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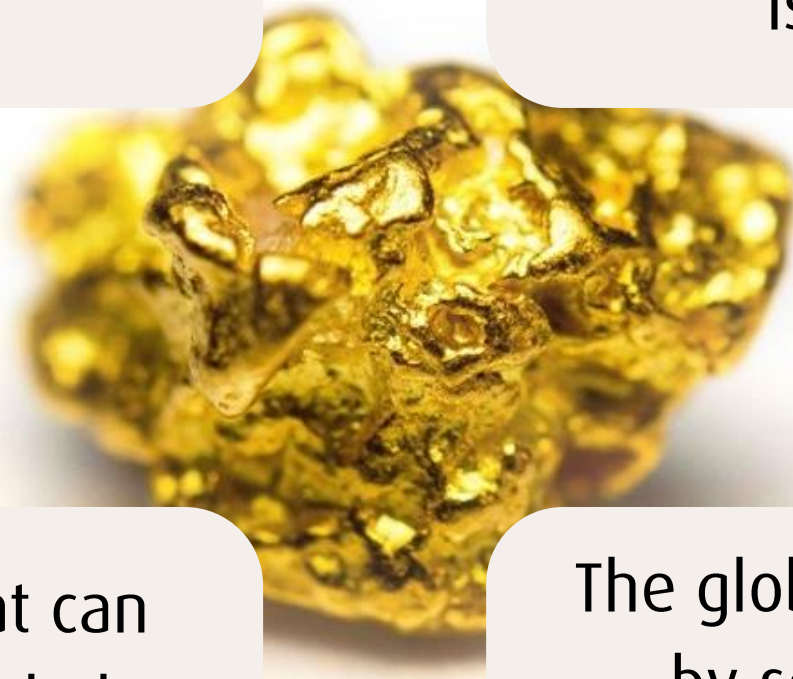
**INTRODUCTION TO  
GOLD  
FUTURES**



# WHAT IS GOLD

The most sought after precious and valuable metal

The purity of gold is presented by the term 'carat' where pure gold is 24 carats



A soft metal that can be rolled, pounded, twisted, and/or squeezed into different shapes

The global usage of gold by sector in 2021:

Jewellery: 55.4%  
Investment: 25%  
Industry: 11.3%  
Technology: 8.2%



# CHARACTERISTICS OF GOLD

1. Lustrous yellow with a \_\_\_\_\_  
slight reddish hue



2. Readily forms **alloys** with other metals for jewellery making



## Yellow Gold

Pure gold, silver and copper

## White Gold

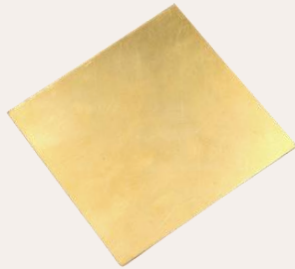
Pure gold and white metals such as palladium, silver, zinc or nickel

## Rose Gold

Pure gold, silver and copper (of a higher percentage)

# CHARACTERISTICS OF GOLD

## 3. The most malleable and ductile metal



### MALLEABILITY

The ability to be hammered into **thin sheets** without breaking

1 g of gold can be hammered into a 1 m<sup>2</sup> sheet of gold leaf



### DUCTILITY

The ability to be stretched into **wire** without breaking

1 g of gold can be drawn into a wire up to 2 km

# WHERE DOES GOLD COME FROM

## **Gold Mine Exploration: 1 - 10 years**

Gold mine is explored through investing significant financial resources, time and expertise in geology, geography, engineering and chemistry.

## **Gold Mine Development: 1 - 5 years**

Through planning and construction, gold mine is developed by mining companies.

## **Gold Mining Operation: 10 - 30 years**

Ore and rock are extracted and transformed into gold through automation, electrification, and digitization.

