Profiteering from Global NEWS

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GLOBAL FINANCIAL PRODUCTS

DERIVATIVE PRODUCTS

- ✓FORWARD CONTRACTS
- ✓FUTURES CONTRACTS
- ✓FINANCIAL OPTIONS
- ✓SWAPS
- ✓CFD (Contracts for Difference)

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FEATURES OF DERIVATIVE PRODUCTS

- ✓ Classified as leveraged products
- ✓ Limited upfront cash outflow
- ✓ Traded on an exchange
- ✓ Purpose to determine the scale of risk-reward
- ✓ Caters to corporate entities (hedging) and individual investors (trading)
- ✓ Eliminates Cash Flow and Counterparty Risk
- ✓ Limited liability with potentially unlimited returns
- ✓Visible, definitive associated costs
- ✓Reduction in effective tax

POPULAR UNDERLYING ASSETS

➢**Money Markets / Credit Markets**

• Corporate Bonds • Government Treasuries

✓ Investment objective: to protect portfolio from extreme market volatility, regular returns

➢**Currency Markets**

• USD • AUD • NZD • EUR • GBP • CHF • CAD • JPY • USDX

✓ Investment objective: to protect cash flows from FX risk, reducing hedging costs

➢**Capital Markets**

• Stock Benchmark Indices •Individual Stocks

✓ Investment objective: to promote growth of capital, dividend income

➢**Commodity Markets**

• Precious Metals • Base Metals • Oil and Natural Gas • Agro Products

✓ Investment objective: to fight inflation, limit cost of production

HOW TO DEAL WITH NEWS

BEFORE THE NEWS RELEASES

- Establish correlation trends between important risk-sensitive assets
- Be aware of the time of release of the news / event
- Distinguish the importance priority of the news (low / high)
- Keep in mind the forecast / poll results for each economic indicator pre-released
- Place stop loss / trigger orders before the release of the news

AFTER THE NEWS RELEASES

- Compare the forecasts with actual digits released / Spot out revisions in the previous release
- If projection incorrect, let the position exit at stop loss. If stop loss not placed, exit position
- Await the next opportunity

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MARKET MOVING INFORMATION

ECONOMIC INDICATORS	OTHER FACTORS
The Labor Market–Change in periodic employment, overall unemployment, jobless claims	Economic Policies–Combination of Fiscal and Monetary Policies indicating Govt. spending and Policy Rates and money supply. respectively
Economic activity–Industrial Production, GDP Growth Rate, sale of retail and durable goods	Currency System Followed–Economic Monetary Union, Pegged, Free-float
Price Levels–Consumer Prices, Producer Prices, Inflation	Performance of the Financial Markets–Capital, Currency, Credit and Money Markets
Balance of Payment–Trade Balance, Current account Balance, Official Reserves	Real Effective Exchange Rate (REER)–Weighted average of a country's currency relative to other major currencies
Housing Data–Home sales, Home prices indices , Building permits	Currency Flows – Expenses (Imports) and investments and income (Exports)
Consumer Sentiments–Personal Income, spending, consumption, Consumer Confidence	Performance of other currencies

BASIC TRADING STRATEGIES

BUY LOW – SELL HIGH (LONG POSITION)

- Trading on GBOT products as similar to any other business involving buying at a lower price and selling at a higher price to achieve a profit

- If you foresee the price of the underlying asset to rise, **buy the CFD contract in the first leg** and then **sell it in the second leg** of the transaction

- Examples of Buy / Sell transactions using GBOT CFD Contracts

(1) Under lying Asset Price	(2) # of Lots	(3) Contract Size / Lot	(4) Contract Unit	(5) Buy Price (1st Leg)	(6) Sell Price (2nd Leg)	(7) Price Change (6)-(5)	(8) Gain or Loss ($) (2)*(3)*(7)	(9) Charges ($)	(10) Final Claim ($) (8) – (9)
EUR / USD	1	1000	Euro	**1.2358**	**1.2410**	0.0052	5.20	2.30	2.90
GBP / USD	1	1000	GB £	**1.5592**	**1.5734**	0.0142	14.20	2.30	11.90
GOLD ($)	1	1	Troy Oz.	**1585.20**	**1611.90**	26.70	26.70	2.30	24.40
OIL ($)	1	10	Barrels	**89.63**	**92.27**	2.64	26.40	2.30	24.10

BASIC TRADING STRATEGIES

SELL HIGH – BUY LOW (SHORT POSITION)

