

Index Futures

NIKKEI 225 INDEX

What is Nikkei 225?

1

Nikkei 225 is a **stock market index** in Japan and is also known as the Nikkei Stock Average.

2

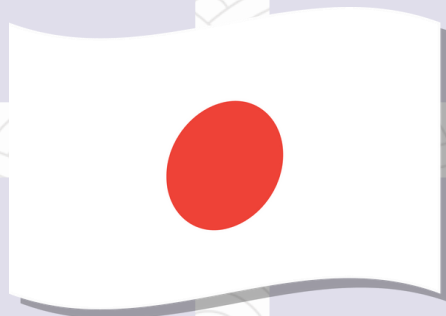
A Japan's leading stock index measuring the performance of 225 highly capitalized and liquid companies.

3

A globally used index as it reflects Japan's **corporate health** and is essential for global finance.

4

It is **price-weighted**, the index is an average of the share prices of all the companies listed.



History of Nikkei 225

1950

The Nikkei 225 began to be calculated.

It was then introduced at various global exchanges.

1986

Singapore Exchange (SGX)

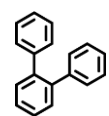
1988

Osaka Securities Exchange (OSE)

1990

Chicago Mercantile Exchange (CME)

Industries in Nikkei 225*



Technology

49.72%



Consumer Goods

23.19%



Materials

13.19%



Capital Goods/Others

8.98%



Financials

2.81%













Transportation and Utilities

2.11%

*As of 30 April 2024

Top 10 Companies in Nikkei 225

| Company | Weight (%) |
|--|------------|
|  Fast Retailing Consumer Goods | 10.25 |
|  Tokyo Electron Technology | 8.57 |
|  Softbank Group Technology | 4.61 |
|  Advantest Technology | 3.61 |
|  Shin-Etsu Chemical Materials | 2.49 |
|  KDDI Technology | 2.21 |
|  FANUC Technology | 2.03 |
|  Daikin Industries Capital Goods/Others | 2.00 |
|  Terumo Technology | 1.95 |
|  TDK Technology | 1.87 |

*As of 30 April 2024

What is Nikkei 225 Futures?



A futures contract which underlying is the Nikkei 225 Index.

A JPY-denominated futures that allows traders to trade the performance of the Japanese financial market.

Available on Singapore Exchange (SGX) and the SGX Nikkei 225 is:

- The first equity index futures in Asia
- The world's first futures based on the Japanese stock market.



Contract Specifications

Nikkei 225 Futures

Contract Code

NK

Underlying Instrument

Nikkei 225 Index

Contract Size

JPY 500 x Nikkei 225 Index Futures Price

Minimum Fluctuation

5 pt = JPY 2,500

Settlement Method

Cash

Contract Month

6 nearest serial months & 32 nearest quarterly months

Trading Hours*

07:30 - 14.30
14:55 - 05:15 (T+1 Session)

*Malaysian Time

Trading Examples [Bullish]



You think the price of
NK will go up and
BUY 1 lot@38,190



The market is bullish and
you close position and
SELL 1 lot@38,395

Gross Profit

= Price difference x Contract size
= (38,395 - 38,190) x JPY 500
= JPY 102,500 (~RM 3,007.65)

Trading Examples [Bearish]



3 June
2024

You think the price of
NK will go down and
SELL 1 lot@38,190



20 June
2024

The market is bearish
and you close position
BUY 1 lot@37,960

Gross Profit

$$\begin{aligned} &= \text{Price difference} \times \text{Contract size} \\ &= (38,190 - 37,960) \times \text{JPY } 500 \\ &= \text{JPY } 115,000 \text{ (~RM } 3,374.43) \end{aligned}$$

FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

Corporate Earnings

The prices of underlying shares surge when the Japanese companies report strong corporate earnings.

