
**INTRODUCTION TO
SOYBEAN
FUTURES**

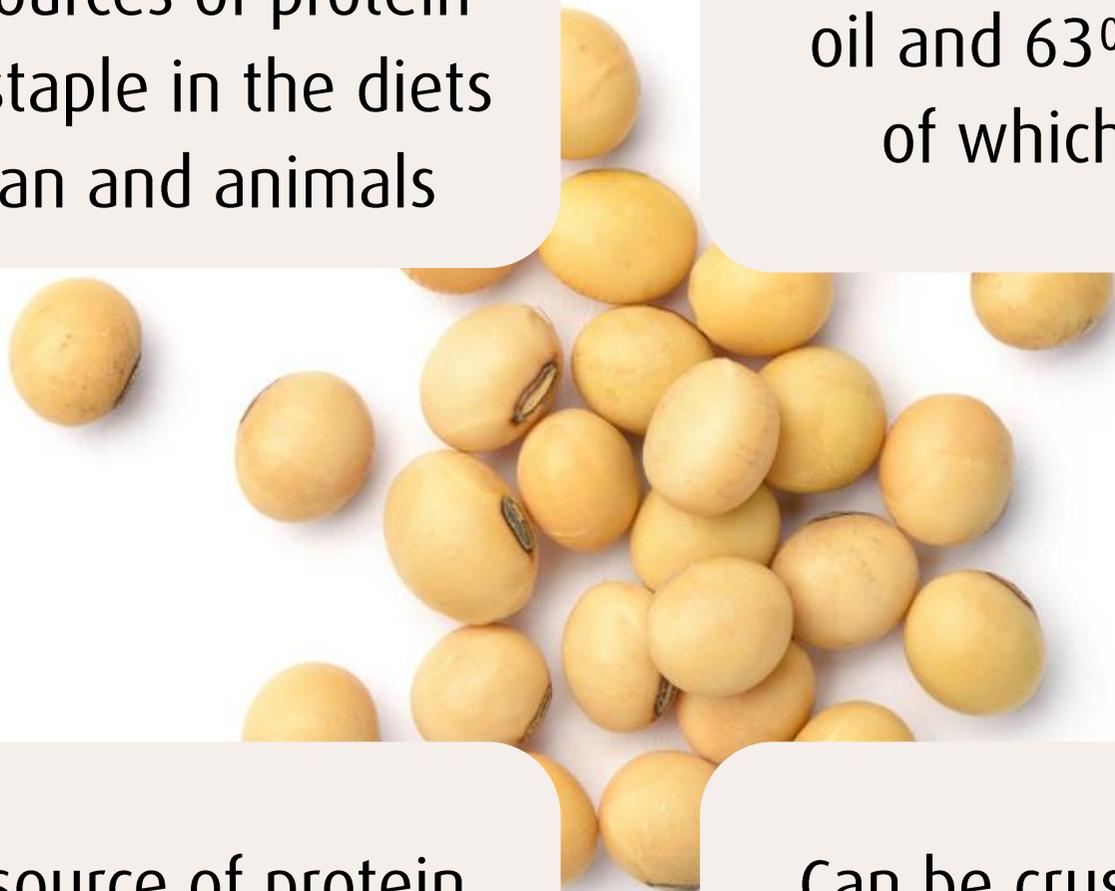


ZS

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 meters 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%

