

---

**INTRODUCTION TO  
SOYBEAN  
FUTURES**

**ZS**

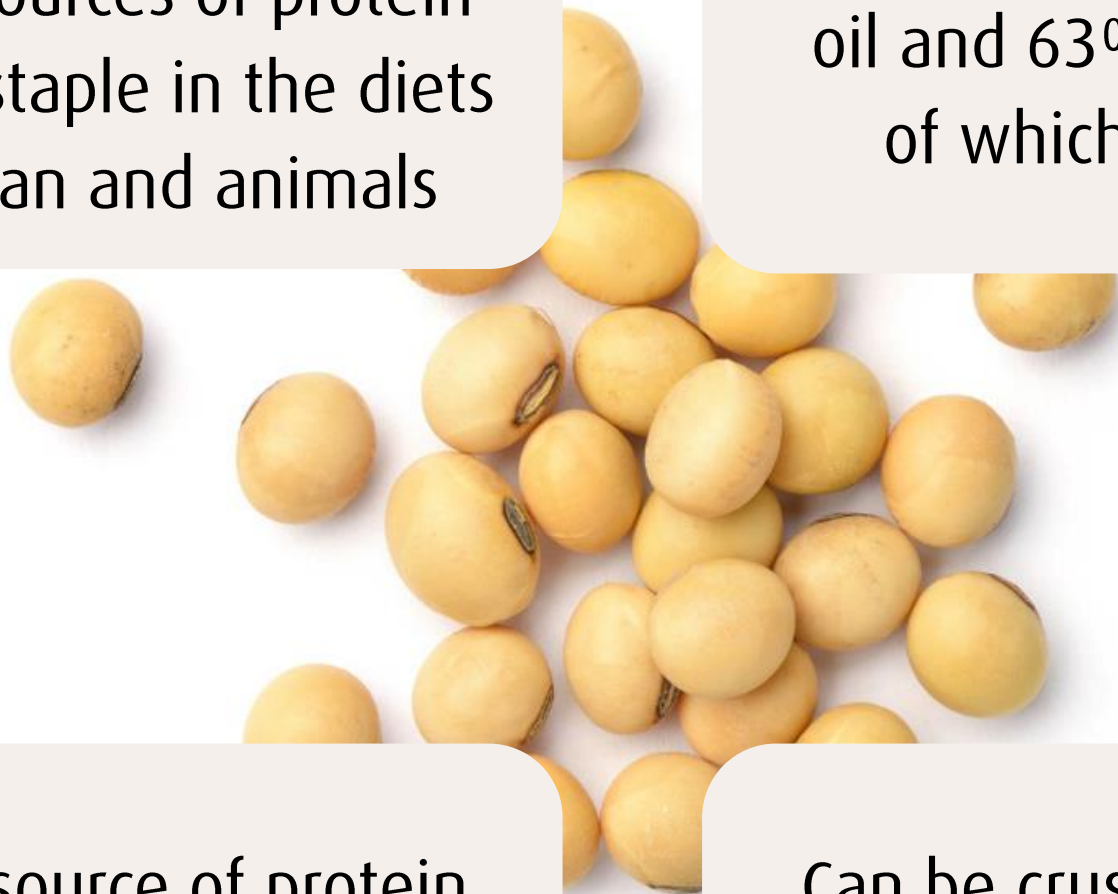
---

**TOPIC 1: UNDERSTANDING SOYBEANS**

# WHAT ARE SOYBEANS?

One of the cheapest and richest sources of protein and is a staple in the diets of human and animals

The seed contains 17% oil and 63% meal, 50% of which is protein



A good source of protein for diabetic patients as it does not contain starch

Can be crushed into two products - soybean oil and soybean meal

## THE SOY FAMILY



Soybean are harvested from plants

Soybean oil is extracted through dehulling and crushing of the beans

The soybean flakes from oil extraction are dried and toasted into soybean meal

The **soybean**, **soybean oil** and **soybean meal** are Futures products that can be traded on the Chicago Mercantile Exchange (CME).

Soybean oil and soybean meal will be covered in the subsequent topics.

# WHAT DO SOYBEANS LOOK LIKE?



An erect branching plant that can reach more than **2 metres** in height.



Seeds can be yellow, green, black, brown or bicoloured.

Most have **brown** or **tan** seeds, with one to four seeds per pod.



Its self-fertilising flowers are **purple** or **white**.