# USAGE OF GOLD

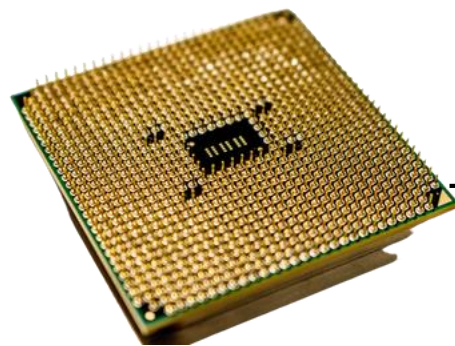


## Jewellery

Rings, necklaces, earrings

## Dentistry

Fillings, crowns, bridges



## Electronics

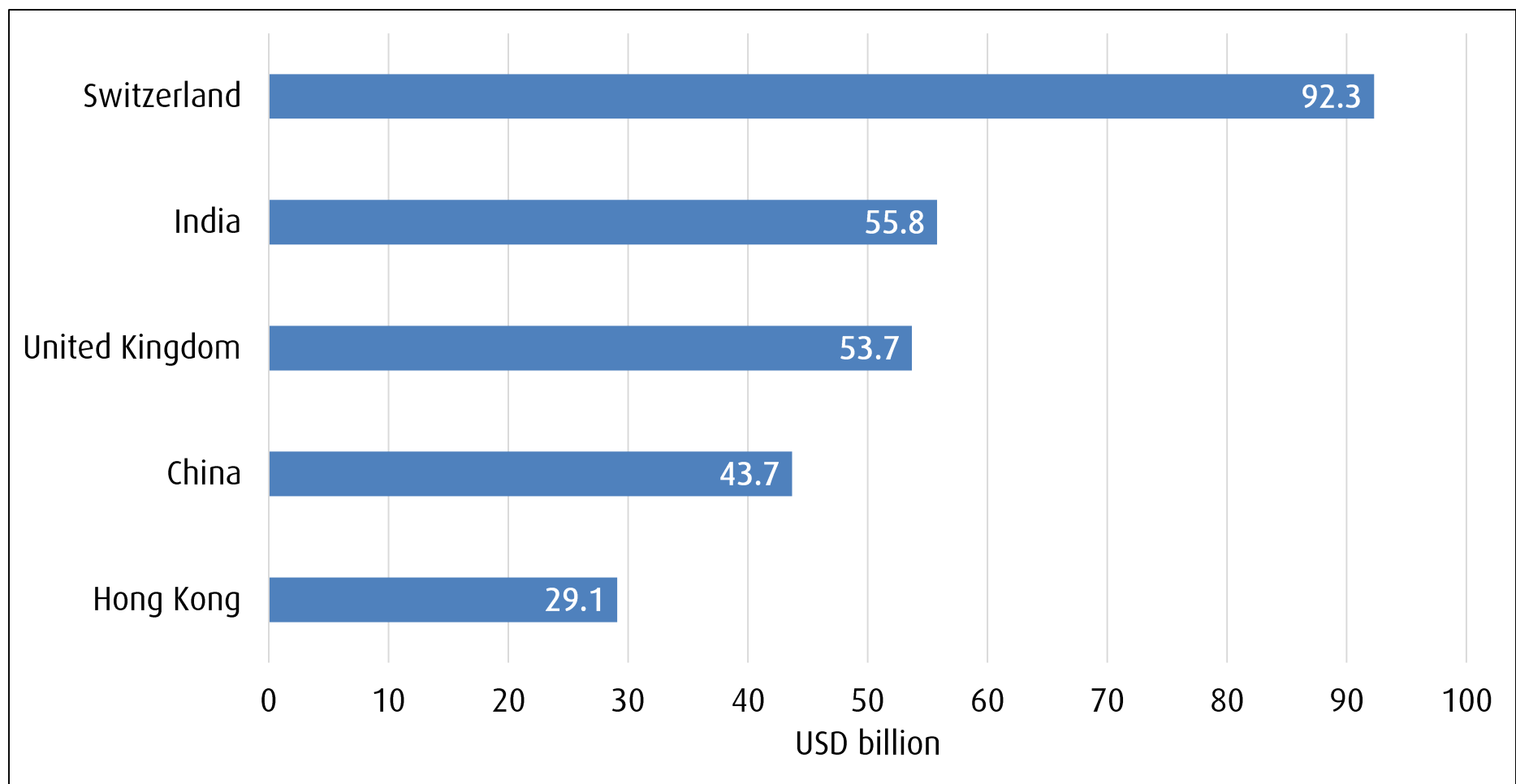
Conductors and connectors

## Others

- Cables
- Computer Chips
- Currency
- Medals
