

Performance and Key Highlights of Bursa Malaysia Derivatives (BMD) Products in Q1 2020

Prepared By :
Kenanga Futures Sdn Bhd



Global Highlights



The COVID-19 Pandemic

- The global community entered the first day of 2020 with an unprecedented event, which initially spread across Mainland China but is now global.
- The coronavirus which was first detected in the Wuhan province of China was reported to the World Health Organisation (WHO) in China back on 31 December 2019.
- As soon as several authorities in different countries has confirmed their cases over the following days, WHO declared the outbreak as a Public Health Emergency of International Concern on 30 January 2020.
- On 11 February 2020, WHO announced a name for the new coronavirus disease as COVID-19 which stands for Corona Virus Disease 2019.
- To date, there are 2,407,414 confirmed cases were reported globally with 165,073 deaths occurred.
- Countries around the world are implementing measures to slow the spread of the COVID-19 from national quarantines to school closures with China, Italy and France among the few with the most restrictive mass quarantine measures.
- In mitigating the economic impact of the virus, several countries had announced their economic stimulus packages.



Crude Oil Price War between Russia and Saudi Arabia

- On top of the faltering in crude demand amid the COVID-19 pandemic, the crude oil market was further dampened by the collapse of the steeper production cut talks between OPEC, led by Saudi Arabia and its allied partner Russia.
- Saudi Arabia wished to lead OPEC and its allied producers to make deeper cuts to oil production to stabilise the oil market.
- However, Russia refused to join the initiative as they believed the move will only lead the US shale oil production to keep expanding and strengthening their position in global crude market.
- In retaliation, Saudi cut its official selling prices for April for all crude grades to all destinations by between \$6 and \$8 per barrel in an attempt to punish Russia.
- As a result, both the Brent and WTI crude oil futures fell 24.1% and 24.6%, respectively on 9th March 2020, their biggest daily fall in nearly three decades.

Global Highlights



Federal Reserve Emergency Rate Cut and The Quantitative Easing Programme

- The Federal Reserve slashed the benchmark interest rates by half a percentage point on 3rd March 2020 to combat the economic impact of COVID-19 outbreak.
- The decision, which was outside the regularly scheduled policy meeting, was the first emergency rate cut since the financial crisis in 2008 which left the benchmark rate in a range of between 1% and 1.25%.
- Nevertheless, the Fed cut the rates again on 15 March 2020 to a range between 0% and 0.25% and launched a massive \$700 billion quantitative easing program to shelter their economy.
- At the press conference following the decision, the Fed chairman Jerome Powell said that they will maintain the rate at the current level until the economy weather the recent events and gets back on track to achieve the maximum employment and price stability goals.



US Economic Stimulus Package 2020

- Like any other nations, United States had also announced its own economic stimulus package amounted \$2 trillion to fight the spread of Covid-19.
- The package, which was the largest emergency aid package ever in US history, represented a massive financial injection into an American economy aimed in helping the American households, small businesses and industries.
- The key elements of the package include direct cash assistance to individuals and families, a major expansion of unemployment benefits, money for hospitals and health care providers, financial assistance for small businesses and \$500 billion in loans for distressed companies.

Q1 2020 Market Review

Global Highlights

The Signing of US-China Phase One Trade Deal



- The trade friction between US and China was indeed the main highlight for almost the entire 2019 where the trade tension went between escalation and de-escalation, bringing much volatility and uncertainty to the global market.
- However, the market had at least gained some calm in the middle of January this year when both nations signed a phase one trade deal on 5 January 2020.
- The agreement includes provisions to root out intellectual property theft and forced technology transfers and increase Chinese purchases of U.S. goods.
- It was mentioned that the US government aims to start negotiating the next piece of the trade agreement before the November 2020 election.

Britain Officially Leaves European Union



- After claiming a majority victory in the election, the Prime Minister of United Kingdom, Boris Johnson through the governing Conservative party, was able to break the deadlock in their Brexit Deal at the parliament.
- With that, the country's 47 years of membership in the European Union officially ceased on 31 January 2020.
- Under the terms of the withdrawal agreement between the UK and EU, Britain now enters a transition period until the end of 2020 where the Prime Minister must achieve a trade deal with EU.

US Air Strike on Iran



- In early January this year, the Middle East crisis sparked again when the United States killed Iranian Major General Qassem Soleimani, the Head of the Elite Quds Force, in an air strike at Baghdad airport.
- The killing of the top Iranian guard has caused Iran to respond a few days later by firing a volley of rockets at US targets in Iraq.
- As a result, global oil prices had soared by more than 4% in the wake of the attack.



Malaysia Highlights



Malaysia' New Government

- The political landscape in Malaysia entered into one of its most turbulent time in its history when Malaysia's Pakatan Harapan (PH) coalition, which won the 14th general election in 2018, collapsed amid a series of political upheaval.
- The political plot began when eleven member of parliaments from Parti Keadlian Rakyat (PKR), which was one of the component parties in PH coalition, announced their decision to quit from the party to form an independent bloc, followed by the departure of Parti Pribumi Bersatu Malaysia (Bersatu) from the PH coalition.
- Following the crisis, Prime Minister Tun Mahathir Mohamad has tendered his shocking resignation to the palace.
- The Agong decided to dissolve the Cabinet and later decided to appoint Tan Sri Muhyiddin Yassin from Bersatu as the eighth Malaysian Prime Minister.
- With the appointment, the new cabinet was formed from new ruling coalition of Perikatan Nasional that is made up of Bersatu, United Malay National Organisation (UMNO), Parti Islam Semalaysia (PAS) and several other supporting parties.