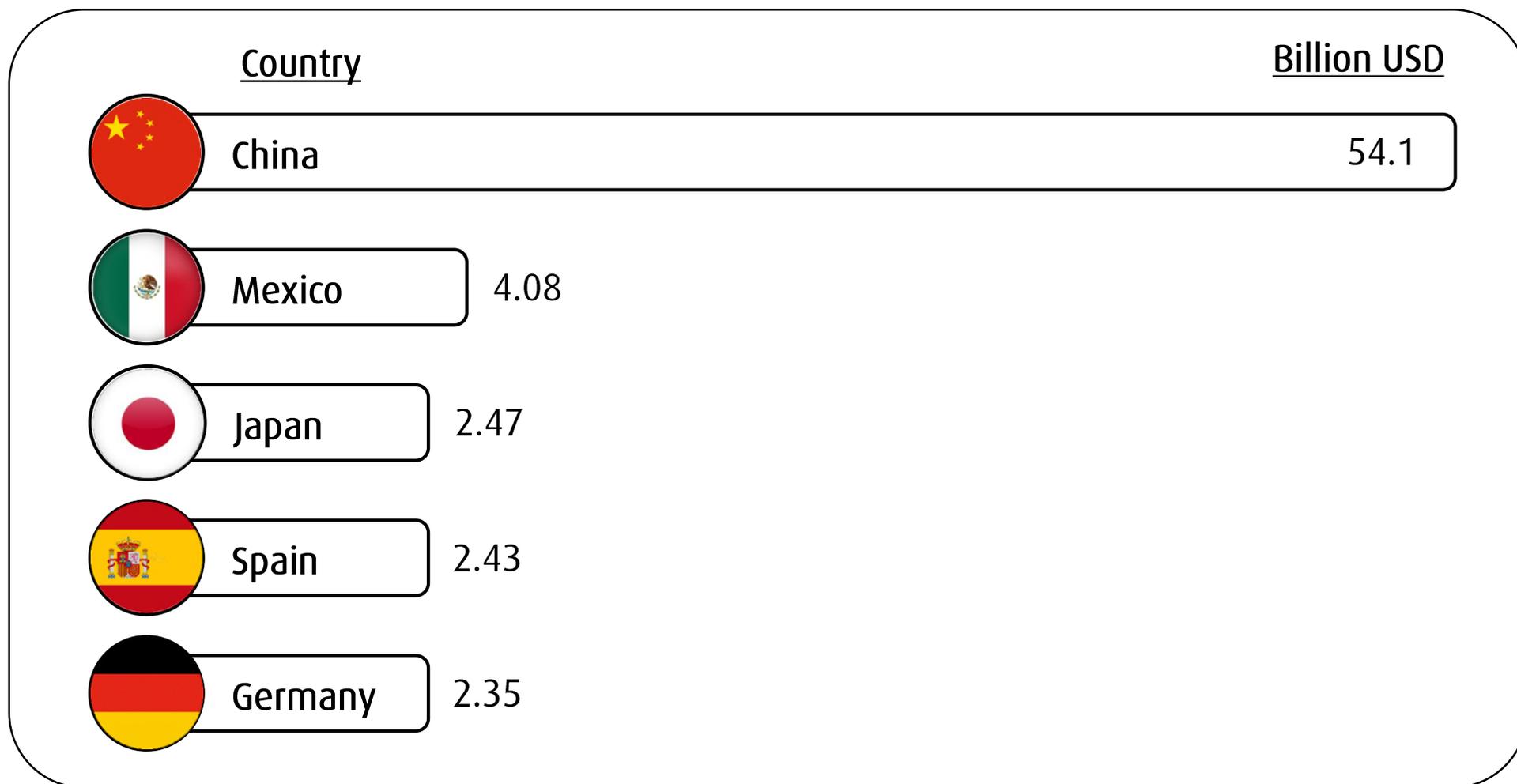


USAGE OF SOYBEANS



DEMAND FOR SOYBEANS

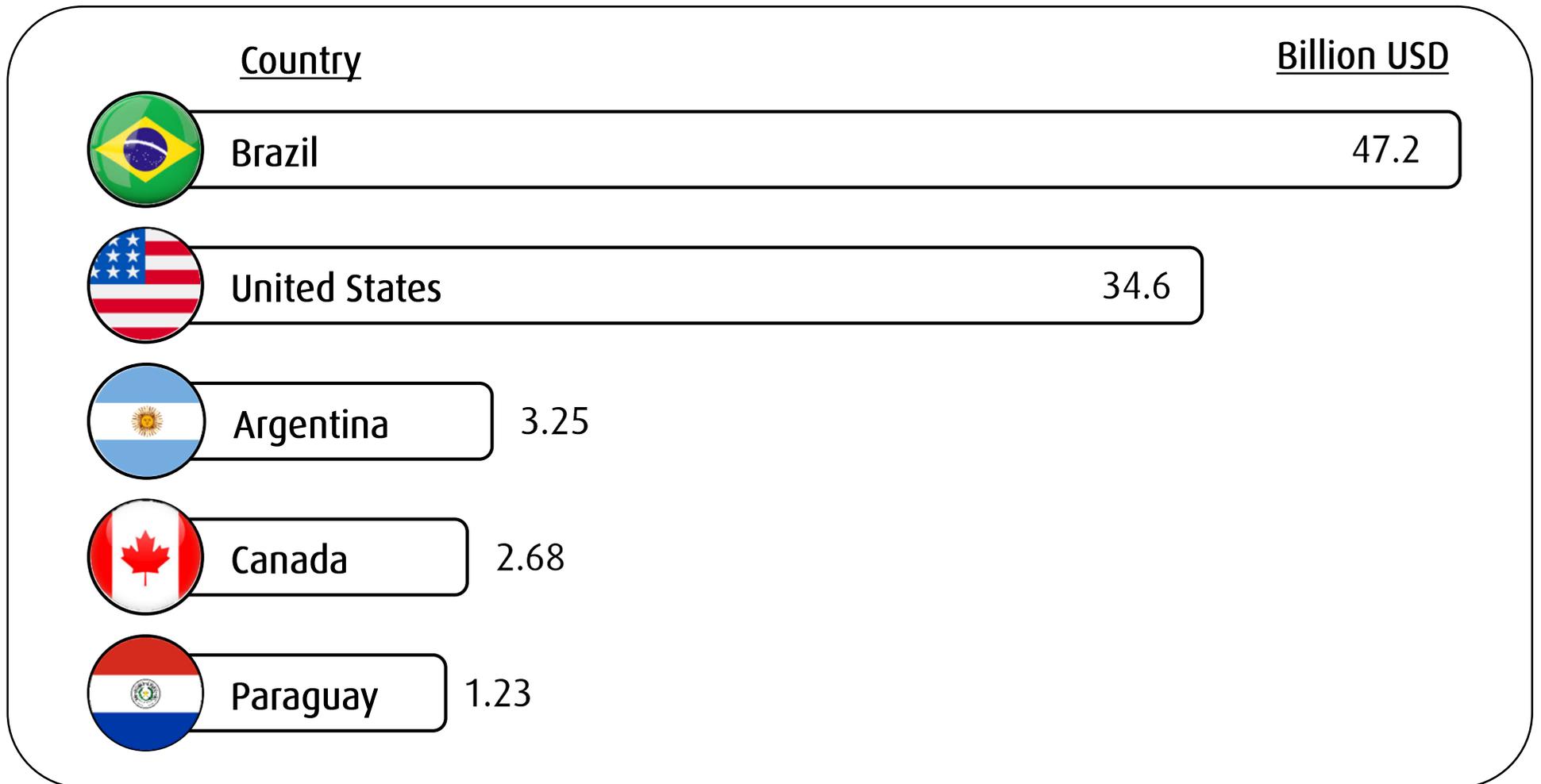
The top 5 soybean importers worldwide in 2022 are shown below:



China is the world's largest soybean importer with over 60% of global trade as it relies on soybeans for feed production.