- Medicine
- Trophies
- Food
- Buildings

# DEMAND FOR GOLD

The top 5 gold importers worldwide in 2021 are shown below:



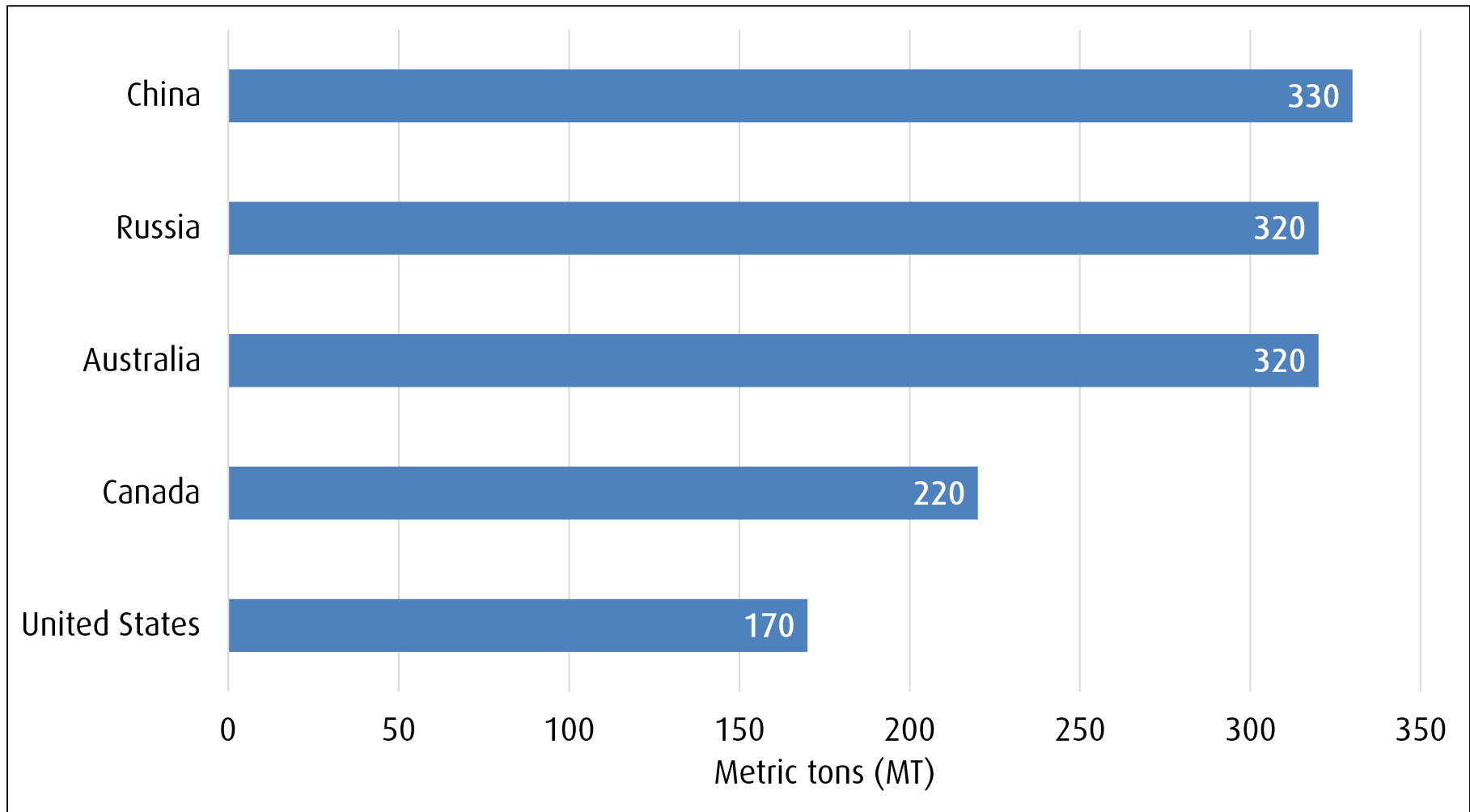
**Switzerland** remains the largest gold importer in the world that accounts for more than **23.4%** of the total global import.