The Enforcement of Movement Control Order

- With the continuous rise in COVID-19 cases in Malaysia, the local government has declared the movement control order for the entire nation in order to curb the spread of the virus from 18 March until 28 April 2020.
- Under this order, the public is prohibited to move about within their vicinity unless it is for special purposed or essential activities such as buying food or seeking healthcare.
- As most of the business premises are required to shut down except for those in essential services, many economists foresee that Malaysia's economy could be severely hurt this year.
- The World Bank and International Monetary Fund (IMF) expects Malaysia' GDP to shrink to -0.10% and -1.70% respectively this year, due to large-scale disruption of economic activities that can extend to the most of the year.



Q1 2020 Market Review

Malaysia Highlights



Economic Stimulus Package

- Malaysian government announced its economic stimulus package to counteract the adverse economic impact from the COVID-19 pandemic.
- The first economic package was announced by the former Prime Minister Tun Dr Mahathir Mohamad in 27 February 2020 which amounted to RM20 billion where the package was targeted more on businesses and individuals in the tourism and travel industries.
- On 27 March 2020, the new Prime Minister Tan Sri Muhyiddin Yasin announced an additional stimulus package of RM230 billion, making the total packages worth RM250 billion.
- The new package, known as Pakej Ransangan Ekonomi Prihatin Rakyat or Prihatin, comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of SMEs and RM2 billion to strengthen the country's economy.

Measures Introduced by Bank Negara Malaysia and Securities Commission Malaysia

- Apart from the fiscal measure announced by the Federal government, Malaysia, Bank Negara Malaysia (BNM) had also introduced several monetary measures to cushion the impact of disruptions caused by COVID-19 outbreak.
- Among the highlight from BNM's interventions is the automatic moratorium on loan repayments that will be granted to SMEs and individuals that are affected by the COVID-19 outbreak.
- Meanwhile, to ease the burden of the capital market participants, the SC announced several relief measures that will immediately benefit 231 licensed entities, 30 registered audit firms and 9663 license individuals.
- One of these measures is margin financing flexibilities for broker and investors (**For more details, see the Bursa Malaysia Highlights on Page 18**)



