter of 2018, the ADV had dropped drastically by 43.70% from 2,361 contracts in Q4 2018 to 1,329 contracts in Q4 2019.
- Mirroring the ADV performance, the quarter-end open interest had also tumbled 26.30% from 327 contracts in Q4 2018 to 241 contracts in Q4 2019.



FM70 Performance FY 2019

Total Volume	: 353,344	Total Open Interest	: 3,773	YoY Volume Change (%)	: 104.09	YoY Open Interest Change (%)	: -26.30
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2019 Performance Highlight

Volume		Open Interest	
Yearly High	: 41,884 (July)	Yearly High	: 384 (July)
Yearly Low	: 22,749 (February)	Yearly Low	: 241 (December)

Bursa Malaysia Derivatives Q4 2019 Highlights

1

Disposal of Shares in CME Group by Bursa Malaysia Bhd

- On 25 November 2019, Bursa Malaysia Bhd had announced its disposal of 85,000 shares in CME Group on the open market for US\$17.58 million or RM73.45 million.
- According to Bursa Malaysia, the proceeds from the disposal will be used to finance Bursa Malaysia's planned acquisition of the remaining 25% equity interest in Bursa Malaysia Derivatives Bhd from CME Group Strategic Investments LLC as announced on 18 September 2019.

2

Bursa Malaysia Derivatives Market's Monthly Volume Hits All-Time High

- November 2019 trading volume on Bursa Malaysia Derivatives market recorded an all-time high of 1.47 million contracts following an active crude palm oil futures (FCPO) volumes.
- Based on the statement made by Bursa Malaysia on 5 December 2019, the BMD's November 2019 volume had surpassed the previous record of 1.41 million contracts that were registered in August 2015.



Thank You
Terima Kasih

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