# WHERE DO SOYBEANS COME FROM?

Soybeans may be cultivated in most types of soil, but it thrives in warm, well-drained, fertile and sandy **loam**

They are harvested mechanically after the leaves have fallen off and the moisture content of the seed has dropped to 13%

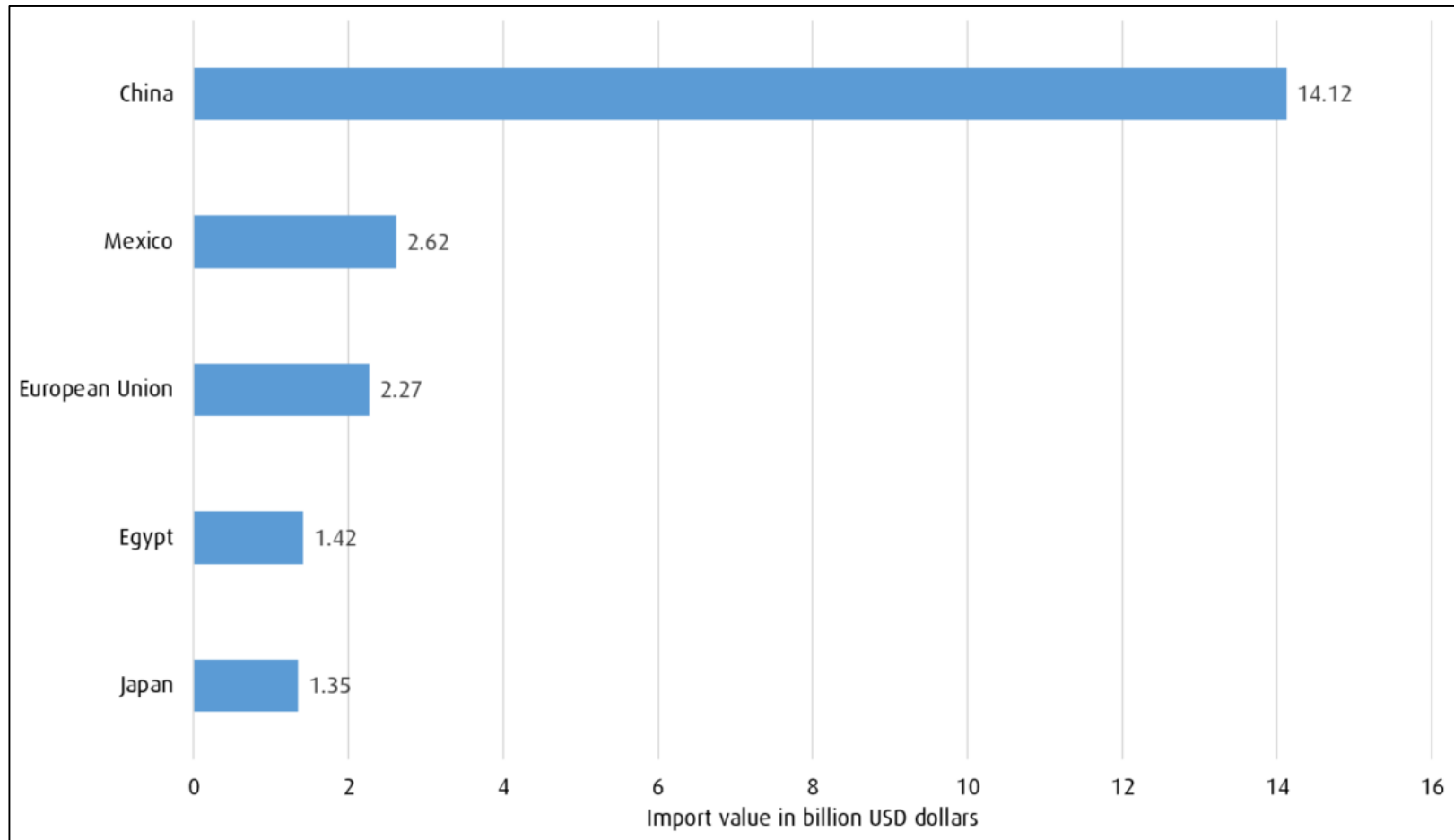


# USAGE OF SOYBEANS



# DEMAND FOR SOYBEANS

The top 5 soybean importers worldwide in 2022 are shown below:

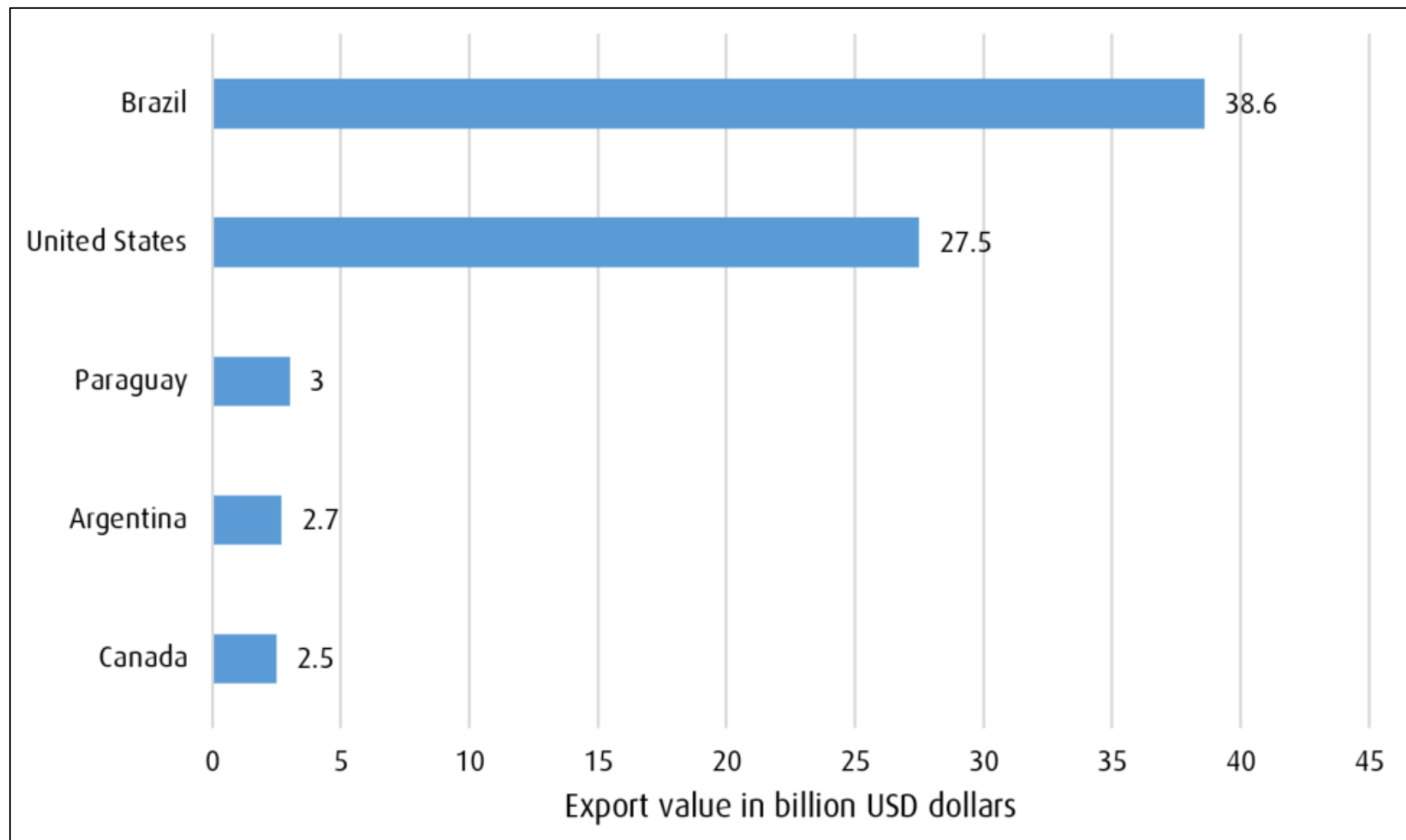


China remains the largest soybean importer in the world that accounts for more than 50% of the total global import.

Soybeans are crushed into oil for cooking and soymeal for animal feed in the country.