Overall BMD Performance Q1 2020

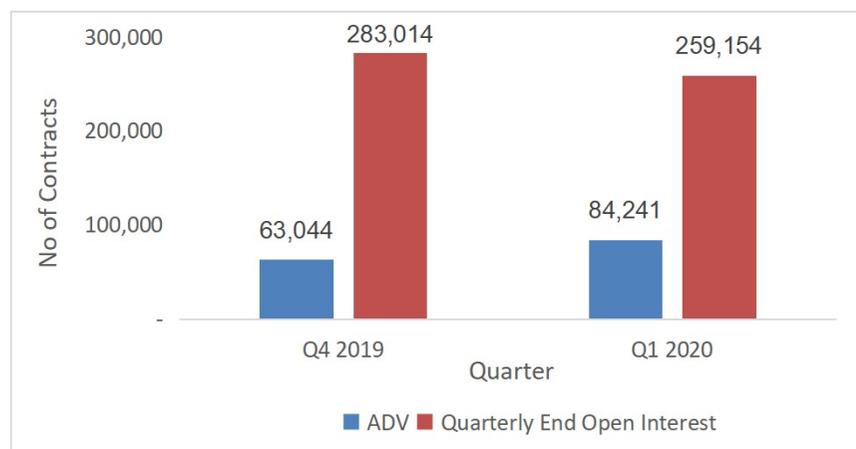
No of Trading Days

Q1 2020 : 64

Q4 2019 : 64

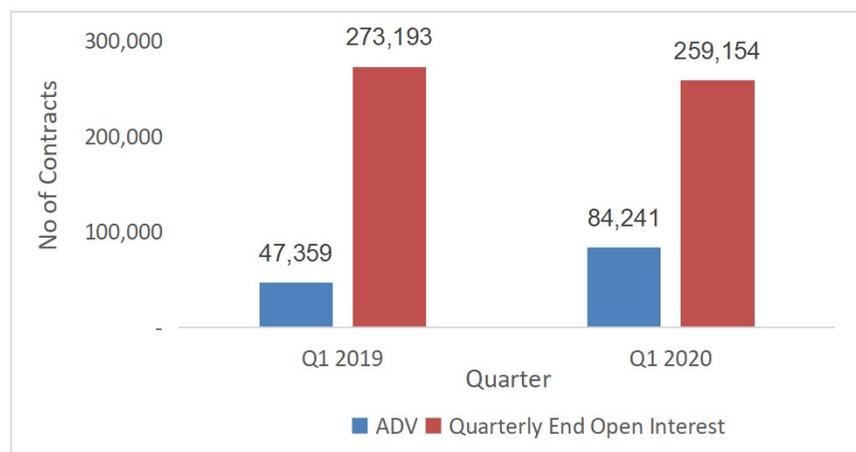
Q1 2019 : 59

QoQ Performance



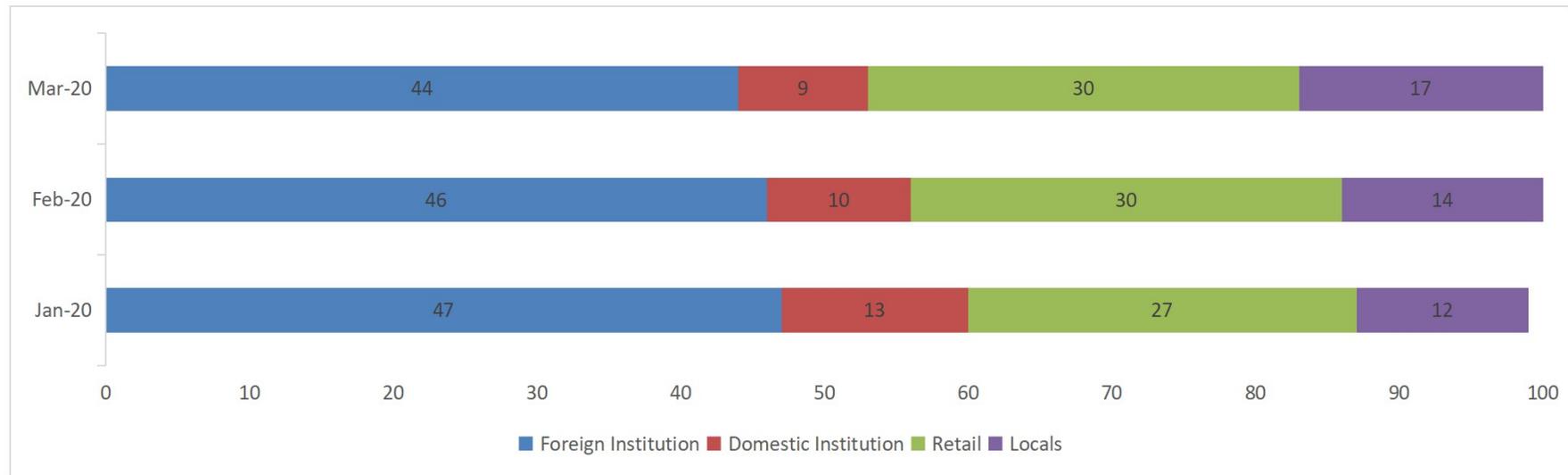
- Amid the market uncertainty caused by the unprecedented COVID-19 pandemic, the ADV for overall products in BMD rose by 33.6% QoQ to 84,241 contracts in Q1 2020.
- Meanwhile, quarterly-end open interest of Q1 2020 shrank 8.43% to 259,154 contracts from 283,014 contracts in Q4 2019.

YoY Performance



- YoY, ADV for overall products in BMD grew tremendously by 77.88% from 47,359 contracts in Q1 2019 to 84,241 contracts in Q1 2020.
- Meanwhile, the quarterly end open interest dropped 5.14% from 273,193 contracts in Q1 2019 to 259,154 contracts in Q1 2020.

Overall BMD Market Demography Q1 2020



Review :

- Amid the escalating volatility surrounding the market environment, foreign institutions remained as the largest market participant for overall BMD market in the first quarter of this year with participation rate ranging between 44% and 47%.
- Retail participants maintained its position as the second largest participant in BMD market with participation rate ranging between 27% and 30%.
- Domestic institution is the third largest participant for the first month of the year with 13% of the market share.
- However, the local participants managed to overtake the third position from February onwards with participation rate ranging between 14% and 17%.

FCPO Performance Q1 2020

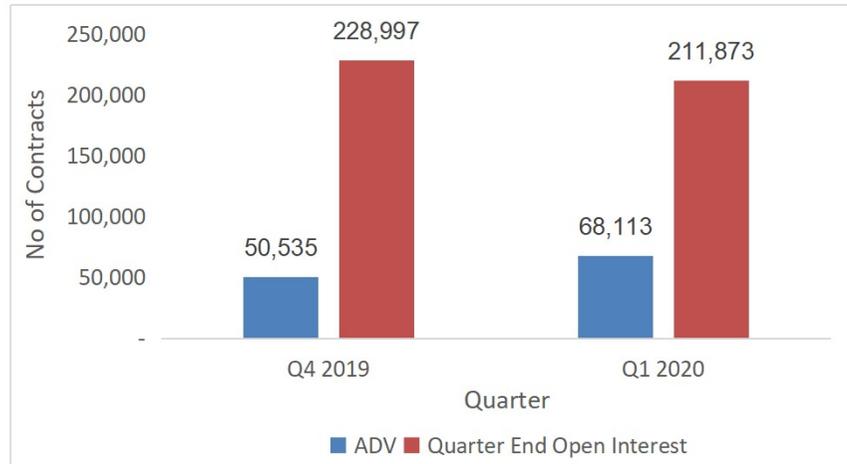
No of Trading Days

Q1 2020 : 64

Q4 2019 : 64

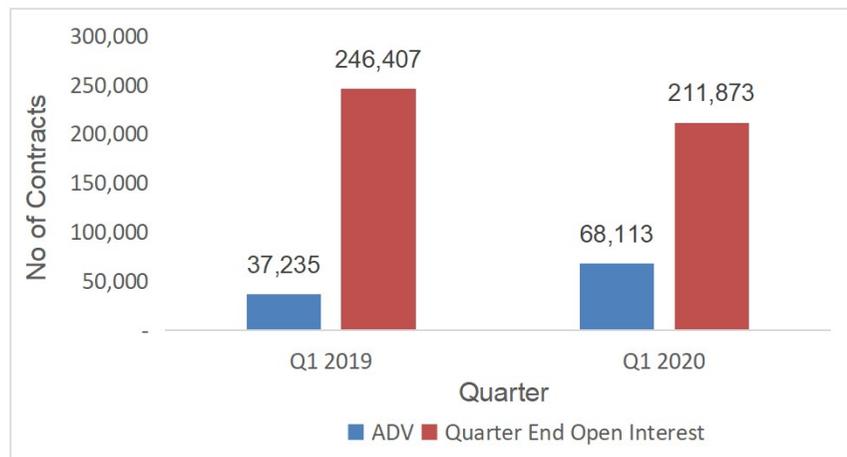
Q1 2019 : 59

QoQ Performance



- On QoQ basis, the ADV for FCPO contracts rose 34.78% from 50,535 contracts in Q4 2019 to 68,113 contracts in Q1 2020.
- However, the quarterly end open interest declined by 7.48% from 228,997 contracts in Q4 2019 to 211,873 contracts in Q1 2020.

