

FOREWORD

This is a straight forward and easy to read book to get started right on investing and trading on exchange traded Malaysian financial products.

The pioneer aviator, Amelia Mary Earhart, was quoted to say “The most difficult thing is the decision to act, the rest is merely tenacity.”

Mirroring what she said to investing and trading, the most difficult thing is the decision to act on the need to become properly educated and to keep on with the tenacity until achieving success.

And starting right is the first step.

In this book you will discover gems of starting out advice on proper mind sets, risk management and trading versatility set-ups that allow for putting on and taking off trading positions readily and easily.

You will read on:

Go long; Go short; Go square from long; Go square from short; Go long from short; and Go short from long among many other trading versatility.

You will make distinctions on micro-economic investing through stock ownership of firms and macro-economic trading through broad based stock index futures and options. You will be well rewarded with knowing the distinctions between the two and with having the power to invest and trade with ease using both micro-economic and macro-economic approaches.

You will be empowered with short trading strategies especially when nearing the end of economic cycles or asset bubbles. You will find out futures and options market allows you to do that with ease.

Read this book to start right.

Chong Kim Seng
Former CEO
Bursa Malaysia Derivatives Berhad

PREFACE TO 5TH EDITION

To all my beloved readers,

The financial markets have gone through a roller coaster ride in the past few years. The world went into an unprecedented lockdown when the Covid-19 pandemic hit the world. Flushed with massive liquidity from global central banks, prices of financial assets have soared to record levels despite the pandemic. However, asset prices are starting to fall when the global central banks are now on tightening bias. The up and down cycles will continue for many years to come but the fundamentals of trading never change. If you have mastered trading, you can make profit in both bull and bear markets.

Many traders and investors get carried away during the good times, thinking that the good times will last forever and it is easy to make money, disregarding risk management and trading rules. Trading positions become long term positions when losses snowballed. It is during this volatile and uncertain time that I believe traders should go back to basics, review their trading rules and adjust/refine their trading strategies and systems.

Thank you for your support and I hope this revised edition will continue to help you to navigate this turbulent time. Remember, the market is constantly evolving but the rules of making money never change. It is a matter of whether you are discipline enough to stick to your trading strategies and systems.

Yours Truly,
Choong Ty'ng Ty'ng

PREFACE

Throughout those seminars that I have conducted, I noticed that most of the investing public would like to invest in stocks and/or futures market. However, they do not know how to get started as most of the investment books in the market are not particularly focusing in Malaysia's trading environment.

Thus, I have decided to write a book focusing on how to get started in stocks and futures investment, specifically in Malaysia, as this will directly help those investors who would like to start their trading in Malaysia but lack of guidance.

In this book, I mainly use simple, easy and practical ways to explain the trading knowledge as this will ease readers to better understand the trading related knowledge so they are able to perform their trading successfully.

I also understand that it will not be easy for readers to finish reading a book as it will be very time-consuming. By taking this into consideration, I have decided to arrange and compile this book in such a way that you will be able to finish reading it in one sitting (within 3 hours) and be able to start your own trading immediately, as action will be the crucial step towards success.

Besides providing all the technical matters in trading, I do understand that it will be vital for investors to have certain proper trading techniques and strategies to achieve profits in their trading. Else, soon readers will lose their money in the market and stop trading. Thus, in this book, I have allocated a few chapters to cover the successful trading techniques and strategies, 10 common mistakes made by majority of the investing public that you should avoid, and the 10 mindsets needed to be built to enable effective and successful trading journey.

Last but not least, this book will provide readers with the 5 proven steps to trade successfully, namely:

Step 1: Conduct your own analysis

Step 2: Build the correct trading mindset

Step 3: Devise your trading plan and system

Step 4: Execute your trading plan and system

Step 5: Review your result

After reading this book, I strongly believe that you will benefit from it and will be able to start your trading immediately.

“Have a happy trading journey!”

CHAPTER 1:

Introduction

Congratulations for picking this book. If you have always been interested in the financial markets but have no idea on how to get started, then this book is meant for you.

If you have traded in the markets for years but with limited success, then this book is also for you. And if you have traded in the stock market but would like to venture into the futures market, then this book is definitely for you.

This book is specially designed for beginners and I will walk you through the basic ABCs of the stock and futures markets, then I will equip you with the risk and return concept and analytical skills before revealing the secrets to successful trading.

Trading Stocks and Futures

Apart from showing you the basics of the stock markets, this book will also focus on how to profit from stocks and futures trading.

