



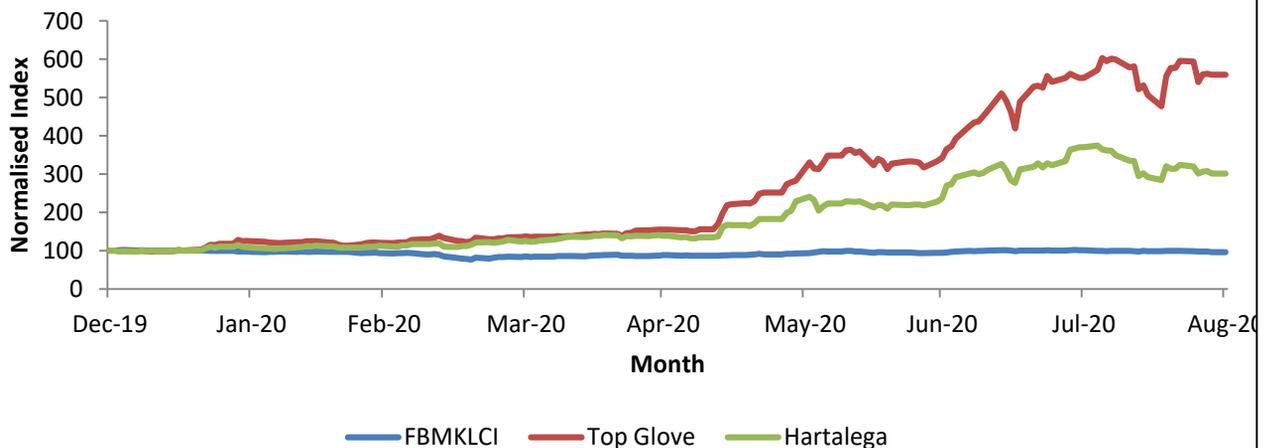
KF Spotlight on Glove Makers: Get In On the Action With Single Stock Futures (SSF)

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2020 has been nothing but a year filled with uncertainties and surprises, with the spread of the COVID-19 pandemic changing market dynamics and causing a shift in market sentiment. Like other major indices in the world, FBMKLCI also experienced a tumultuous year so far. The local bourse hit its lowest YTD level of 1,219.72 on 19 March 2020 as the COVID-19 pandemic worsen before recovering to its pre-COVID-19 level later in May.

While many sectors of the economies were hit negatively by the pandemic and the lockdown measures imposed globally, one sector seems to be a major beneficiary of this pandemic – rubber glovemakers – which saw a surge in demand for rubber gloves by many folds globally during the pandemic. Glove makers listed on Bursa Malaysia had seen their share prices soar to record heights. As at 28 August 2020, the two (2) of the largest, Top Glove Corporation Berhad (TOPG) and Hartalega Holdings Bhd (HARTA), saw a YTD gain of 459% and 201%, respectively.

Normalised YTD 2020 Price Performance



	Market Cap (RM bil)	Last Traded Price (RM)	YTD Return (%)
FBMKLCI	N/A	1,525.21	-4.00
Top Glove	71,170.54	26.28	+459.15
Hartalega	56,624.07	16.52	+201.46

Data as at 28/08/2020

Source : Bloomberg

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How to Gain Exposure in Glove Makers

With no certainty on when this pandemic will end or when a vaccine will be successfully developed, some analysts remain bullish with this sector and recommend clients to include glovemakers in their investment portfolio. On the flip side, some shareholders may like to hedge their exposure in this uncertain time, especially on the vaccine development front. There are three (3) ways on how one can participate in this rally on Bursa Malaysia and Bursa Malaysia Derivatives.

1. Stock

The most common way is by buying and selling the glove makers' stocks on stock markets. By buying the shares of the company on the stock exchange, the trader will own units of shares in the company. Both TOPG and HARTA are listed on Bursa Malaysia.

2. Warrants

Warrants are equity derivatives that provide the right (not the obligation) to buy or sell stock at a certain price on a predetermined date. Typically, warrants consists of company warrants and structured warrants where the former are issued by the company itself, while the latter are issued by a third party issuer, namely an eligible broker or financial institution. There are several structured warrants of glovemakers listed on Bursa Malaysia that a trader can trade on.