YoY Performance



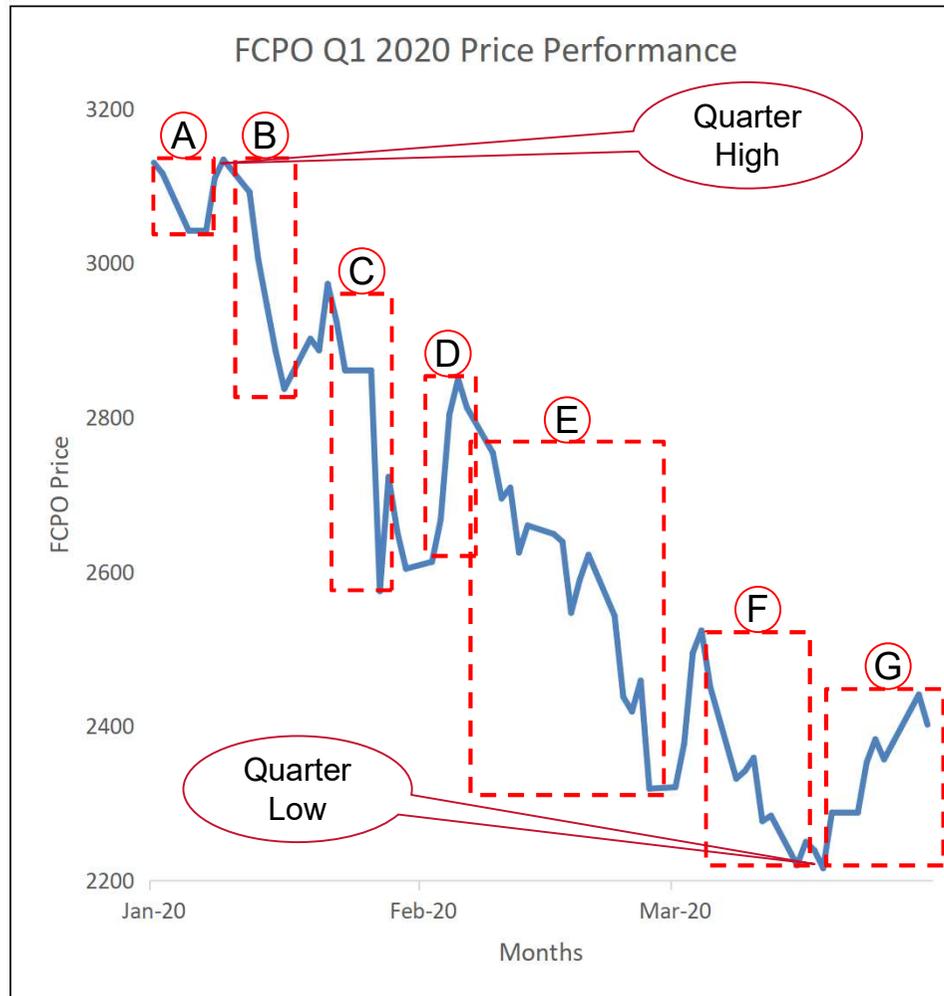
- FCPO displayed an impressive performance in terms of ADV growth when year-on-year comparison was made where the ADV expanded by 82.93% in the first quarter of this year to 68,113 contracts, compared to just 37,235 contracts in the same quarter last year.
- In terms of the quarterly end open interest, the number of contracts fell by 14.02% from 246,407 contracts in Q1 2019 to 211,873 contracts in Q1 2020.



FCPO Q1 2020 Price Performance

Snapshot of FCPO Performance

Price as at : **2,402** Quarter High : 3,134 Quarter Low : 2,216 Q1 2020 : **-23.26**
 31/03/2020 (10/01/2020) (19/03/2020) Performance
 (Last trading day) (% Change)



Period	Remarks
A	2 Jan 20 - 8 Jan 20 (-2.84%) FCPO fell for the first week of 2020 tracking the weakness in crude oil market amid the US-Iran political crisis.
B	10 Jan 20 - 17 Jan 20 (-9.48%) FCPO dropped again on signs of lower India's palm oil demand after its government informally asked their palm oil refiners and traders to avoid buying Malaysian palm oil following the Malaysian criticism of India's actions in the Kashmir region.
C	22 Jan 20 - 28 Jan 20 (-13.39%) FCPO was on a downtrend as the fast-spreading coronavirus in China raised fears over palm oil demand that was already hit by a diplomatic row between Malaysian and India.
D	31 Jan 20 - 6 Feb 20 (+9.45%) FCPO bounced back on bargain hunting amid the bullish forecast of lower January palm oil inventories due to dry weather and lower fertiliser usage last year.
E	7 Feb 20 - 28 Feb 20 (-17.56%) FCPO was in negative territory for the most part of February on intensifying concerns over lower palm oil demand as more countries were hit with COVID-19.
F	5 Mar 20 - 16 Mar 20 (-12.04%) The FCPO fell in tandem with overnight plunge in crude oil market amid the collapse of OPEC+ production cut talks and tracking the declaration of COVID-19 as pandemic by WHO.
G	19 Mar 20 - 31 Mar 20 (+8.39%) The local palm oil market recovered from their losses on signs of production disruption as several plantations in East Malaysia were closed in conjunction with Movement Control Order.