- Since there is no obligation to deliver underlying products of GBOT, trading calls are made on the price movements of such underlying products. This allows a trader to commence a trade with a sell position, without actually holding the underlying product

- If you foresee the price of the underlying asset to fall, **sell the futures in the first leg** and then **buy it in the second leg** of the transaction

- Examples of Sell / Buy using GBOT CFD Contracts

(1) Under lying Asset Price	(2) # of Lots	(3) Contract Size / Lot	(4) Contract Unit	(5) Sell Price (1st Leg)	(6) Buy Price (2nd Leg)	(7) Price Change (5)-(6)	(8) Gain or Loss ($) (2)*(3)*(7)	(9) Charges ($)	(10) Final Profit ($) (8) – (9)
EUR / USD	1	1000	Euro	1.2528	1.2217	0.0311	31.10	2.30	28.80
GBP / USD	1	1000	GB £	1.5811	1.5470	0.0341	34.10	2.30	31.80
GOLD ($)	1	1	Troy Oz.	1620.00	1597.30	22.70	1980.80	2.30	20.40
OIL ($)	1	10	Barrels	94.23	88.88	5.35	53.50	2.30	51.20

CFD PRODUCTS INITIALLY OFFERED

THE GBOT Exchange is launching micro contracts (referred to as CFD) in the following underlying assets

Under lying Asset Price	Min. # of lots	Contract Size / Lot	Contract Unit	Settlement Currency	Minimum Initial Margin %	Minimum Investment (prices as on 10 Dec 2012) in US Dollars	Brokerage Rate (Maximum Brokerage including VAT)
EUR / USD	1	1000	Euro	US Dollars	1%	13.00	3.45/ Lot
GBP / USD	1	1000	GB £	US Dollars	1%	16.50	3.45 / Lot
GOLD ($)	1	1	Troy Oz.	US Dollars	2%	34.25	3.45 / Lot
OIL ($)	1	10	Barrels	US Dollars	3%	26.00	3.45/ Lot

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INTERPRETATION OF NEWS

November 20 – Finance ministers meeting (Greece)
November 21 – Euro-Zone countries PMI
November 23 – German GDP
November 26 – Finance ministers decision (Greece)
November 28 – German CPI
December 03 – HSBC China PMI
December 03 – USD ISM Mfg.
December 04 – RBA Cuts Rates to 3%
December 05 – AUD GDP, Euro-Zone Retail Sales
December 06 – AUD Unemployment, EZ GDP
December 07 – Risk Aversion
December 10 – Increase in risk appetite (US QE)
December 11 – German Economic Survey, expecting US QE
December 12 – US to purchase T-Sec @ $45 B / month
December 13 – Risk Reversal, QE not beating expectations

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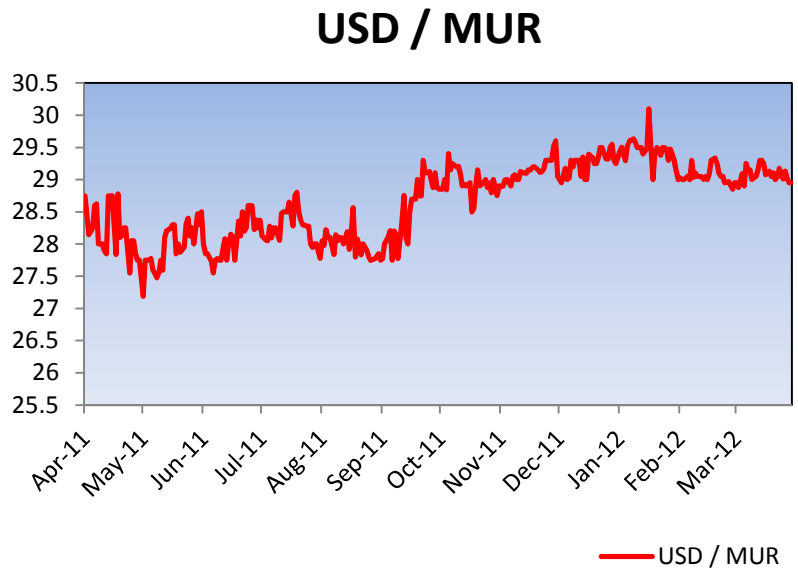
CURRENCY TRENDS



The US Dollar vis-à-vis the Euro and Mauritian Rupee has witnessed extreme price fluctuations over the past year, predominantly due to unexpected changes in the global economic conditions

The sharp volatility observed in the preceding months, represents plenty of opportunities for various market participants, i.e. Hedgers, Speculators and Arbitrageurs in the near future

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