As reported by the World Wildlife Fund in 2018, **60% to 70%** of gold passed through Switzerland to be refined in making **Swiss luxury watches**.



# SUPPLY OF GOLD

The top 5 producers of gold worldwide in 2022 are shown below:



China is the world's largest gold producer that supplied 330 MT of gold in 2022, followed by Russia and Australia (320 MT respectively).



# FACTORS AFFECTING DEMAND AND SUPPLY FOR GOLD

## WORLD ECONOMIC EVENT

Financial crisis and political uncertainty drive gold prices up as investors tend to purchase gold as a safe-haven asset to overcome inflation.

## CENTRAL BANK/ FEDERAL RESERVE INTEREST RATE

Investors will invest in higher-liquidity instruments like stocks and bonds when the interest rate increases, making gold less attractive as a trading tool.

## ECONOMIC DATA

Economic data like non-farm payroll, inflation, quarterly GDP and CPI will affect gold prices. E.g.: A positive GDP growth will drive gold prices lower.

# FACTORS AFFECTING DEMAND AND SUPPLY FOR GOLD

## U.S. DOLLAR CURRENCY RATE

When the value of the U.S. dollar weakens, the demand for gold increases as it is cheaper to buy.

## WORLD CENTRAL BANK GOLD RESERVES

Gold prices rally when there is less supply of gold in the market due to central banks' decision to increase gold reserves.

## JEWELLERY AND ELECTRONICS INDUSTRY DEMAND

A higher demand from jewellery and electronics industry will result in a surge in gold prices.

# WHAT IS GOLD FUTURES



A contract in which the buyer and seller agree to buy or sell

- a specific quantity of gold
- at a specified price
- on a specified date

Investors can take **long** or **short** positions to gain profits when the market moves in favour of their position.

Used by institutions as a hedging tool to **hedge** their portfolio against adverse price movements.

Gold Futures are available in both local and foreign exchanges:

- Bursa Malaysia Derivatives
- CME - COMEX

# WHY TRADE GOLD FUTURES

Portfolio diversification  
beyond traditional stocks  
and bonds

**DIVERSIFY**

Greater liquidity and  
flexibility than buying  
physical gold

**LIQUIDITY**

Provide greater leverage  
through margin trading

**LEVERAGE**

Use Gold Futures to  
speculate on the price  
of gold

**SPECULATE**





# COMPARISON OF GOLD FUTURES

EXCHANGES	BMD	CME - COMEX	
PRODUCTS	BMD Gold Futures	100oz Gold	E-Micro Gold
PRODUCT SYMBOL	FGLD	GC	MGC
CONTRACT SIZE	1 contract = the reference price per troy ounce multiplied by the contract multiplier  *contract multiplier=40	100 troy ounces (31.1035 gram)	10 troy ounces
MIN. PRICE FLUCTUATION	USD 0.10	USD 0.10	
VALUE PER TICK	RM4.00	USD 10.00	USD 1.00
SETTLEMENT	Cash settlement	Physical delivery	
CONTRACT MONTHS	Spot month; and Next 3 calendar months; and Any February, April, June, August, October and December within a 12-month period beginning with the spot month.	Monthly contracts listed for 3 consecutive months, any Feb, Apr, Aug, Oct in the nearest 23 months and any Jun and Dec in the nearest 72 months	
TRADING HOURS	First session: 0900 - 1230 hours Second session: 1430 - 1730 hours Extended session : 2100 - 0230 hours (Malaysian Time)	0600 - 0500 hours (Daylight Saving Time) 0700 - 0600 hours (Non-DST)	

