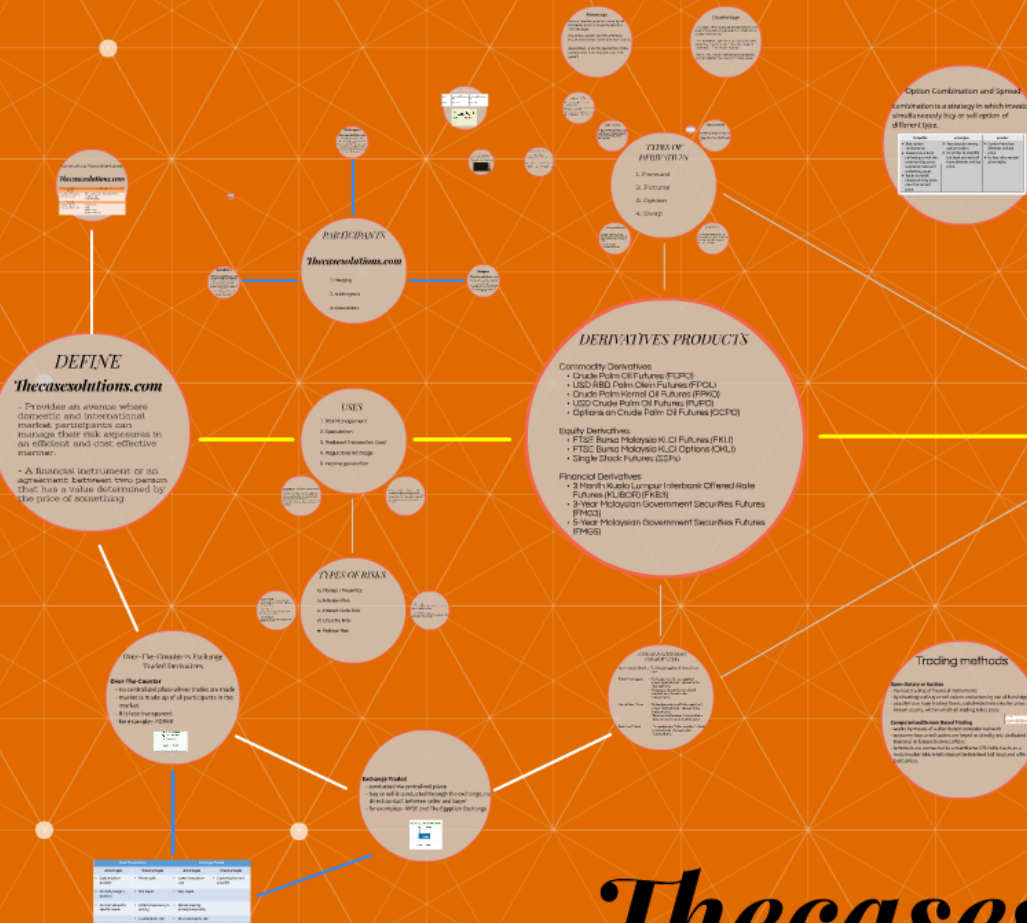


# Single-Stock Futures

DERIVATIVES MARKET



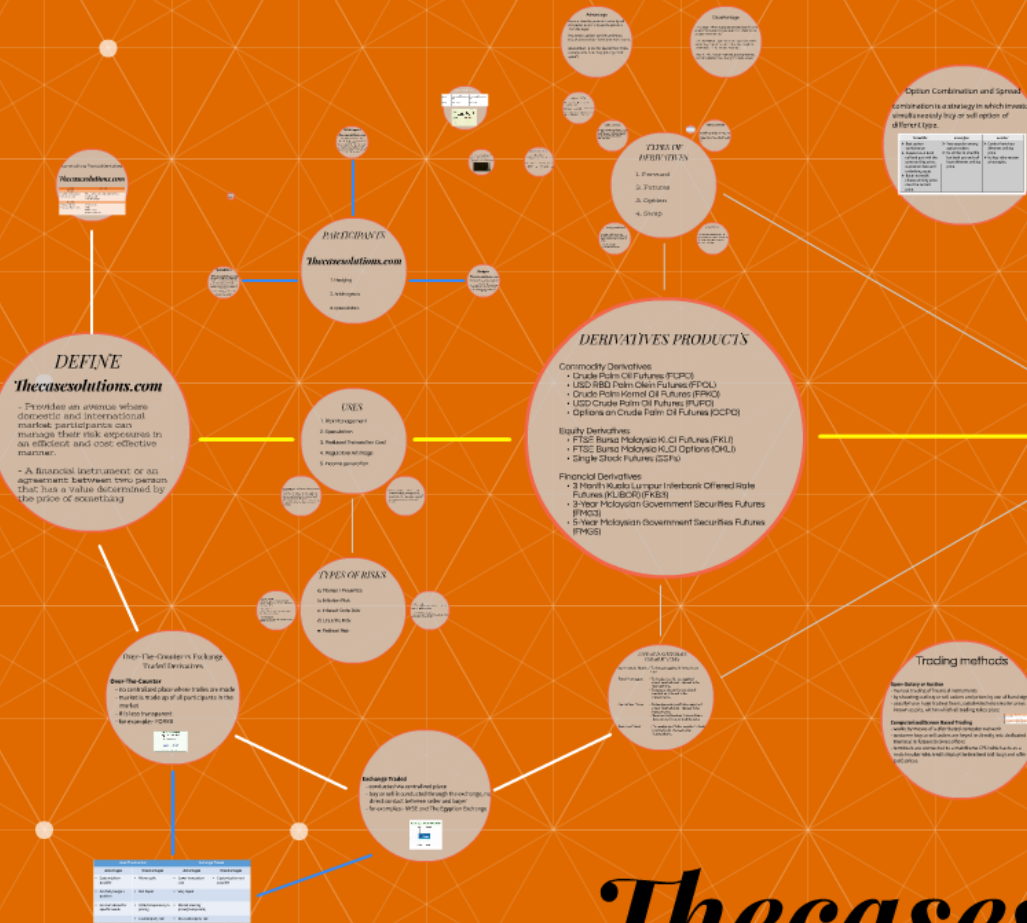
## QUIZ

1. Define the meaning of derivative market.
2. List 4 types of derivatives
3. List any 4 types of risks that can be found in derivative market.

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# *DEFINE*

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- Provides an avenue where domestic and international market participants can manage their risk exposures in an efficient and cost effective manner.
- A financial instrument or an agreement between two person that has a value determined by the price of something

# BURSA MALAYSIA

## *Thecasesolutions.com*

- derivatives in Malaysia is traded at Bursa Malaysia Berhad.
- 3 categories of derivatives: Commodity Derivatives, Equity Derivatives and Financial Derivatives for our clients.
- Its main product is the Crude Palm Oil Futures contract (FCPO) which is the global price benchmark for the palm oil industry.

# Commodity vs Financial Derivatives

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Category	Asset type
Physical	
➤ Agricultural commodities	- Wheat, soybean, crude palm oil, coffee beans
➤ Metals and energy	- Gasoline, gas oil - Gold, silver, copper
Financials	
➤ Foreign currencies	- US\$, Yen, Euro
➤ Equity and bond futures	- T-bills - KLIBOR futures - Various stock indexes

# *PARTICIPANTS*

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1. Hedging
2. Arbitrageurs
3. Speculators

# Hedgers

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- someone who bears risk and use these markets to reduce and manage the risk on exposure to market volatility.
- understands the market well and makes decision regarding if, when and how much to hedge
- more focus on protecting the value of their portfolio

# Arbitrageurs

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- they play in an extremely fast paced environment with decisions being made at a moment's notice
- play an important role in increasing liquidity in the market thus making it more fluid
- take advantage by simultaneously selling and buying underlying asset at different markets
  - focus on making profit



# Speculators

## *Thecasesolutions.com*

- speculators can make huge profits when market is favorable or occur a huge loss when the market is unfavorable
- they are motivated and attracted to the market in view of profit from volatility of the prices
- someone who accepts risk and a high risk taker
  - focus on making profit