



HOW TO AMPLIFY YOUR PROFITS FROM TRADING

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ONE IMPORTANT INSTRUMENT TO AMPLIFY YOUR TRADING PROFITS

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In the realm of financial markets, investors and traders are continually seeking ways to amplify their returns. However, with greater returns often come increased risks. One instrument that has gained popularity, especially among active traders, is the Daily Leverage Certificate (DLC). DLCs offer investors the opportunity to magnify their exposure to various underlying assets, such as stocks, indices, or commodities, on a daily basis. In this article, we will delve into the intricacies of DLCs, examining their mechanics, risks, and potential rewards.

UNDERSTANDING DLC

DLCs are structured products that aim to replicate the daily performance of an underlying asset versus its previous day closing level with a fixed leverage factor.

Unlike traditional leveraged products such as futures or options, there is a leverage factor that determines the degree to which the DLC amplifies the returns of the underlying asset. These factor range from 2-7 times for the Singapore market.

Each DLC is a separate trading counter on the exchange, with a separate counter name, trading code and price. The price of a DLC can be different from its Underlying Asset and is decided by the Issuer on the initial issue date. After a DLC is listed, its performance will follow the pre-determined relationship as described above.



DLC amplifies the returns of the underlying asset.





WHY DLCS?

With the hong kong market entering a bull market and even outperforming the US market YTD, there are many reasons to be looking at the DLCs especially in the Hong Kong Market.

One reason is that the Hang Seng index is still slightly undervalued, and govt's commitment to strength and boost the market. We have seen the HSI soared over 12% since end April with tencent one of the leaders moving up over 18%

Asia Remains Undervalued

IBES MSCI 12 forward P/E: US vs. Asia ex-japan





More Buyers than Sellers

'National team' buying shares

The so-called national team has bought roughly 70 billion yuan (S\$13.2 billion) of onshore Chinese shares in the past month, according to estimates by Goldman Sachs, adding that 200 billion yuan or ~0.8 per cent of free float market capitalisation is needed to stabilise the market.

Chart 1: China Onshore ETF trading volume (30 day moving average, CNY billion)

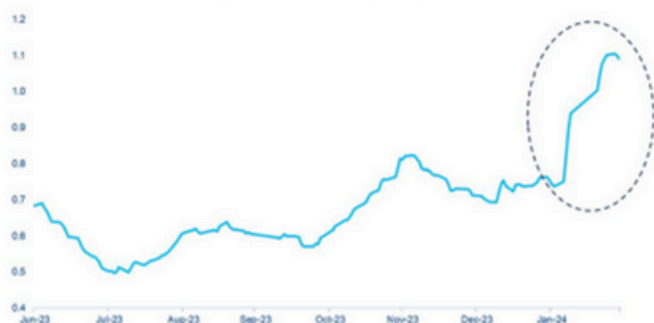
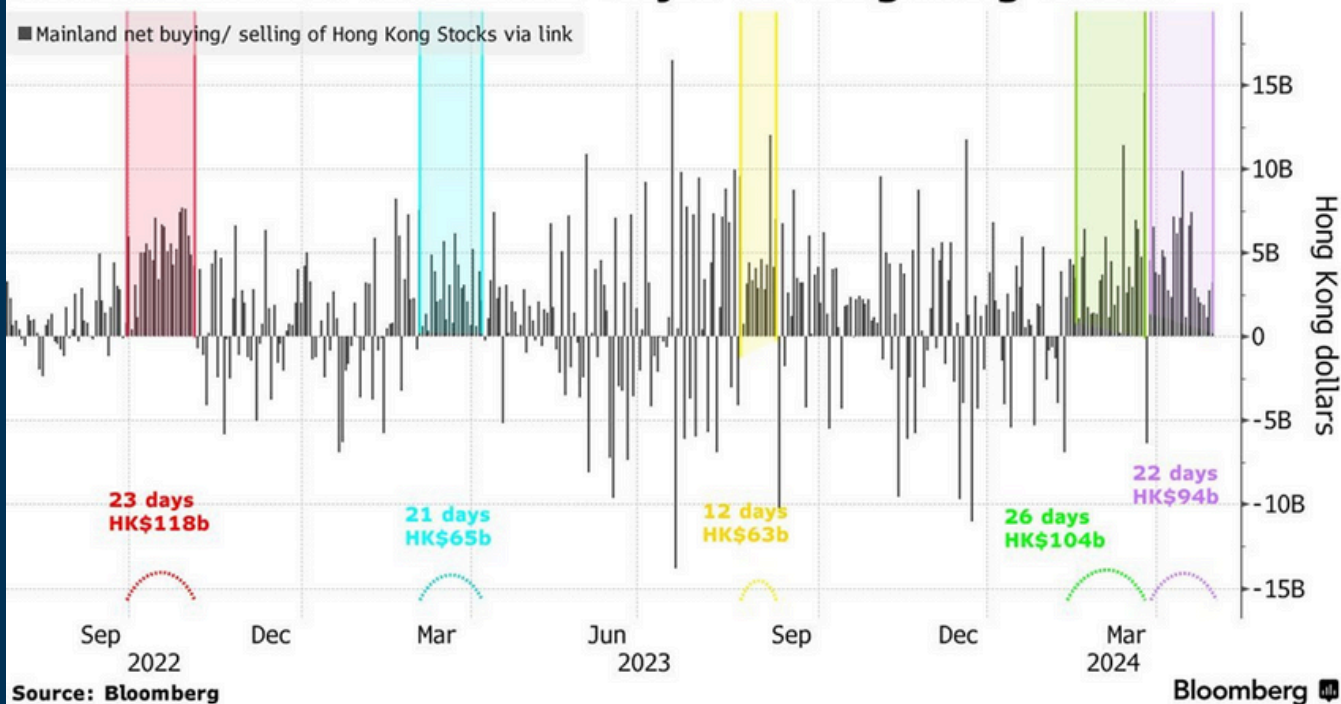