SUPPLY OF SOYBEANS

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

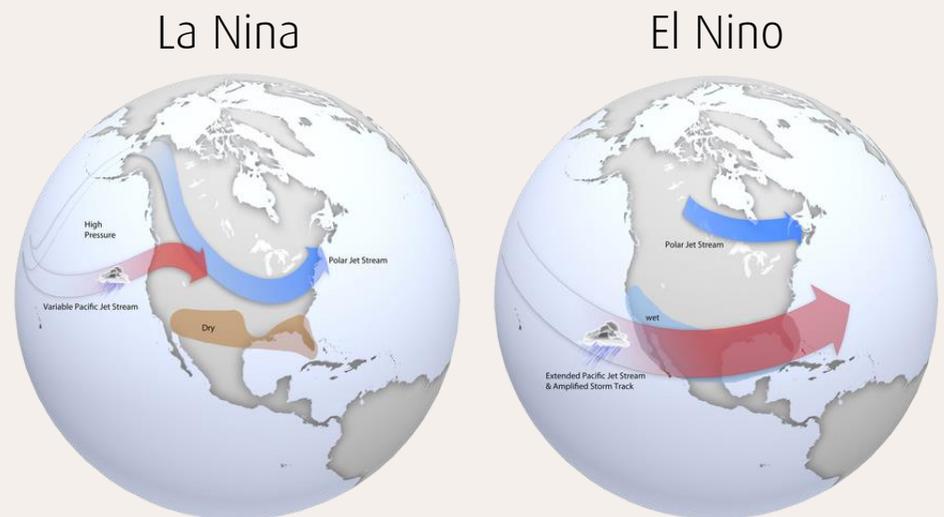


In 2022, **Brazil** was the largest producer of soybeans and accounted for **35%** of world production, followed closely by the United States.

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 diversity portfolios and manage risks



TRADING SOYBEAN FUTURES (ZS)?

SPECULATE

Use Soybean Futures to speculate on the price of soybeans

LEVERAGE

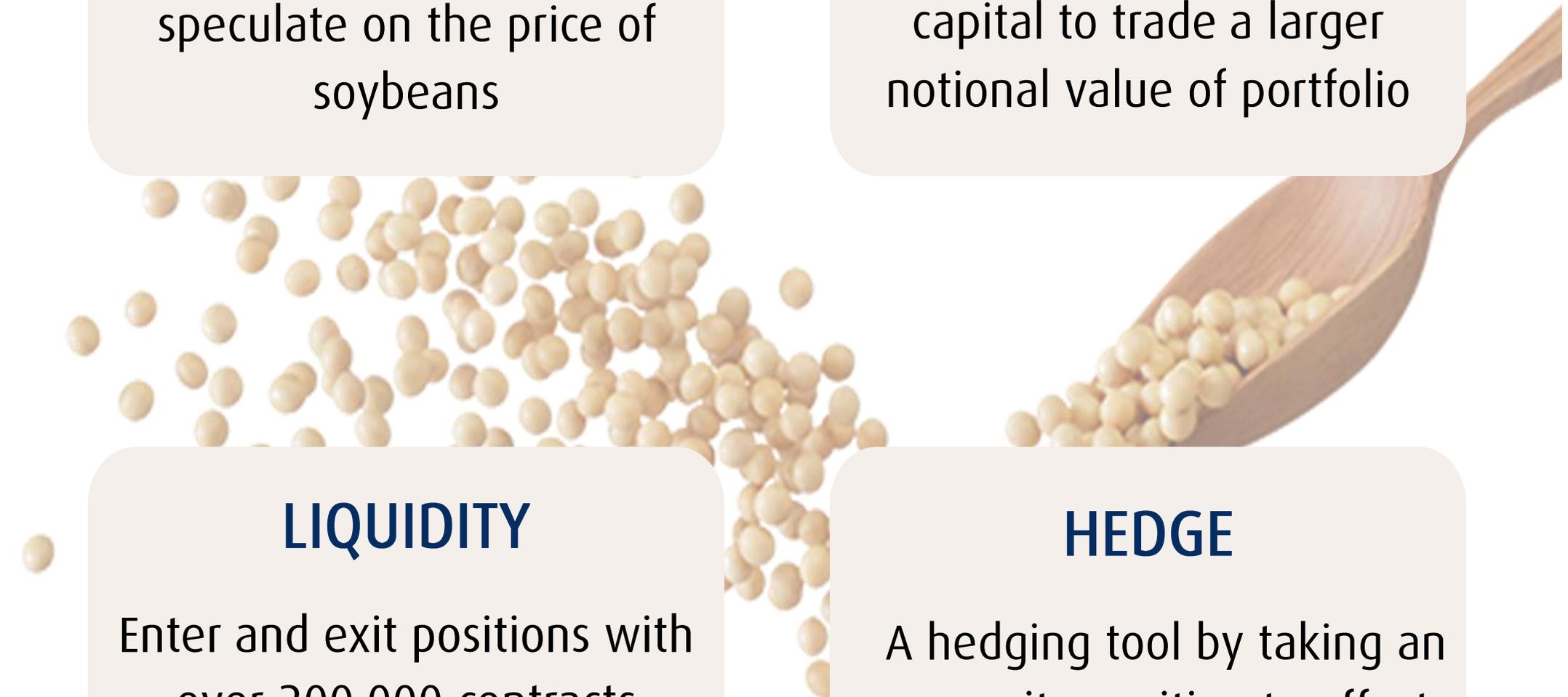
Use a smaller amount of capital to trade a larger notional value of portfolio