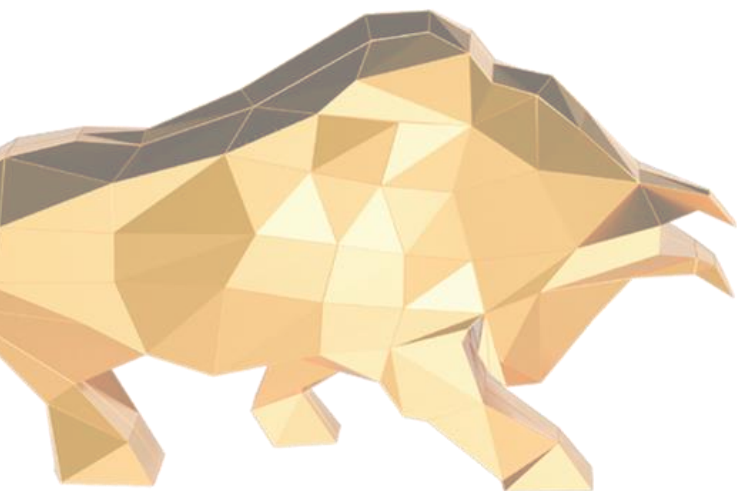
For more contract specifications, kindly refer to the relevant exchange's website.

# TRADING EXAMPLE 1

## BMD: FGLD

### a) Bullish Strategy

When you expect price to go up, you may buy first and sell later.



NOW	LATER
Initiate a <b>LONG</b> position Action: Buy 1 lot of Gold contract @1880	Close the position Action: Sell 1 lot of Gold contract @1895
Gross profit = Price difference x Contract multiplier* x Number of contracts = 15pts (1895-1880) x 40 x 1 = RM 600	

### b) Bearish Strategy

When you expect price to go down, you may sell first and buy later.

NOW	LATER
Initiate a <b>SHORT</b> position Action: Sell 1 lot of Gold contract @1880	Close the position Action: Buy 1 lot of Gold contract @1871
Gross profit = Price difference x Contract multiplier* x Number of contracts = 9pts (1880-1871) x 40 x 1 = RM 360	



For more contract specifications, kindly refer to the Futures product list under Futures Trading on the HLeBroking website.

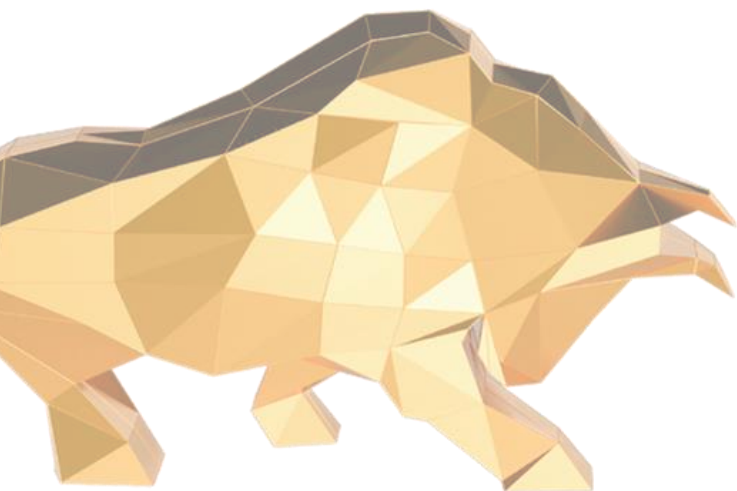
\*For contract multiplier, kindly refer to the relevant exchange's website.