You will notice that I use the word “trading” instead of “investment” in most part of this book. For me, I define trading as buying and selling in a relatively short period of time from intraday to days while investment is defined as buying and holding positions for longer term period from days to years. From my observation, there are very limited investment opportunities in the Malaysian stock market. Historically, only a few stocks such as Public Bank, Digi, Nestlé, etc. that give you very handsome returns when held over a very long period of 5 to 10 years or even longer.

Most stocks however, will experience the roller coaster ups and downs of the market cycles. Meanwhile, the futures market is more suited for trading and not investment given that futures is having a higher volatility. Though I will give a brief introduction into stock investment, the focus of this book is not on investment, but on exploring trading opportunities which are more abound in the markets.

Why trade in stocks and futures?

1. Ready and liquid market for trading.

As stocks and futures are traded in regulated exchanges such as Bursa Malaysia, there is no need to worry on finding buyer or seller. Except for some small cap stocks with thin liquidity, the stock and futures markets are generally liquid enough to absorb large volumes of buying and selling.

2. Low capital required.

You can start trading with small capital as little as few thousands or even a few hundred Ringgit.

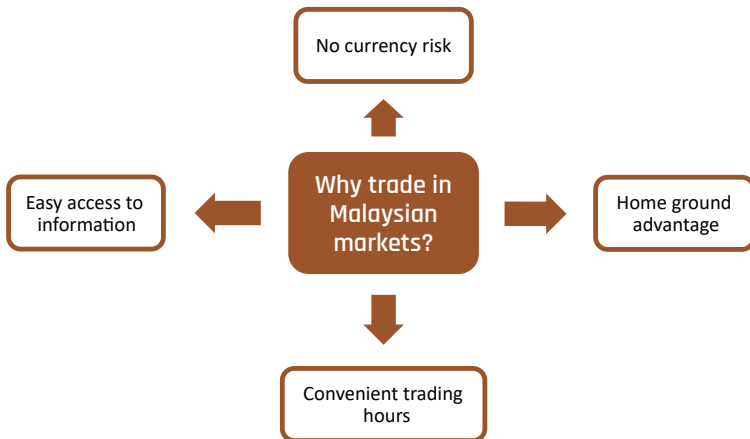
3. Low transaction cost.

Today, commission rates are very competitive. Most brokers offer lower commission rates for online trades.

4. Ease of execution and monitoring.

You can monitor prices and execute orders easily through your personal computer, tablet or smartphone as long you have an internet connection to access the online trading platform. The online trading platform also allows your orders to be transmitted promptly to the markets with minimal time lag.

Why trade in Malaysian markets?



There are many reasons why as a beginner, you should start your trading on home ground, the Malaysian markets. Here are the four main reasons:

1. No currency risk

You will be using the home currency, which is Ringgit Malaysia in the Malaysian markets. This will eliminate currency risk and your exposure to the volatility of foreign exchange rate.

2. Home ground advantage

As you are trading in Malaysia which is your own country, you have the home ground advantage as compared to foreign investors. You will have better understanding of the domestic political and economic environment and its impact to the markets. For example, when the government announces the MRT project, you would know what companies are likely to be the beneficiaries and the impact to the stock price.

3. Easy access to information

You will have easy access to news and updates in the local market as the market developments are widely reported in the newspaper dailies, financial periodicals and various websites. Apart from that, you will be able to attend Annual General Meetings for the stocks that you own and meet up with company management on these events.

4. Convenient trading hours

As you are trading in Malaysia, the trading hours will be during the day time. Therefore, you do not need to sacrifice your

sleep at night to monitor the markets. For example, if you are trading in the US markets, you may need to stay up late into night to monitor and trade the markets.

STOCKS

PART

01

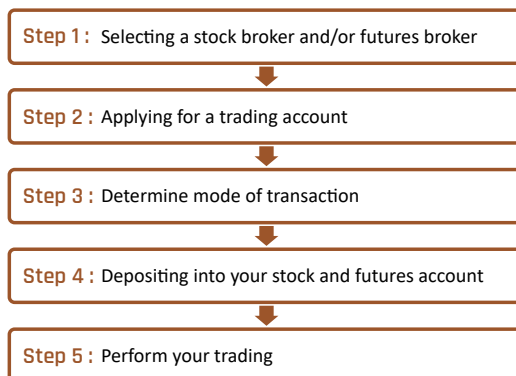
CHAPTER 2:

Getting Started with Stocks & Futures

Before you can start to trade stocks and futures, you need to open a trading account with a stock and futures broker.