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



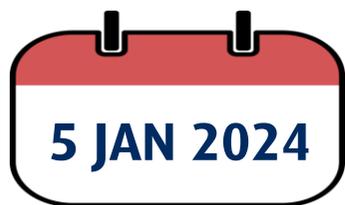
CONTRACT SPECIFICATIONS

	Soybean Futures	Mini Soybean Futures
Contract Code	ZS	XK
Underlying Instrument	Soybean	Soybean
Contract Size	5,000 bushels (~136 metric tons)	1,000 bushels (~ 27 metric tons)
Minimum Fluctuation	0.25 pt = USD 12.50 (1 pt = USD 50)	0.125 pt = USD 1.25 (1 pt = USD 10)
Settlement Method	Physical	Physical
Contract Month	15 monthly contracts of Jan, Mar, May, Aug, Sep and 8 monthly contracts of Jul and Nov listed annually	Monthly contracts (Jan, Mar, May, Aug, Sep) listed for 15 months and Jul and Nov listed for 8 months.
Trading Hours	21:30 - 02:15 08:00 - 20:45, 21.30 - 02:20 (Globex)	21:30 - 02:15 08:00 - 20:45, 21.30 - 02:20 (Globex)

SOYBEAN FUTURES (ZS)

Trading Examples

Bullish Market



You think the price of ZS will go up and BUY 1 lot @1,156.25



You close your position and SELL 1 lot @1,196.25

Gross Profit
= Price Difference x Contract Size
= (1,196.25 - 1,156.25) x USD 50
= USD 2000

Bearish Market



You think the price of ZS will go down and SELL 1 lot @1,120.75



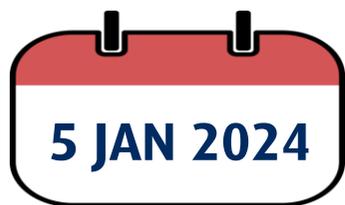
You close your position and BUY 1 lot @1,089.50

Gross Profit
= Price Difference x Contract Size
= (1,120.75 - 1,089.50) x USD 50
= USD 1,562.50

MINI SOYBEAN FUTURES (XK)

Trading Examples

Bullish Market



You think the price of XK will go up and BUY 1 lot @1,156.25



You close your position and SELL 1 lot @1,196.25

Gross Profit
= Price Difference x Contract Size
= (1,196.25 - 1,156.25) x USD 10
= USD 400

Bearish Market



You think the price of XK will go down and SELL 1 lot @1,120.75



You close your position and BUY 1 lot @1,089.50

Gross Profit
= Price Difference x Contract Size
= (1,120.75 - 1,089.50) x USD 10
= USD 312.50



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