An Introduction to Online Trading

National University of Singapore
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Introduction

Saxo Capital Markets Pte. Ltd.

Financial Markets:
- Yesterday
- Today
- Tomorrow

Saxo Trader - Multiple Product Platform:
- FX, Spot (Foreign Exchange)
- CFD (Contracts for Difference)
- Futures
- Equities, Stocks

Personal experience

Career opportunities

Q & A
Introduction
Career Path - Klaus Buhl

- Head of Institutional Account Management
  Saxo Capital Markets Singapore  2003 - Present
- Senior Financial Advisor, SEB Private Bank Denmark  2001 - 2003
- Senior Currency Trader Unibank & Postipankki Singapore  1995 - 1997
- Currency Trader Unibank Denmark  1992-1994
Educational Background

- 2003 - ACI Trading Certificate (Financial Markets Association)
- 1990 - 1992 Banking Academy
- 1988 - 1990 Bachelor Degree Finance & Economics, Copenhagen Business School
Saxo Capital Markets Pte. Ltd.
A History of Technological Excellence

- 1995: Entry into the online FX market with www.forextrading.com and an aggressive IT strategy.
- 1996: Saxo Bank began in-house development of what was to become the SaxoTrader.
- 1998: Launch of SaxoTrader’s predecessor, MITS, which enabled online FX trade execution.
- 1999: Joint venture with Credit Lyonnais from which shares were bought back in 2000.
- 2001: Headquarters were established in Gentofte and Saxo Bank was approved as an EU regulated Danish bank by the FSA (June 27th).
- 2003: The first of many awards earned by the SaxoTrader for online trade facilitation.
- 2005: General Atlantic invested ca. USD 127 million in Saxo Bank based on confidence the bank’s business model.
- 2006: In July, Saxo Bank’s flagship platform, the SaxoTrader, wins Best Retail Platform at the e-FX Awards, sponsored by FX Week magazine.
Saxo Group

- Saxo Bank A/S Copenhagen Denmark
- Saxo Bank Pte. Ltd. London
- Saxo Bank, Marbella Spain
- Saxo Capital Markets Pte. Ltd. Singapore
- Saxo Soft, St. Petersburg, Russia
Saxo Bank Defined

Number of employees: **850+**
Number of nationalities: **48**
Number of languages - Saxo platform: **19**
Number of languages - Saxo websites: **12**
Average daily FX trades: **80,000**
Clients (WLP): **60+**
Clients (IB): **350+**
Countries with partners: **91**
Countries with clients: **151**
Daily FX Trading volume: **$10 billion**

Source: Internal Saxo Bank Data
Financial Markets
Financial Markets – “yesterday”

- Smaller marketplace
- Traditional product line (stocks, bonds and time deposit)
- Limited access for the private investor
- Access via Banks and Broker houses
- All trading and investment done by phone or physical presence
- Professionals used Telex and phones to confirm a trade
TELEX
Financial Market “Today”

- Internet and Mobile Trading
- Bigger market place
- Easier access to Financial Products
- More players
- Electronic trading platforms
- Fewer but bigger liquidity providers
Financial Markets “Tomorrow”

- Private Wealth increasing
- More advanced Trading Platforms
- Growing new markets
- Advanced marketing
- You are the future, any ideas?
Contracts For Difference (CFDs)

- The CFD is an investment instrument that allows traders to participate in the price movement of securities or indices without full ownership of the underlying stock or index.

- Online traders look to CFDs for active margin trading in the stock market - on individual issues as well as on indices.

- CFDs allow traders to maximize product inventory and rapid price movements through an automated online process.

- CFDs are an efficient hedging instrument for portfolio risk management.
CFD Exchanges

- Trade CFDs on some of the world’s major exchanges 24/6, opening with Sydney Monday morning and closing with New York Friday.
Futures Contracts

Trade a wide range of futures on live streaming prices:

- Commodity futures
  - Energies
  - Precious metals

- Financial futures
  - Stock indices
  - Interest rates
  - Foreign currencies

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Futures Exchanges

- Futures trading through some of the world’s major exchanges

- Trade over 200 contracts online on 80 futures
Foreign Exchange Market
History

- FX market was created after the gold standard was abandoned in 1971
- Currencies are floated against each other to measure their worth
- Some countries link or peg their currency to US Dollars
- No physical market place, all electronic
- Euro introduced in 1998 and aligned with one another
**FX Trading**