FCPO Market Demography Q1 2020



Review :

- Foreign institutions remained to be the largest participant in the FCPO market for the first quarter of this year with participation rate ranging between 42 to 44%.
- Like in the previous quarter, retail participants continued to be the second largest participants in the FCPO market with participation rate ranging between 30 to 31%.
- Both local participants and domestic institutions share the same market share for the first month of this year at 13% each before local participants surpassed domestic institutions in February and March 2020.

FKLI Performance Q1 2020

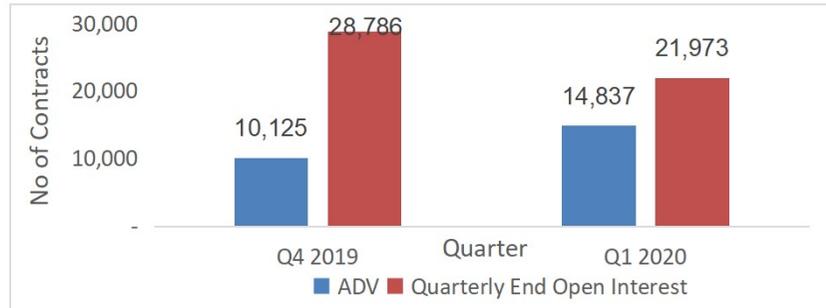
No of Trading Days

Q1 2020 : 64

Q4 2019 : 64

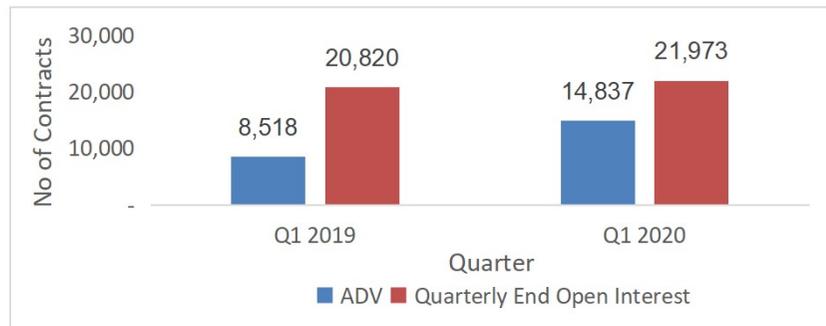
Q1 2019 : 59

QoQ Performance



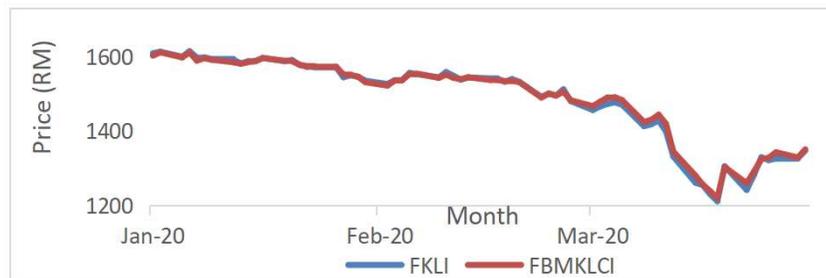
- Mirroring the FCPO performance, FKLI also showed a solid growth in its ADV where the number of contracts jumped by 46.53% from 10,125 contracts in fourth quarter of last year to 14,837 contracts in first quarter this year.
- The quarterly end open interest declined from 28,786 contracts in Q4 2019 to 21,973 contracts in Q1 2020, a 23.67% drop.

YoY Performance



- Unlike FCPO, FKLI registered growth in both ADV and quarterly end open interest on year-on-year basis.
- The ADV expanded by 74.18% from 8,518 contracts in Q1 2019 to 14,837 contracts in Q1 2020.
- Meanwhile, the quarterly end open interest grew by 5.54% from 20,820 contracts in Q1 2019 to 21,973 contracts in Q1 2020.