# SUPPLY OF SOYBEANS

The top 5 soybean exporters worldwide in 2021 are shown below:



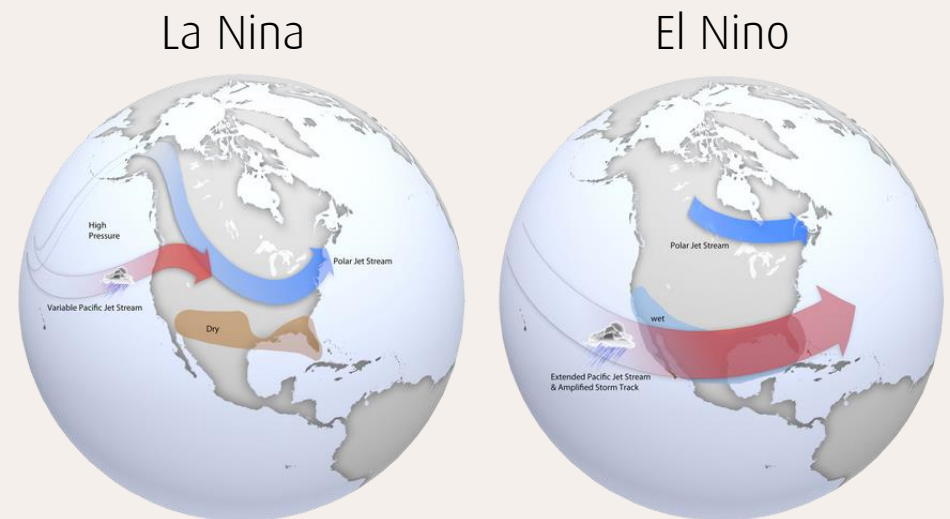
Brazil is the world's largest soy producer and exporter where 82% was exported as raw soybeans in 2021.



# FACTORS AFFECTING DEMAND AND SUPPLY FOR SOYBEANS

## WEATHER

The warming and cooling of sea temperature, El Nino and La Nina threaten the optimal mean temperature requirement (20°C - 30°C) for soybeans.



## INPUT COSTS

The cost of input for soybean plantation such as fuel and fertiliser will impact supply.

## GOVERNMENT POLICY

Crop subsidies have significant impact on prices.

## PRODUCTION FORECAST

United States Department of Agriculture (USDA) periodically releases information on projected production.

## VALUE OF USD

Soybean is highly traded on the international market.



# WHAT ARE SOYBEAN FUTURES (ZS)?

A fully electronic, exchange-traded contract on the **Chicago Mercantile Exchange (CME)**

A popular commodity that is used as a trading tool to trade futures

A highly liquid investment tool to diversify portfolios and manage risks



# WHY TRADE SOYBEAN FUTURES (ZS)?

## SPECULATE

Use Soybean Futures to speculate on the price of soybeans

## LEVERAGE

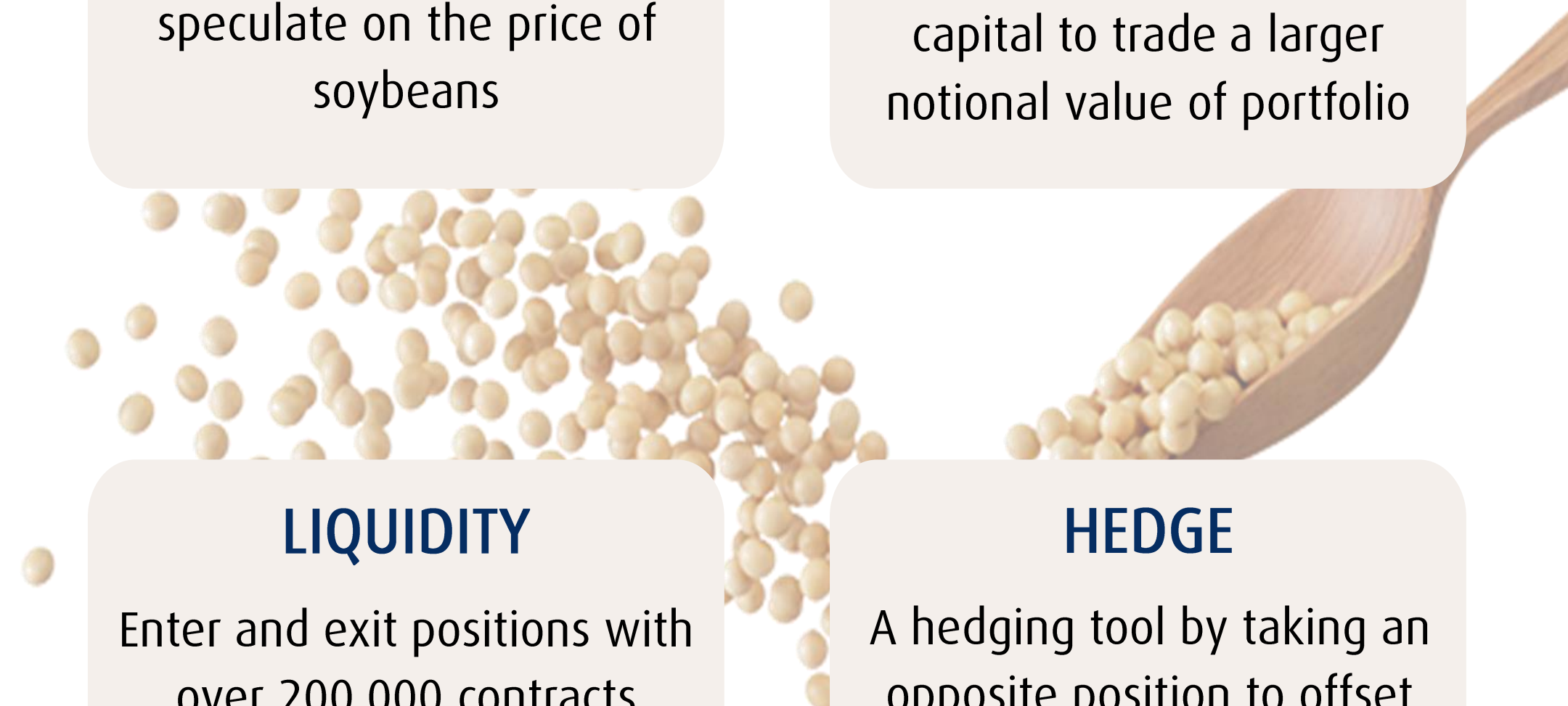
Use a smaller amount of capital to trade a larger notional value of portfolio

