

# SINGLE STOCK FUTURES

## Products

Nasdaq Dubai's Derivatives Platform provides a unique opportunity for investors to trade **Single Stock Futures** on the shares of some of UAE's leading and most liquid companies.

The market is the outcome of collaboration between Nasdaq Dubai and leading capital markets participants including **SHUAA Capital**, which is providing market making services, and a number of brokers including **AI Ramz Capital, Arqaam Capital, EFG Hermes, Integrated Securities, Mena Corp Financial Services** and **Mubasher Financial Services**.

## Benefits

**Leverage** is a key feature of these products where investors initially pay only 10% to 30% of the value of the underlying contract.

**Shorting** allows investors to make profits when share prices are falling as well as rising.

**Hedging** allows investors to manage their existing market exposure to underlying shares.

Futures trading is **cost-effective** as trading fees can be much lower than trading underlying equities.

## Contracts

Underlying Shares	Contract Size (Number of shares)
Aldar Properties	100
Arabtec Holding	100
DP World	100
Dubai Islamic Bank	100

Underlying Shares	Contract Size (Number of shares)
Dubai Parks and Resorts	100
Emaar Properties	100
Etisalat	100

List of products is subject to change

## Contract Specifications

Parameter	Specification
Contract underlying	Security traded on a UAE stock exchange and as approved by Nasdaq Dubai and published by way of notice
Currency	Same as trading currency of underlying security in primary market
Contract Months	1 month, 2 months and 3 months expiry
Minimum Price Movement (tick size)	0.001
Daily Price Limits	15% up and 10% down from previous closing price
Settlement Type	Cash settled
Expiration Settlement Price	Last 30 minutes of volume weighted average price (VWAP) of the underlying security
Last Trading Day /Maturity Day	3rd Thursday of the expiry month. In the event of this not being a Business Day, the Last Trading Day shall normally be the Business Day prior to the 3rd Thursday.
Settlement Day	Business Day following the Maturity Day
Listing of New Contract Month	2 <sup>nd</sup> Thursday of the expiry month i.e Thursday prior to Maturity Day
Trading Hours	Sunday - Thursday, 10:00 am - 2:00 pm
Contract Size	100

## Trade Example 1: Buying underlying shares vs buying single stock future contracts

### BUYING SHARES

PAY AED 20,000  
Exposure to 4,000 shares @AED5.00  
valued at AED 20,000

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Sell on open market @AED5.50  
Receive cash of  $5.50 \times 4,000 = \text{AED}22,000$

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PROFIT AED 2,000  
Return = 10% (2,000/20,000)

Three months later  
share price rises to AED 5.50

### BUYING SINGLE STOCK FUTURES

PAY AED 20,000 MARGIN  
Exposure to 40,000 shares @AED5.00  
valued at AED 200,000  
Margin 10% is AED 20,000

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Difference between final price and spot price  
on 40,000 shares is paid to investors  
 $(5.50 - 5.00) \times 40,000 = \text{AED}20,000$

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PROFIT AED 20,000  
Return = 100% (20,000/20,000)

☑ Margin requirements are set by Nasdaq Dubai and are between 10% to 30%

## Trade Example 2: Bullish view vs Bearish view (ability to short)

Futures contracts of X company shares are trading at AED 3.00. An investor with a bullish view will go long on X company futures by buying 100 futures contracts; and an investor with a bearish view will go short on X company futures by selling 100 futures contracts. Pay off will be as follows:

One Futures Contract = 100 shares  
Futures Margin = 10%

### INVESTOR WITH BULLISH VIEW

#### Equity Futures Payoff when price rises to AED 4

PAY AED 3,000 MARGIN  
Exposure to long 10,000 shares @AED 3.00  
valued at AED 30,000

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Price rises to AED 4.00

Difference between final price and spot price on  
10,000 shares is paid to investors  
 $(4 - 3) \times 10,000 = \text{AED}10,000$

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PROFIT AED 10,000  
Rate of Return = 333%

\*There will be magnified losses if price falls below AED 3.00

### INVESTOR WITH BEARISH VIEW

#### Equity Futures Payoff when price falls to AED 2

PAY AED 3,000 MARGIN  
Exposure to short 10,000 shares @AED 3.00  
valued at AED 30,000

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Price falls to AED 2.00

Difference between final price and spot price  
on 10,000 shares is paid to investors  
 $(3 - 2) \times 10,000 = \text{AED}10,000$

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PROFIT AED 10,000  
Rate of Return = 333%

\*There will be magnified losses if price rises above AED 3.00

## Product Risks

Trading in futures carries risks for investors. These include losses that can be greater than the initial investment on account of leverage. It is recommended that investors seek advice before trading.

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