Spread between FKLI and FBMKLCI

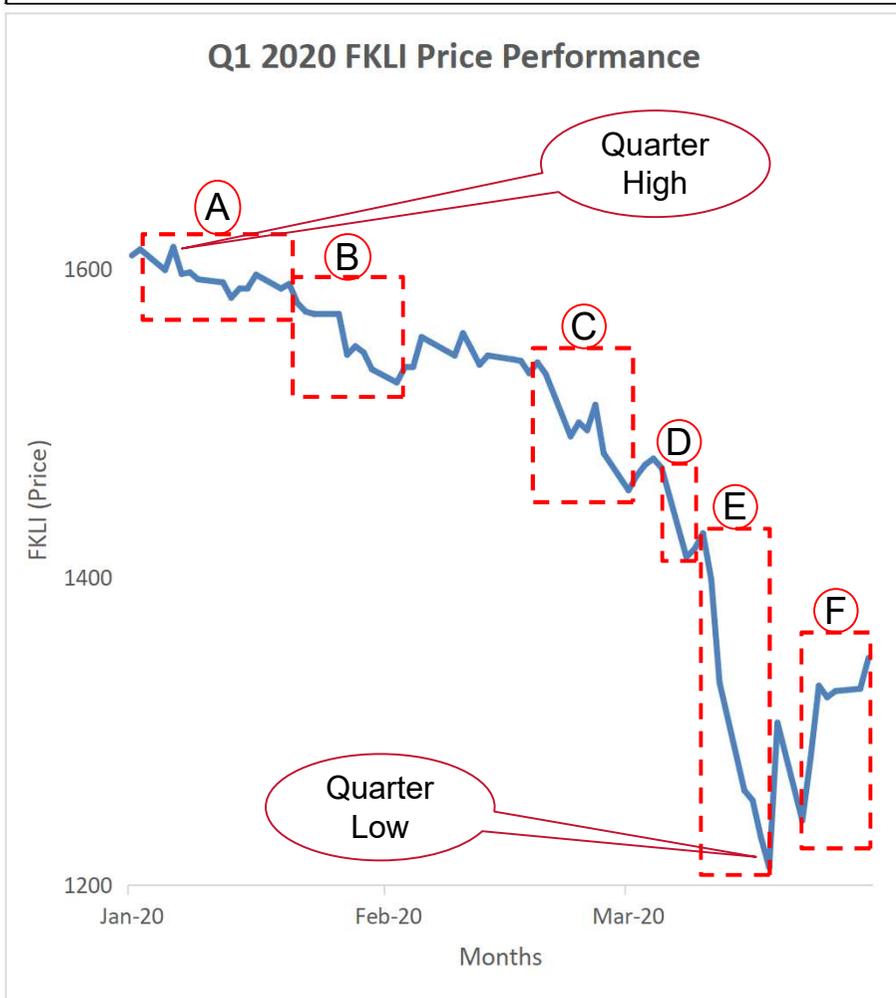


- Widest Premium : +7.90 (08/01/2020)
- Widest Discount : -20.93 (12/03/2020)

FKLI Q1 2020 Price Performance

Snapshot of FKLI Performance

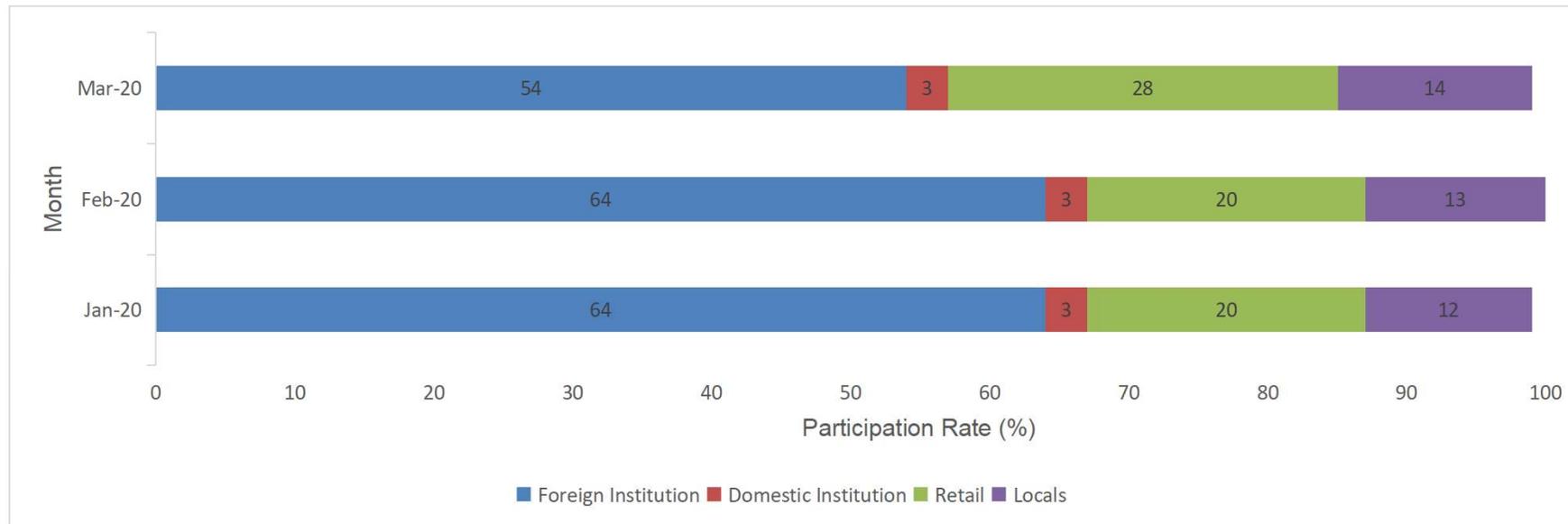
Price as at : **1,347.50** Quarter High : **1,614.50** Quarter Low : **1,211.50** Q1 2020 : **-16.25**
 31/03/2020 (Last trading day) (07/01/2020) (19/03/2020) Performance (% Change)



Period	Remarks
A	2 Jan 20 - 20 Jan 20 (-1.34%) • Local market was mostly under pressure in the first 20 days of January 2020 as the US-Iran political crisis took its toll on world equity including FBMKLCI. • However, the signing of phase one trade deal between US and China provide some support to local bourse.
B	21 Jan 20 - 3 Feb 20 (-4.02%) FKLI fell in tandem with other global markets as the coronavirus cases began to rise rapidly in China causing concerns over potential slowing economic activities in the world's second largest economy.
C	20 Feb 20 - 03 Mar 20 (-4.77%) FKLI dropped again due to following factors: • renewed COVID-19 concerns • cautious approach ahead of the Malaysian corporate financial reporting season for the Q4 2019 • political upheaval in Malaysia amid the shocking resignation of Prime Minister
D	6 Mar 20 - 9 Mar 20 (-3.94%) The local market suffered its biggest daily drop in line with broad-based weakness in global equities, tracking the overnight plunge in crude oil market following the collapse of production cut talks between OPEC and Saudi Arabia.
E	11 Mar 20 - 19 Mar 20 (-15.19%) FKLI fell by a large quantum on intensifying fear over global economic slowdown after World Health Organisation (WHO) declared COVID-19 as pandemic.
F	23 Mar 20 - 31 Mar 20 (+8.49%) FKLI managed to rebound on bargain hunting mode ahead of the new Malaysian COVID-19 stimulus package.