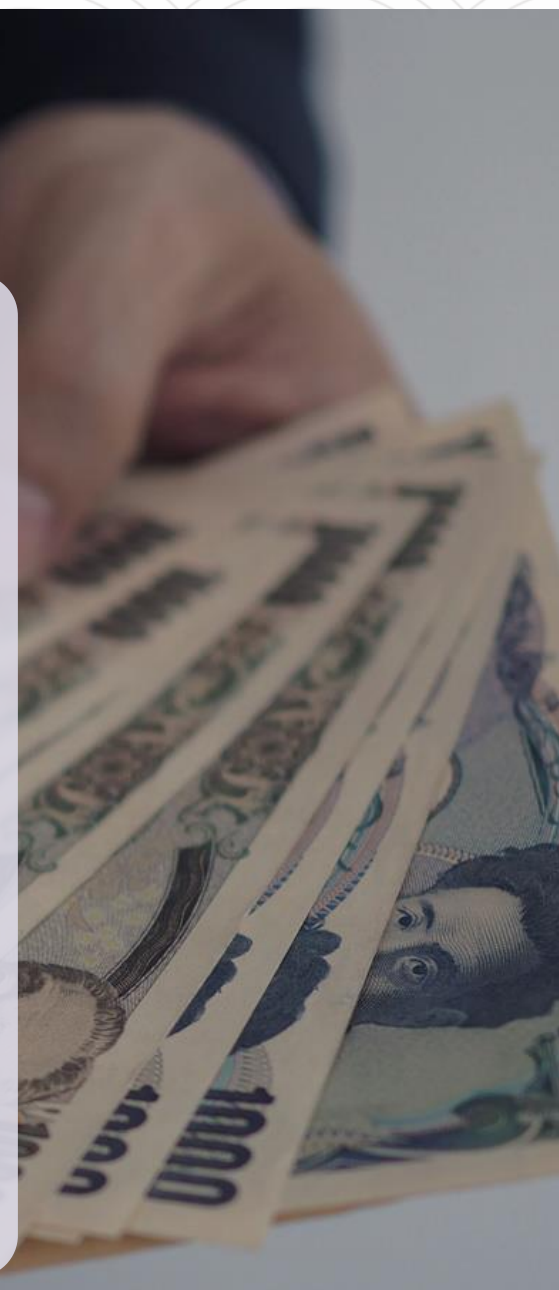
E.g., In May 2024, the price of Nikkei rose 0.46% which is largely dominated by the strong corporate earning of SoftBank Group (+4.34%).

FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

Currency Movements

Nikkei will rise when the Japanese yen softens due to the increase of overseas profits when firms converted them back to yen.

E.g., The share price of Uniqlo-brand clothing retail chain operator Fast Retailing jumped 3.83% and became the biggest boost for the Nikkei.



FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

Gross Domestic Product (GDP)

A positive GDP growth boosts consumer confidence on the performance of Japanese firms, thus bringing the Nikkei prices up.

E.g., In September 2023, Japan's GDP grew less than the estimate of 6%, causing the Nikkei to decline by 0.9%.

FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

Monetary Policy

Any interest rate changes made by Bank of Japan can have a significant impact on investor sentiment and stock prices.

E.g., In March 2024, Nikkei ended 0.66% higher after Bank of Japan raised interest rate for the first time in 17 years.

FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

Pandemic

Pandemic like the Covid-19 will jeopardize the performance of the companies and harm stock prices.

E.g., In March 2023, the drop in Japanese financial shares sent the Nikkei down by around 2%.

FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

Geopolitical Tensions

Geopolitical tensions will disrupt global trade flow and cause economic slowdown as Japan is one of the major players in global trade.

E.g., In April 2024, Nikkei dropped when the Middle East turmoil escalated and dented risk appetite.

OVERVIEW IN 2023



A Mar - June 2023 (+29.49%)

Japan's economy reached to the highest point in 2023 due to increased GDP, strong consumer spending, inbound tourism, strong earnings season and dovish signals from the Bank of Japan.

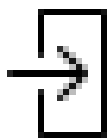
B June - Oct 2023 (-10.79%)

The sticky CPI inflation and concerns about the Federal Reserve maintaining high interest rates for longer caused the Japan's financial market to decline.

C Oct - Dec 2023 (+11.77%)

The economy in Japan rebounded slightly as a result of increased consumer spending and the decision of Bank of Japan leaving interest rates in negative territory.

WHY TRADE NIKKEI 225 FUTURES?



Gateway to Japan

Exclusive access to Japan's index market via Singapore Exchange.



All-in-one

An all-in-one solution to trade 225 Japanese blue-chip stocks within one transaction.



Liquidity

A highly liquid index in Japan that allows fast and cost-efficient trading.



Flexibility

Extended trading hours and provide greater flexibility in trading.