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**INTRODUCTION TO  
GOLD  
FUTURES**



# WHAT IS GOLD

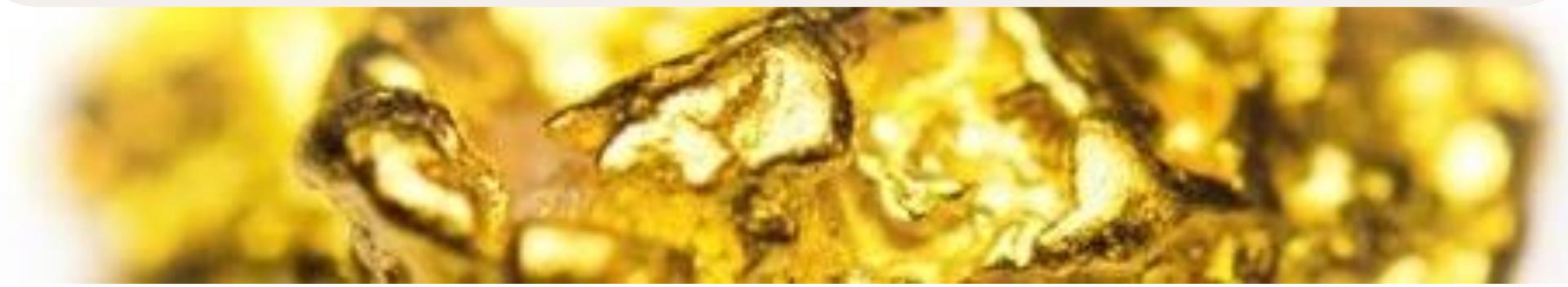
The most sought-after precious and valuable metal

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 2023:

Jewellery:	48.74%
Total bar and coin:	26.74%
Central bank net purchases:	23.32%
Technology:	6.70%
ETF and similar products:	5.49



# 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

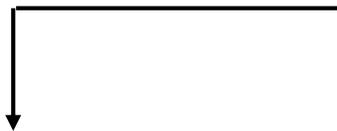
Pure gold and white metals such as palladium, silver, zinc or nickel

## 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

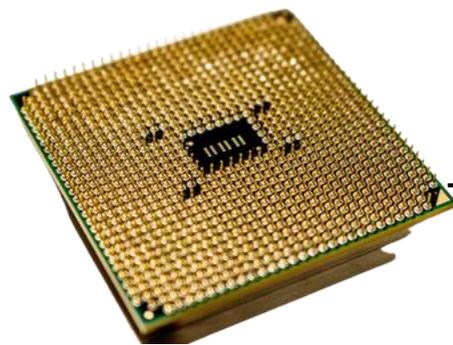


## Jewellery

Rings, necklaces, earrings

## Dentistry

Fillings, crowns, bridges



## Electronics

Conductors and connectors

## Others

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

# DEMAND FOR GOLD

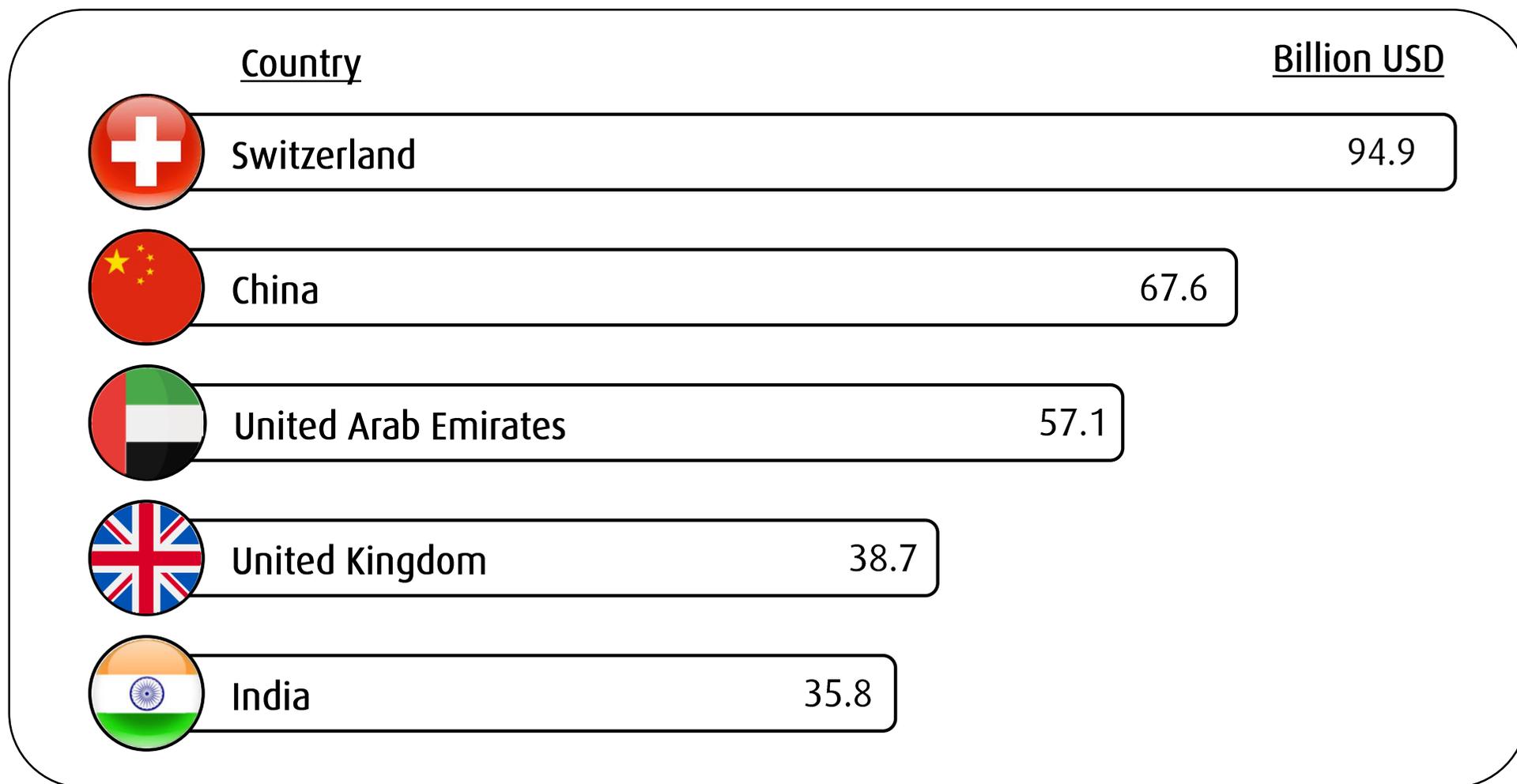
The top 5 gold importers worldwide in 2022 are shown below:



Switzerland has long been a vital player in the import of gold as the country acts as the world's biggest hub for gold refining and storage.

# SUPPLY OF GOLD

The top 5 gold exporters worldwide in 2022 are shown below:



As the world's largest gold refining hub, Switzerland purchased gold in bulk for processing and re-export to other countries.

# 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 **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**



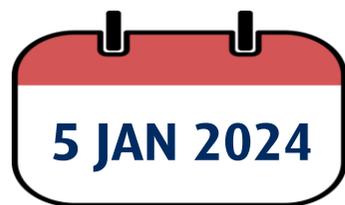
# COMPARISON OF GOLD FUTURES

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	0.1 pt = RM 4 (1 pt = RM 40)	0.1 pt = USD 10 (1 pt = USD 100)	0.1 pt = USD 1 (1 pt = USD 10)
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	9:00 - 12:30, 14:30 - 17:30 21:00 - 02:30 (T+1 Session)	20:20 - 01:30 06:00 - 05:00 (Globex)	

# BMD GOLD FUTURES (FGLD)

## Trading Examples

### Bullish Market



You think the price of FGLD will go up and BUY 1 lot @2,402.4



You close your position and SELL 1 lot @2,529.5

Gross Profit  
= Price Difference x Contract Size  
= (2,529.5 - 2,402.4) x RM 40  
= RM 5084

### Bearish Market



You think the price of FGLD will go down and SELL 1 lot @ 2,402.4



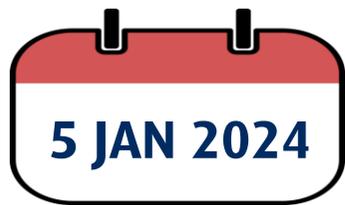
You close your position and BUY 1 lot @2,264.8

Gross Profit  
= Price Difference x Contract Size  
= (2,402.4 - 2,264.8) x RM 40  
= RM 5504

# CME 100 OZ GOLD (GC)

## Trading Examples

### Bullish Market



You think the price of GC will go up and BUY 1 lot @2,402.4



You close your position and SELL 1 lot @2,529.5

Gross Profit  
= Price Difference x Contract Size  
= (2,529.5 - 2,402.4) x USD 100  
= USD 12,710

### Bearish Market



You think the price of GC will go down and SELL 1 lot @ 2,402.4



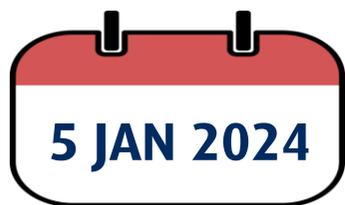
You close your position and BUY 1 lot @2,264.8

Gross Profit  
= Price Difference x Contract Size  
= (2,402.4 - 2,264.8) x USD 100  
= RM 13,760

# CME E-MICRO GOLD (MGC)

## Trading Examples

### Bullish Market



You think the price of MGC will go up and BUY 1 lot @2,402.4



You close your position and SELL 1 lot @2,529.5

Gross Profit  
= Price Difference x Contract Size  
= (2,529.5 - 2,402.4) x USD 10  
= USD 1,271

### Bearish Market



You think the price of MGC will go down and SELL 1 lot @ 2,402.4



You close your position and BUY 1 lot @2,264.8

Gross Profit  
= Price Difference x Contract Size  
= (2,402.4 - 2,264.8) x USD 10  
= RM 1,376



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