Daily Leverage Certificates: Run the Two-Day Loss Test

Description

MoneySense describes DLCs as high-risk products designed for short-term trading, especially within one day. Daily reset means gains and losses compound along the actual path, so a multi-day result can differ sharply from the headline leverage times the underlyingâ??s start-to-end change; overnight management, premium, funding and rebalancing costs can further reduce value.

This guide is for a retail investor considering a Daily Leverage Certificate on SGX. Its purpose is to understand daily reset, compounding and overnight cost before treating a DLC as a multi-day investment. The answer comes first because the costliest mistake is usually taking the next irreversible step before the controlling condition is known.

Choose the branch that matches your situation

Situation	Practical next step
The intended holding period is longer than one day	Model the daily path and costs rather than multiplying the total move
The investor cannot explain daily reset	Do not trade the product
The product is an SIP and account review is not passed	Use a simpler instrument or obtain education, not a workaround
The underlying moves sharply against the position	Understand the air-bag and possible severe loss before entry

The table is a triage tool, not a substitute for the underlying authority. It separates the readerâ??s situation from the action, so a general rule is not applied to the wrong person, property, business, journey or account.

Write the leverage direction

Long and short products respond differently. The controlling position was checked against MoneySense DLC guide.

Do this: Record underlying, leverage factor and direction. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Calculate one day at a time

Reset makes the sequence of returns material.

Do this: Apply each dayâ??s percentage to the new DLC value. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Test a reversal path

Up then down can leave both underlying and leveraged product worse.

Do this: Run at least three plausible paths. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Add overnight costs

Management, premium, funding and rebalancing can apply.

Do this: Use the issuerâ??s current listing document and rate. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Allow for spread and brokerage

Screen price is not the full round-trip cost. The related operating detail was also checked against SGX-ST order rules.

Do this: Record bid, ask, commission and exchange fees. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Understand the air bag

The feature can reduce exposure after an adverse move but does not make loss impossible.

Do this: Read trigger and reset terms. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Set an exit process

A leveraged trade without monitored limits can become an accidental investment.

Do this: Predefine loss, time and system-failure actions. This turns the rule into a dated record that another person can review, instead of leaving the outcome to memory or an informal message.

Two original tools for this decision

a two-day path table comparing +10% then -9.09% with leveraged daily reset

This LBRD analysis applies each branch above to the readerâ??s actual role, timing and evidence. Write the facts in separate columns, mark unknowns, and do not convert an estimate into a confirmed eligibility result.

an all-in cost sheet for spread, brokerage, management, premium, funding and rebalancing

Keep the source, date checked, decision owner, deadline and supporting document in the same record. The value of this tool is not the template itself; it is the visible connection between the official condition and the action taken.

Stress-test the plan

Illustration: an underlying rises 10% then falls 9.09%, returning roughly to its starting level. A 5x long DLC moves about +50% then -45.45%, leaving about 18.2% below its start before costs. The example is arithmetic, not a forecast.

The example is an analysis, not a promise that an authority, operator, provider or professional will reach the same result. Change one material fact at a time and re-run the decision. If the route depends on a date, amount, pass type, legal form, age, location or approved drawing, verify that field at the point of action.

Before acting

1. Model the daily path and costs rather than multiplying the total move.
2. Do not trade the product.
3. Use a simpler instrument or obtain education, not a workaround.
4. Understand the air-bag and possible severe loss before entry.
5. Read trigger and reset terms.
6. Predefine loss, time and system-failure actions.

Save the two official pages with the date checked. If an online form, price, timetable, clinic network or approval condition changes, the current official service must take priority over this explainer.

Recheck the evidence before the final step

Read the official material in the order the decision occurs. First confirm who or what is covered. Next confirm the effective date, threshold, location or document requirement. Then record any exception and the evidence for using it. Finally, verify the live submission, booking, payment or approval channel. This sequence prevents a valid rule from being attached to the wrong case.

A second reviewer should be able to reproduce the conclusion from the saved facts. If they cannot, the file is not ready: identify the missing field, return to the primary source and label any remaining uncertainty plainly.

Do not combine separate controls into one yes-or-no answer. Eligibility, cost, timing, approval, suitability and service availability can each have a different source and owner. A favourable answer on one field does not cure a failed condition on another. Keep the branches separate until every consequential field is confirmed.

Also distinguish the date a rule was announced, the date it takes effect and the date the reader must act. Where a future change is involved, write both the present process and the transition point. That makes it clear which instruction applies today and what must be checked again later.

Limits and escalation

DLCs can lose most or all invested capital. Product documents, issuer calculations and suitability requirements control.

Where the facts are disputed or the consequence is material, pause and ask the controlling authority or an appropriately qualified professional. Keep the answer with the documents used to make the decision.

Related LBRD guides

For the next adjacent task, read Bar Kap at House of Tan Yeok Nee: Plan the Right Visit. You may also need Rest-Day Pay in Singapore: A Worked Calculator.

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Author
rachelng