Chart 2: China Onshore IPO vs share buyback volume (CNY billion)



What does this mean for traders? With proper usage of DLCs traders could potentially magnify their returns from these short term movements and even outperform the underlying asset. With investors, piling back into the China market (ENTER CHART), this could be an opportune time to trade the hang seng market to exploit the movement .

Southbound Has Been Keen Buyer of Hong Kong Stocks





Another benefit of using DLCs is the lot size. As a trader budget is often a constrain and trading in the Hong Kong market does require a bigger capital as the minimum lot size for certain counters can be daunting. With DLC, this is taken care of as the DLCs comes in various price range and with the leverage factor. A trader could get exposure to the more expensive counters like BYD with ease.

The hassle of foreign currency conversion is also taken care of. As DLCs is traded in SGD this helps traders gain clarity without having to worry about currency conversion which could eat into their profits.

Also, as a trader, keeping your cost to a low is important that is why the trading commission is charged based on the amount of the DLCs, which is a fraction of the total exposure. For the same amount of exposure, if the trading commission rate is the same between DLC and CFD, the total trading commission charged on the DLC will be less.

In addition, DLCs traded in Singapore get to enjoy the contra period offered in the normal stock trading. This helps trader free up capital to ride any potential wave that is to come.

Lastly, with DLCs it gives you the ease of going long or short. As we all know, markets can be volatile and can turn at a moment's notice that is why being agile and being able to respond according to market conditions is crucial.

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The hassle of foreign currency conversion is also taken care of.





CASE STUDIES AND REAL LIFE EXAMPLES

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
Remisier AK7 / LI JINGWEI KELWIN									
[Redacted] / LI JINGWEI KELWIN *KC / C[Redacted]									
2024-05-02	854378/400/01		TENC5XLSG251216	S\$	1.865	2,500	5.45	4,668.59	

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount	Settl Curr
2024-05-03	893720/700/01		TENC5XLSG251216	S\$	2.090	1,500	5.45		3,129.00	

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
2024-05-06	920508/700/01V		TENC5XLSG251216	S\$	2.090	1,000	5.45		2,084.06

Went Long with the Tencent DLC with a total profit of \$560 over 4 trading days. Being able to sell in batches also helps in the mental part of trading.

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
2024-05-13	059201/400/01V		ALIB5XLSG250924	S\$	1.110	4,000	5.45	4,446.07	

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
2024-05-14	092955/700/01V		ALIB5XLSG250924	S\$	1.32833	6,000	6.95		7,962.21

Went Long with the Alibaba DLC with a total profit of \$870 over one trading day.

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
2024-05-13	060228/400/01V		TENC5XLSG250716	S\$	0.305	15,000	5.45	4,581.08	

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
2024-05-14	091242/700/01V		TENC5XLSG250716	S\$	0.33474	9,500	5.45		3,174.03

Contract Date	Statement/Contract	Ind	Security Name	Traded Cur	Price	Qty	Brokerage (S\$)	S\$ Buy Amount	S\$ Sell Amount
2024-05-16	160394/700/01V		TENC5XLSG250716	S\$	0.39545	5,500	5.45		2,169.03

Went SHORT with the short Tencent DLC with a total profit of \$777. Having the flexibility of going long and short is key to staying profitable.





CONCLUSION

It is also important for a trader to ensure the proper lot size and risk management he takes for every trade. A trader should scale to his means and not get overly excited over any potential gains. A sound and clear mind is essential.

Trading is not without risk and hence a trader needs to always have a stop loss and know how much he or she is willing to lose even before placing a trade.

As cliché as it might sound, the wisdom of “slow and steady wins the race” still stands the test of time and may you be profitable in trading DLCs.

In closing, having DLCs as part of a trader’s tool is important if a trader wishes to find success in trading.

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Slow and Steady wins the race

