



# Carry Trade Playbook

How Accredited Investors can enhance yields on their existing portfolios

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# Executive Summary

## What This Playbook Covers

A practical guide for accredited investors to enhance portfolio yields through carry trade strategies that exploit global interest rate differentials.

## Why It Matters

With low domestic yields, carry trades can offer attractive returns, if implemented with proper risk management.

## Who This Is For

- Accredited investors with access to multi-currency markets
- Looking to diversify returns beyond equities and bonds
- Comfortable managing FX and interest rate risks

Note: This strategy is not suitable for retail investors. Use only with professional guidance.

# Introduction to Carry Trade

## What Is a Carry Trade?

A strategy where you borrow in a low-yielding currency and invest in a high-yielding currency or asset to profit from the interest rate differential.

Example: Borrow in JPY at 0.5% → Invest in IDR bond at 6% → Net interest gain  $\approx$  5.5% (excluding FX movement)

## Why It Works

- Based on **interest rate differentials**
- Profits when the higher-yielding asset/currency remains stable or strengthens
- Often used in FX, bonds, and structured products

## Why It's Not for Everyone

- FX risk: Currency movements can erase gains
- Leverage risk: Amplifies both returns and losses
- Liquidity risk: Some instruments are less tradable in volatile markets

# Is Carry Trade for You?

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## Ideal Conditions for Carry Trades

- ✓ Stable macro environment
- ✓ Clear central bank policies
- ✓ Low volatility in currency markets

# How It Works



Existing investment of  
**S\$1,000,000**



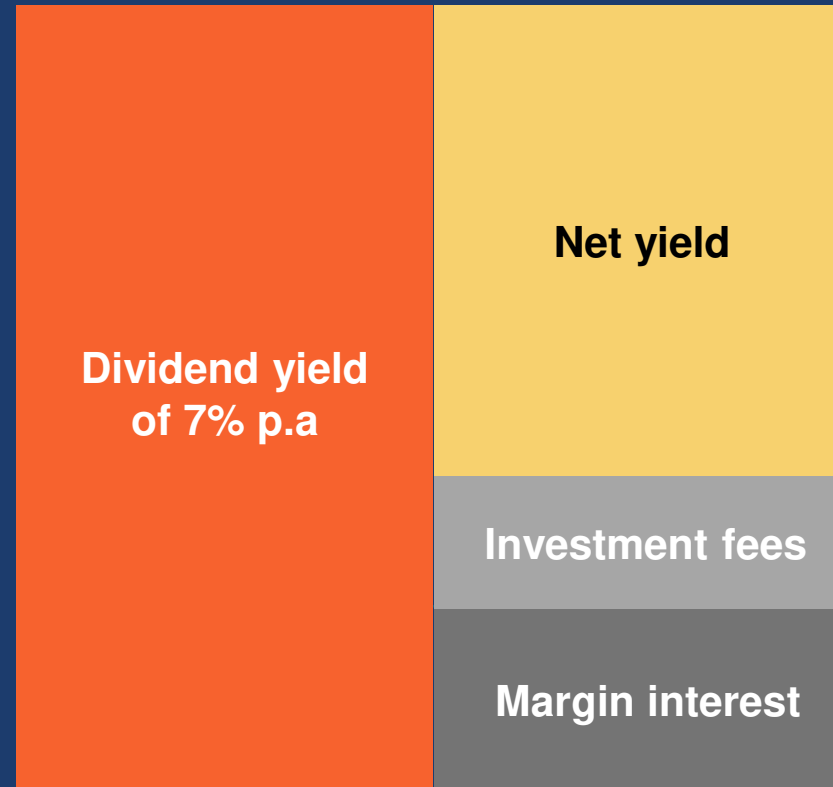
Pledge assets for  
margin facility



Collateralise  
S\$500,000  
(0.5x of portfolio)