FKLI Market Demography Q1 2020

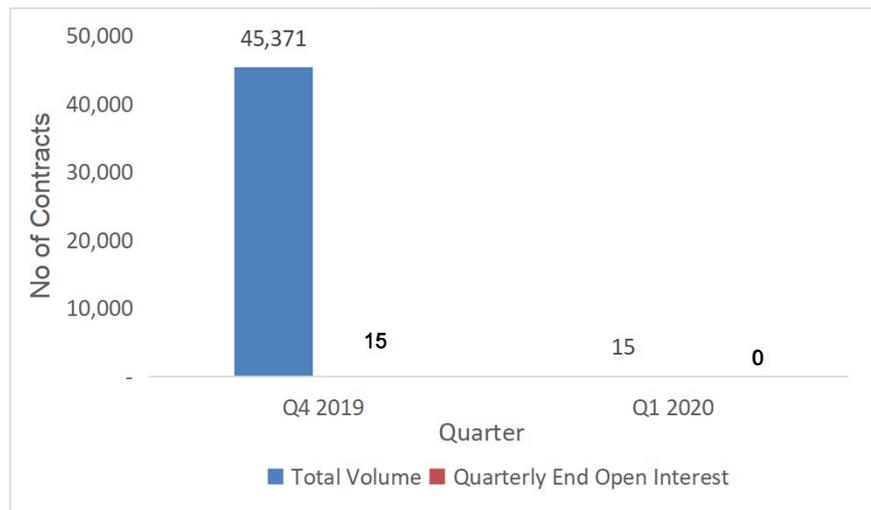


Review :

- The domination of the foreign institution continued to be seen in FKLI where their participation rate remained at 64% for the first two months of the year before declining to 54% in March.
- Both retail and local participants remained to be the second and third largest participants, respectively in FKLI market for Q1 2020 where the participation rate was improving marginally.
- Domestic institution is the fourth largest participation rate, consistently making up 3% of the market demography in FKLI market.

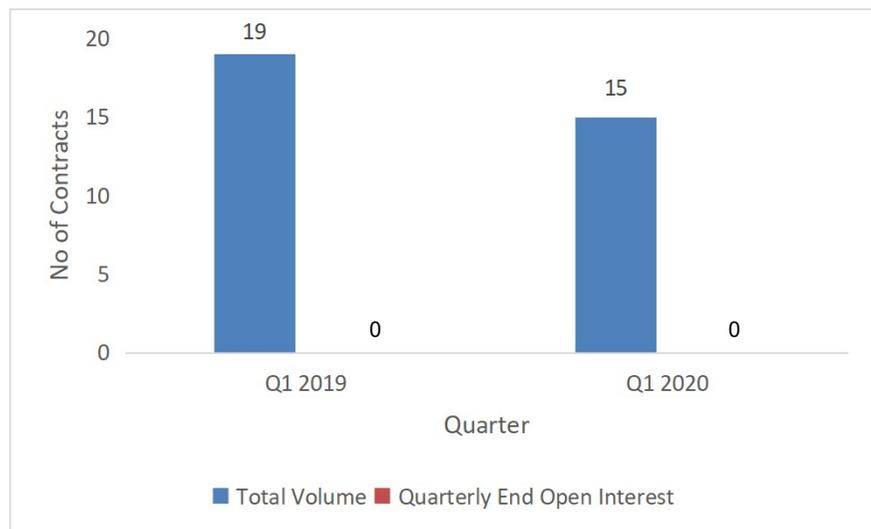
FPOL Performance in Q1 2020

FPOL QoQ Performance



- FPOL contracts kick off 2020 with a lacklustre performance as both its total volume and quarterly end open interest dropped.
- The total volume declined drastically from 45,371 contracts in final quarter of last year to just 15 contracts in the first quarter this year.
- No contract was seen in the quarterly end open interest of Q1 2020, compared to 15 contracts in Q4 2019.

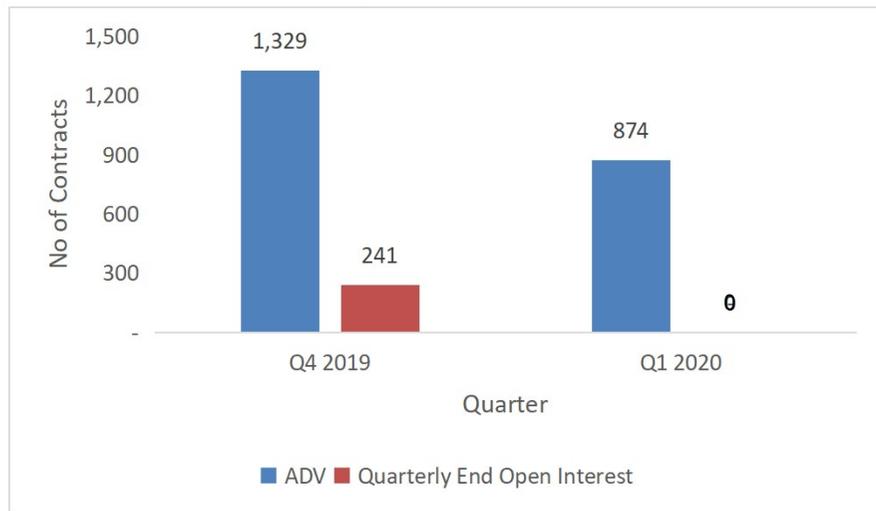
FPOL YoY Performance



- In terms of YoY basis, the total volume for FPOL contracts declined by 4 contracts from 19 contracts in Q1 2019 to 15 contracts in Q1 2020.
- No quarterly end open interest were registered in both first quarters of each year.