3. Single Stock Futures (SSF)

SSF are futures contracts where the underlying products are selected individual stocks listed on Bursa Malaysia. SSFs have the following features :

Standardised contract

- SSFs have standardised contract specifications as determined by Bursa Malaysia Derivatives Exchange (BMD)

Exchange Traded

- SSFs are traded and cleared on BMD

Standard quantity of a specific underlying asset

- Each SSF is equivalent to 1,000 shares of the underlying asset

Expiry on a predetermined future date

- SSFs expire on the last business day of the contract month and are cash settled

Able to short sell legally

- Clients can short sell SSFs overnight legally without borrowing costs

Source : Bursa Malaysia Derivatives

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Which stocks are available for SSF trading?

From 13 January 2020, the following Bursa Malaysia blue-chip stocks are available for trading

1. CIMB Group Holding Bhd Futures
2. DRB HICOM Bhd Futures
3. Gamuda Bhd Futures
4. Genting Bhd Futures
5. Genting Malaysia Bhd Futures
6. Hartalega Holding Bhd Futures
7. Inari Amerthon Bhd Futures
8. MY EG Service Bhd Futures
9. Telekom Malaysia Bhd Futures
10. Top Glove Bhd Futures

Why SSF?

Source : Bursa Malaysia Derivatives



Capital Efficiency

The margin required to start trading is only a fraction of the value of the underlying stocks.



Low Entry Cost

The stock transaction costs are low relative to purchasing or selling the total underlying stocks



Enhance Trading Strategies

Provide opportunities to protect/hedge the stock portfolio with the same underlying stocks

Contract Specifications of SSF:

Contract Code	SSF
Underlying Instrument	Selected Single Stock
Contract Size	1,000 unit shares
Minimum Price Fluctuation	0.02 point valued at RM20
Daily Price Limits	None
Contract Months	Spot month, the next month and the next two calendar quarterly months. The calendar quarterly months are March, June, September and December
Trading Hours	1 st session : 0845 – 1245 (Malaysian Time) 2 nd session : 1430 – 1715 (Malaysian Time)
Final Trading Day	The last business day of the contract month
Settlement Method	Cash Settlement

Source : Bursa Malaysia Derivatives

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Rubber Glove Sdn Bhd has recently announced a better-than-expected net profit due to surge in demand for rubber gloves globally. As a result, the share price for the Rubber Glove Sdn Bhd is expected to rise in near term. To profit from this positive sentiment, a trader can buy (long) 1 lot SSF of Rubber Glove Sdn Bhd which is equivalent to 1,000 unit shares. The initial margin required is RM400.

Bullish Trading Example

Present

Buy (Long) 1 SSF contract of Rubber Glove Sdn Bhd at the price of RM 4.00 per unit at a total of RM 4,000



5 days Later

The share price of Rubber Glove Sdn Bhd rose to RM 4.80 per unit. Take profit by Selling (Short) 1 SSF contract of Rubber Glove Sdn Bhd at the price of RM 4.80 per unit at a total of RM 4,800.

Calculation

Net Profit (A)
= RM 4,800 – RM 4,000
= RM 800

Initial Margin Deposited (B)
= RM 400

Return on Investment
= (A) / (B) * 100%
= RM 800 / RM 400 * 100%
= **200%**

ABC Glove Sdn Bhd has recently recorded a worse-than-expected quarterly net loss due to decline in glove demand. As a result, the share price of ABC Glove Sdn Bhd is expected to decline in near term. A trader can gain profit from this loss expectation by selling (short) 1 lot SSF of ABC Glove Sdn Bhd which is equivalent to 1,000 unit shares. The initial margin required for ABC Glove Sdn Bhd is RM 400.

Bearish Trading Example

Present

Sell (Short) 1 SSF contract of ABC Glove Sdn Bhd at the price of RM 5.00 per unit at a total of RM 5,000



5 Days Later

The share price of ABC Glove Sdn Bhd has indeed declined to RM 4.20 per unit. Buy (Long) 1 Lot SSF contract for ABC Glove Sdn Bhd at the price of RM 4.20 per unit at a total of RM 4,200.

Calculation

Net Profit (A)
= RM 5,000 – RM 4,200
= RM 800

Initial Margin Deposited (B)
= RM 400

Return on Investment
= (A) / (B) * 100%
= RM 800 / RM 400 * 100%
= **200%**



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