STILL ON WARRANTS
By Alexander O'Malley

With the pullback in the Singapore market we have seen a lot of great opportunities developing, especially in the warrant market. In these volatile trading times we try to stay in the market as little as possible as this increases our risk. We look to use leveraged instruments to help boost profits from smaller moves. This enables us to maintain a good return on investment while protecting capital from the volatility moves that sweep the market.

For the retail investor we have two viable options to do this. The first is CFDs. I am personally not a huge fan of CFDs as it is too easy to lose more then what you started out with. A CFD will continue to lose value even when your account balance is 0, and you will then need to top the account back to 0 and then extra again in order to continue trading. Additionally the price of the CFD is based on the CFD marker and it can sometimes not reflect the market as accurately as we would like. I have had personal experience trading Australian CFDs were the market is rising rapidly while the CFD was simply going sideways.

Our other option are warrants. Warrants are similar to CFDs in that they give us a leveraged trading environment, however warrants protect us from capital implosion. If we do not exercise good trade management and the trade goes against us by a large margin and can hold onto the warrant and sell the stock once the warrant expires. We will still lose money but the total percentage of capital lost will be smaller than if we sold the warrant prior to expiry. This does not mean it is risk free and we do not advise this as a tactic, it's simply a tiny silver lining. A warrant more accurate tracks the movement of the underlying stock and this is the real advantage of a warrant – it gives us confidence that when a stock rally's hard, that movement will be reflected in the price of the warrant. Additionally we can trade a warrant similarly to a normal equity stock through our existing broker, reducing the need to transfer funds to different accounts.

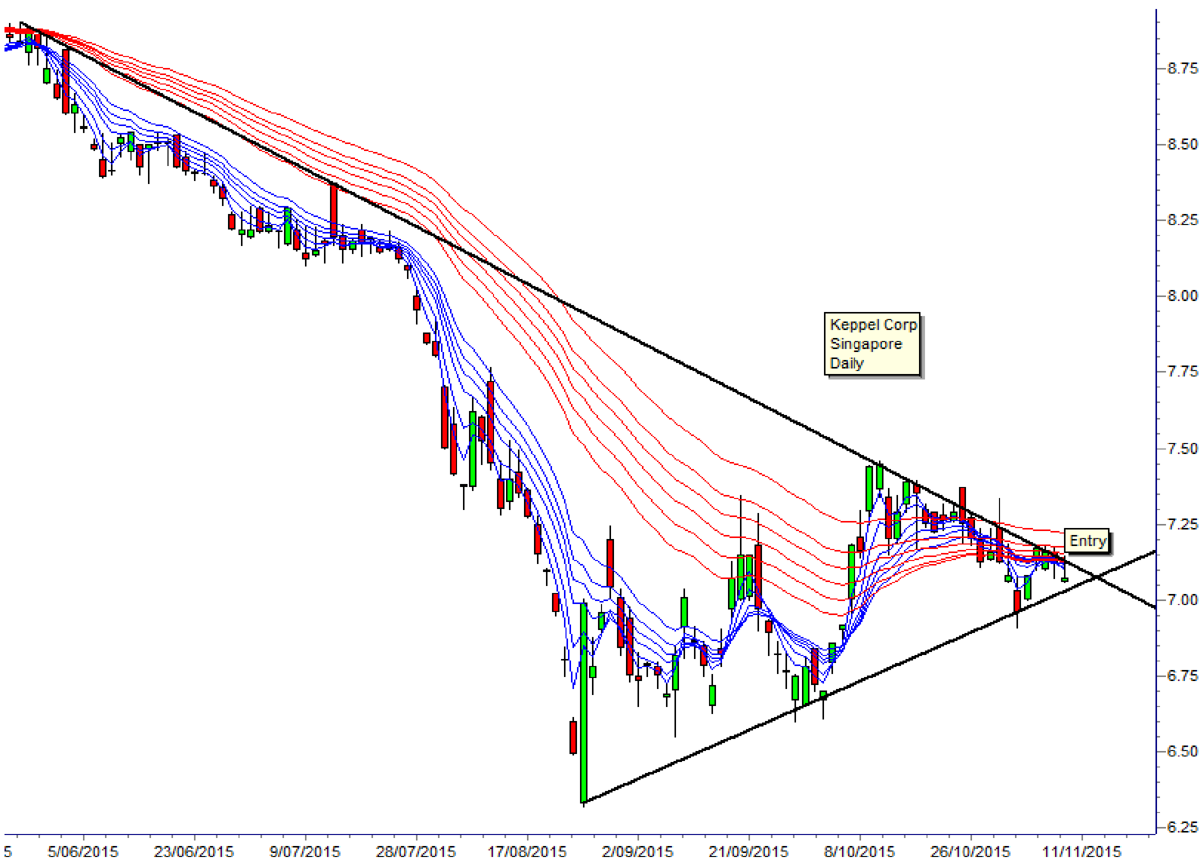
Keppel Corp

Keppel looks to be following the STI with its chart pattern. We have a strong downtrend that appears to be weakening. We can see this in the long term or red group of the GMMA. When the lines are widely separated it shows strength in the long term investors, while a tight compressed group shows weakness. As we can see the long term group has compressed tightly however it has not turned over. This shows that although there is weakness in the long term group, the short term group may not have enough strength to change the trend at this stage. We can see the weakness forming in the short term or blue group as it tries to push through the long term group.

When the two GMMA group are together we can expect price uncertainty followed by a clear trend direction. In this case because there is weakness in the short term group which is trending downwards and less weakness in the long term group (not turning over) there is a higher probability that the downtrend will continue for now. Further weight is added to this as the long term downtrend line has not been broken with a close above the line.

The real test will be later in the week when we have the convergence of the downtrend and uptrend lines. At this point one of them needs to break and we will likely see a rapid acceleration of the trend in that direction. This can be seen as a dangerous time to enter. Conservative traders will wait until a trend line has been broken and trend direction confirmed while more aggressive traders will enter in anticipation of the move. The fact that the long term downtrend line has not been broken and the lack of further compression and turnover in the long term GMMA, all indications point to the downtrend continuing.

Traders are mindful of the situation and just because we have made an aggressive entry does not mean we are haphazard. Good stop loss and trade management is needed especially when trading leverage instruments. Our stop loss is set as a close above the down trend line.



Keppel was entered using the Macquarie bank PUT warrant BJRW. Spending a total of $9,936 to acquire 69,000 warrants at warrant quoted price $0.144. Our stoploss is set as a close above the down sloping trend line, and our ultimate stop loss is set at warrant quoted price $0.115, putting $2,000 or 2% of total trading capital at risk. BJRW is currently trading at warrant quote price $0.151, putting this trade in a profit of $483.00 or 4.86%.

Stock	Price	Qty	Pur Value	Close	Cur Val
BJRW (Keppel)	$0.144	69,000	$ 9,936	$ 0.151	$ 10,419
		Newsletter date	15-Jul	$	483.00
				Percentage	4.86