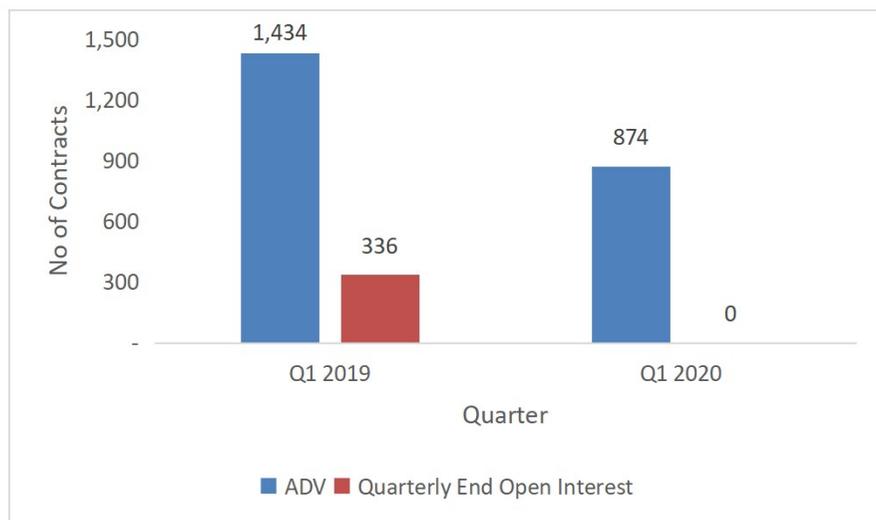
FM70 Performance Q1 2020

FM70 QoQ Performance



- For FM70 contracts, the ADV has dropped by 34.23% on QoQ basis from 1,329 contracts in Q4 2019 to 874 contracts in Q1 2020.
- While the quarterly end open interest for the Q4 2019 was seen at 241 contracts, no contract was registered for the Q1 2020.

FM70 YoY Performance



- Similar to that performance on QoQ basis, both ADV and quarterly end open interest of the FM70 contracts dropped on YoY comparison.
- The ADV declined by 39.05% from 1,434 contracts in Q1 2019 to 874 contracts in Q1 2020.
- Meanwhile, the quarterly end open interest for Q1 2019 and Q1 2020 were 336 and 0 contracts respectively.

Bursa Malaysia Derivatives Q1 2020 Highlights

1

Introduction of New Contract : Options on United States Dollar Denominated Refined, Bleached and Deodorised Palm Olein Futures (OPOL)

- In early January this year, Bursa Malaysia Derivatives (BMD) launched the options contract on US dollar denominated refined, bleached and deodorised (RBD) palm olein futures (OPOL).
- The contract, which is the world's first options contract on palm olein, would complement the existing US dollar denominated RBD palm olein futures contract (FPOL).
- All market participants will be entitled to an exchange fee and clearing fee waiver on OPOL transactions until 30 June 2020.

2

Announcement on the Launching of the Physical Settlement of MGS Futures in September

- On 3 March 2020, BMD announced an initiative to enhance the delivery mechanisms of Malaysian Government Securities (MGS) futures by targeting the launch of the physical settlement in September 2020.
- According to BMD, the initiative, which is the collaboration between Securities Commission Malaysia (SC), Bank Negara Malaysia (BNM) and key market stakeholders, will undergo a series of industry-wide testing that is expected to take place beginning June 2020 to ensure the system and market readiness before the launch.

3

Suspension of Trading in the contracts of Mini FTSE Bursa Malaysia Mid 70 Index Futures

- BMD announced its decision on the suspension of trading in the contracts of Mini FTSE Bursa Malaysia Mid 70 Index Futures, or better known as FM70.
- On its circular dated 5 March 2020, BMD said the decision was made in view of its current exercise in reviewing the contract specification of the FM70 contracts.
- According to BMD, the suspension came into effect on 6 March 2020 for the April 2020 contract onwards, and the suspension will be in place until further notice.



Bursa Malaysia Derivatives Q1 2020 Highlights

4

Another Historical Daily High Record on Bursa Malaysia Derivatives (BMD)

- Bursa Malaysia Derivatives (“BMD”) achieved another two new historical high milestones on 17 March 2020.
- The total Exchange daily trading volume registered a new all-time high of 161,236 contracts traded, surpassing the previous record of 140,945 contracts achieved on 28th January 2020.
- Similarly, the Crude Palm Oil Futures (“FCPO”) contracts recorded its new highest daily trading volume with 126,755 contracts traded, surpassing the previous record of 113,668 contracts traded set on 12th February 2020.
- This persistent increase in participation interest showed the continued confidence among market participants to hedge price volatility against market uncertainties through BMD’s FCPO.

5

A New Set of COVID-19 Relief Measures by Bursa Malaysia

- As one of the essential services under the Movement Control Order (MCO), Bursa Malaysia remains open to ensure the stability of the Malaysian capital market.
- On top of that, the regulator has announced several measures to help lessen the financial burden and provide greater flexibility in navigating the challenging period posed by the COVID-19 pandemic.
- Some of the measures that related to market participants are :
 - i. The provision of more flexibility and discretion to securities brokers by removing the requirement to automatically liquidate their client’s margin account if the equity in the margin account falls below 130% of the outstanding balance.
 - ii. Securities brokers will also not be required to make additional margin calls or impose haircuts on any collateral and securities purchased and carried in margin accounts due to an unusually volatile market.
 - iii. The Exchange will allow brokers to accept other collaterals, such as bonds, collective investment schemes, unit trusts, gold and immovable properties for purposes of maintaining their clients’ margin account if such collaterals are valued as per the broker’s credit policy.



**Thank You
Terima Kasih**



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Prepared by Kenanga Futures Sdn Bhd, a Trading Participant of Bursa Malaysia Derivatives Berhad and a Clearing Participant of Bursa Malaysia Derivatives Clearing Berhad