You are required to maintain separate accounts for stock and futures trading. Not all brokers are licensed to carry out both stock and futures broking activities. You can visit www.bursamalaysia.com for the list of stock brokers and futures brokers.

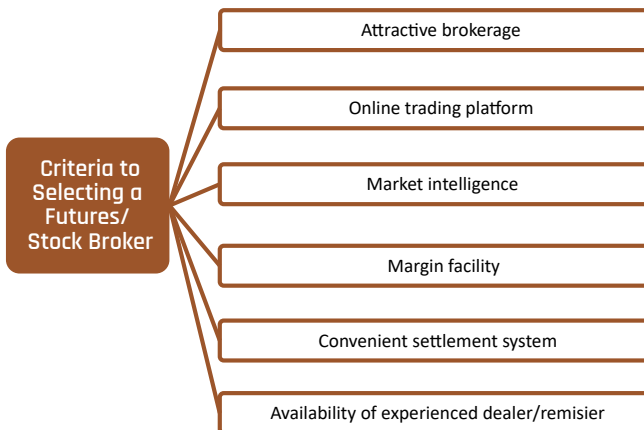
Steps in Account Opening



Step 1: Selecting a stock broker and/or futures broker

You should take the following criteria into consideration when selecting your preferred broker:

- i) Attractive brokerage – Choose a broker who offers lower brokerage fee to reduce your transaction cost;
- ii) Online trading platform – Choose a broker who offers online trading facility which allows you to access trading platform through your smart phone and PC;
- iii) Market intelligence – Pick a broker who can provide you with investment advisory, comprehensive research reports, market commentaries and continuous education and support which can be useful in your decision making;
- iv) Margin facility;
- v) Convenient settlement system which eases payment of transactions;
- vi) Availability of experienced dealer or remisier who can provide you with advisory services at any point in time, including seeking clarification on corporate exercises.



Step 2: Applying for a trading account

You can visit any stock broker or futures broker to apply for a trading account. The account opening process is fast and relatively straightforward as long you have all the required documents. After the Covid-19 pandemic, many brokers have offered online application of account opening without the need to visit physical office.

Although every broker may require different sets of documents for account opening, some common required documents are:

- i) Photocopy of identity card (IC); and
- ii) Photocopy of latest bank statement or transactions shown in bank account passbook.

Step 3: Determine mode of transaction

- i) Online trading; or
- ii) Phone trading (placement of order to dealer's representatives via telephone).

Today, online trading is very popular as it is easy and convenient. Some benefits of online trading include:

- Lower transaction costs (the commission rate for online trading is usually lower than order placement by phone call).
- Access to real-time quotes and price charts.
- Submit, amend or cancel your orders quickly.

- Eliminate mistakes which may happen during order placement through phone calls.
- Accessible anywhere and anytime.

Step 4: Depositing into your stock and futures account

Once your stock trading account has been approved and opened, you can deposit money into your trading account. It is advisable that you deposit the amount that you intend to trade into your trading account.

As for futures trading account, you can deposit the initial margin required for trading after your futures account is opened. Initial margin will be discussed in **Chapter 7: Fundamental of Futures**.

Some brokers may provide attractive interest for money deposited into the trading account.

Step 5: Perform your trading

You can start your trading now! Most online trading platforms are simple and easy to use. You can request your broker to guide you through the trading platform if you need help.

Terminology

Some common terminologies you will come across during account opening:

Terminology	Explanation
Broker	A broker is a financial institution licensed to conduct business in the dealing of securities and/or derivatives.
Central Depository Account (CDS)	An account used to safe keep your shares and to keep track of your shares movement. Shares bought will be deposited into the CDS while shares sold will be debited from the CDS.
Contract note	An official document which is produced for all trades and records the details of each transaction you entered.
Dealer	An individual representative of a broker to deal in securities or derivatives. There are 2 broad categories of dealer's representatives, namely dealer and remisier. Dealer: A salaried employee of a broker. Remisier: An agent of a broker who receives a commission for each transaction handled.

Other Matters

1. Check your contract note or statement regularly

You should check your contract note or statement regularly. Contract note will be sent by the broker on the day/following day after you have entered into a transaction. Monthly statement will be sent by the broker and Bursa Malaysia to your correspondence address or email. Therefore, you should

always update your latest correspondence address and/or email with your broker so that you do not miss out receiving them.

2. Deposit and withdrawal of money deposited

Money deposited in trading account is no different from money saved in the banks. The normal question that readers ask is, “How safe is my money in the trading account?” Money in your trading account is safe as it is kept in a trust account which can only be withdrawn or used for trading transaction on your instruction.