# TRADING EXAMPLE 2

## CME: 100 TROY OUNCES GOLD

### a) Bullish Strategy

When you expect price to go up, you may buy first and sell later.



NOW	LATER
Initiate a <b>LONG</b> position Action: Buy 1 lot of Gold contract @1880	Close the position Action: Sell 1 lot of Gold contract @1895
Gross profit = Price difference x Contract size x Number of contracts = 15pts (1895-1880) x 100 toz x 1 = USD 1500	

### b) Bearish Strategy

When you expect price to go down, you may sell first and buy later.

NOW	LATER
Initiate a <b>SHORT</b> position Action: Sell 1 lot of Gold contract @1880	Close the position Action: Buy 1 lot of Gold contract @1871
Gross profit = Price difference x Contract size x Number of contracts = 9pts (1880-1871) x 100 toz x 1 = USD 900	

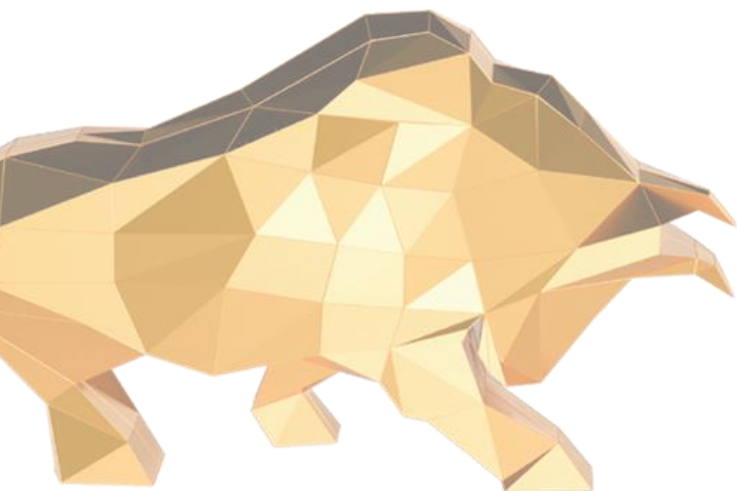


# TRADING EXAMPLE 3

## CME: E-MICRO GOLD

### a) Bullish Strategy

When you expect price to go up, you may buy first and sell later.



NOW	LATER
Initiate a <b>LONG</b> position Action: Buy 1 lot of Gold contract @1880	Close the position Action: Sell 1 lot of Gold contract @1895
Gross profit = Price difference x Contract size x Number of contracts = 15pts (1895-1880) x 10 toz x 1 = USD 150	

### b) Bearish Strategy

When you expect price to go down, you may sell first and buy later.

NOW	LATER
Initiate a <b>SHORT</b> position Action: Sell 1 lot of Gold contract @1880	Close the position Action: Buy 1 lot of Gold contract @1871
Gross profit = Price difference x Contract size x Number of contracts = 9pts (1880-1871) x 10 toz x 1 = USD 90	





# 4 STEPS TO TRADE GOLD FUTURES

## STEP 1:

### Understand the contract specifications

Bursa Malaysia: [www.bursamalaysia.com](http://www.bursamalaysia.com)  
CME Group: [www.cmegroup.com](http://www.cmegroup.com)

## STEP 2:

### Understand trading strategies

Take a bullish and/or bearish view of the market trend.

## STEP 3:

### Open an account with HLeFutures

Request an account opening form via  
HLeFutures helpdesk at +603-2080 8678 or  
[helpdeskfutures@hlib.hongleong.com.my](mailto:helpdeskfutures@hlib.hongleong.com.my).

## STEP 4:

### Start trading Gold Futures

Trade Gold Futures with HLeFutures.

 **HL e Futures**

Mezzanine Floor, Block B, Plaza Zurich, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur



+603-2080 8678



[helpdeskfutures@hlib.hongleong.com.my](mailto:helpdeskfutures@hlib.hongleong.com.my)

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