- **Reasons for the Forex market:**
  - Commercial hedging - import/export
  - Foreign investment and lending ➔ hedging
  - Speculation / Day Trading

- **Market characteristics:**
  - Very liquid market
  - Available 24 hours
  - High Volatility/Risk

- **Drivers of the Forex market**
  - Technical Analysis
  - Flow information
  - Economic Key Figures
  - Rumors and Events - political changes, terrorism, natural disasters etc.
  - Commodity
FOREX MARKET

Trading Hours

24 hour market

Sunday 5pm EST through Friday 4pm EST. Rollover at 5pm EST

Trading begins in New Zealand, followed by Australia, Asia, the Middle East, Europe, and America

Size

Largest financial market in the world

$1.9 trillion average daily turnover, equivalent to:

- 15 times the average daily turnover of global equity markets
- Nearly 50 times the average daily turnover of the NYSE2
- $300 a day for every man, woman, and child on earth

The spot market accounts for about one-third of daily turnover
**What is a currency cross?**

- Currencies are always priced in pairs.
- The concurrent **purchase** of one currency and **sale** of another
- For example 1.00 EUR = 1.22 USD

**What is the Bid-Ask Spread?**

- The buying and selling spread between two currencies
- The bid price = Price at which the currency is sold
- The ask price = Price at which the currency is bought
- The difference is known as the bid-ask spread.
Defining a Pip

Currencies are quoted using 5 significant digits. The last digit, called a “pip”, represents the smallest potential move in an exchange rate.

When trading foreign exchange, the value of a pip is dependent on two variables - the amount of currency and the currency pair.

EUR/USD 1 pip = 2,000,000 EUR x .0001 USD/EUR = US $200.00

So 10 pip increase would mean US $ 2,000.00 profit

1.2277 – 1.2287 = 10 pip move
Margin, leverage, gearing......

Think like this:

You hire a car
You control a large asset with small deposit
You are still liable for full face value
**TRADE ON MARGIN**

Trading on margin means that an investor can buy and sell assets that represent more value than the capital in their account.

Typically 1% on the first $10,000 in your account, and 2% on assets greater than that. What this means is that a margin of 1.0% enables one to trade up to $1,000,000 even though there is $10,000 in the account.
TYPES OF FX ORDERS

1. Limit order
2. Stop order
3. Stop if bid
4. Stop if offer
5. Trailing stops
6. One Cancels Other (OCO)
7. If Done
Let’s Trade!
“If in trouble, then double”
“Buy on rumours, sell on facts”
“Mine - Yours”
Personal Experience
• Currency crisis in 1992
• Barings and Nick Leeson fall in 1995
• Asian currency crisis 1997
• A new currency born on 1 Jan 1999
• Stockmarket Bubble in 1999/2000
• New Markets, New currencies
Career Opportunities with Saxo
PRIVATE/ INSTITUTIONAL SALES ASSOCIATE

- Acquisition of new Private and Corporate clients
- Advise on trading strategies and Saxo Capital Markets wide range of products and services
- Teaching and guiding clients on the usage of Saxo Trader
- Focus of improving client satisfaction

PRIVATE / INSTITUTIONAL ACCOUNT MANAGER

- To work in teams who cultivate and maintain relationships with clients
- Continuously interacting with clients to guide them in better ways to improve their usage of our trading platform
- Helping clients formulate trading strategies and advise on our wide range of products and trading services
- Focus on improving client satisfaction
PRIVATE WEALTH MANAGEMENT (Denmark)
- Target group: high net worth individuals
- Focus on developing long-term investment strategies for investors
- Consist of 3 departments: Managed assets, Active Advisory and Financial Planning & Pension

FUNDS & TRADING
- At the core of the Bank’s business focusing on product development, existing product improvement, competitor analysis, risk management, exposure hedging etc

IT (Denmark)
- Representing almost 1/3 or the Bank’s employees
- Consist of software and system development, coding, support functions etc
- Support the continual innovation of the Bank’s trading platform and services
Questions?
THANK YOU

www.saxomarkets.com.sg