## LIQUIDITY

Enter and exit positions with over 200.000 contracts traded on average per day

## HEDGE

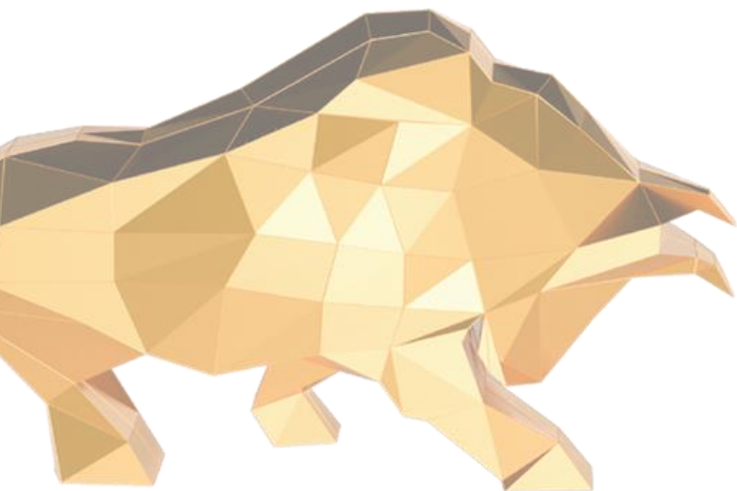
A hedging tool by taking an opposite position to offset adverse price movements



# TRADING STRATEGY EXAMPLES

## 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 ZS contract @1520	Close the position Action: Sell 1 lot of ZS contract @1600
Gross profit = Price difference x Contract size x Number of contracts = 80pts (1600-1520) x \$50 x 1 = \$4000	

## 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 ZS contract @1580	Close the position Action: Buy 1 lot of ZS contract @1530
Gross profit = Price difference x Contract size x Number of contracts = 50pts (1580-1530) x \$50 x 1 = \$2500	



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

# 4 STEPS TO TRADE SOYBEAN FUTURES

## STEP 1:

### **Understand the contract specifications and margin**

Contract specifications: [www.bursamalaysia.com](http://www.bursamalaysia.com)  
Initial margin requirement: [www.hlebroking.com](http://www.hlebroking.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 Soybean Futures**

Trade Soybean Futures with HLeFutures.

**HL**  **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)

## Disclaimer

The information contained herein is subject to change from time to time. You are advised to read and understand the applicable terms and conditions. The information contained herein is intended for your general information only and should not be relied on for investment purposes or taken as advice. You are advised to make your own independent evaluation of the information provided and obtain independent financial, legal or other advice before making any investment decision. Nothing in this document or the information provided constitutes or forms any part of any advice, offer, inducement, solicitation or invitation to buy or subscribe for any services or securities on Hong Leong Investment Bank Berhad's part. Hong Leong Investment Bank Berhad [197001000928 (10209-W)] does not guarantee the accuracy, availability or functionality of its products/services, including its online trading services.