Invest S\$500,000 into  
dividend-paying investment



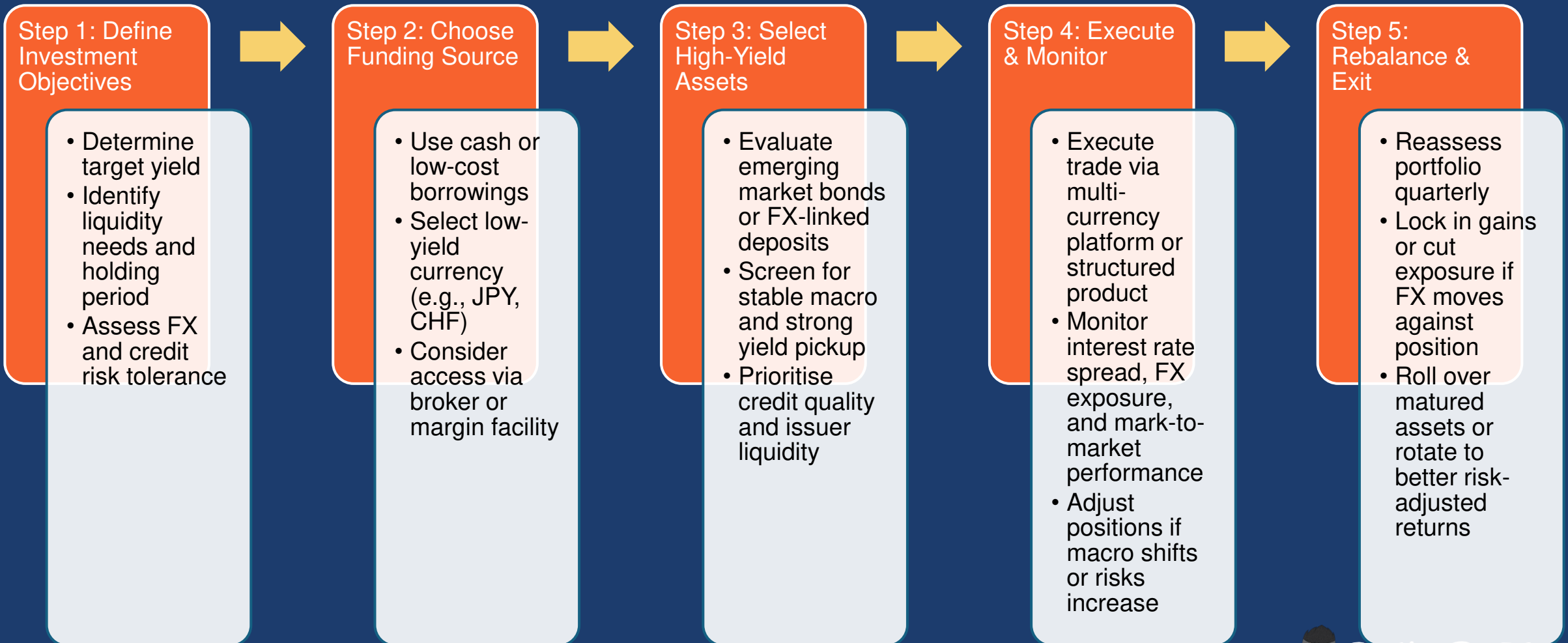
Requires regular  
monitoring to  
ensure that the  
net yield does  
not narrow.

# Carry Trade Portfolio Framework

## Key Components of the Strategy

- **Funding Source (Low-Yield)**
  - Currencies: JPY, CHF, SGD (short-term cash or borrow)
  - Goal: Minimise cost of capital
- **Investment Destination (High-Yield)**
  - Instruments: Emerging market bonds, FX deposits, structured notes
  - Currencies: IDR, INR, MXN, TRY, ZAR
  - Goal: Maximise yield pickup
- **Target Outcome**
  - Yield enhancement through **interest rate differential** (carry)
  - Diversified yield stream with **measured risk exposure**
  - To avoid FX risk between source and destination, consider borrowing and investing in the same currency

# Step-by-Step Implementation





# Carry Trade Setup Checklist

## 1. Investment Objective Clarity

- ☐ Defined target yield
- ☐ Time horizon confirmed
- ☐ FX and credit risk tolerance assessed

## 2. Funding Source Ready

- ☐ Low-cost funding secured (e.g., JPY, CHF)
- ☐ Access to FX conversion or margin facility available

## 3. Asset Selection Done

- ☐ High-yield currencies identified (e.g., IDR, INR, MXN)
- ☐ Instruments vetted (bonds, FX deposits, notes)
- ☐ Credit risk reviewed and issuer liquidity checked

# Carry Trade Setup Checklist

## 4. Trade Executed Properly

- ☐ Trade confirmed via chosen platform
- ☐ FX hedging considered or implemented
- ☐ Initial yield and spread documented

## 5. Monitoring in Place

- ☐ System to track FX, yield spread, and volatility
- ☐ Stop-loss or review triggers set
- ☐ Calendar for regular reviews

## 6. Exit/Review Strategy

- ☐ Rebalancing plan established
- ☐ Clear exit conditions set
- ☐ Rollover or reinvestment options considered

# Want to Build Your Own Carry Trade Portfolio?

You've just seen how accredited investors can enhance portfolio yields through strategic carry trades.

The next step is to apply it to your personal situation, with the right funding, currency exposure, and risk controls in place.

If you'd like expert guidance to help you set up and manage a carry trade portfolio that fits your investment goals.

Let's explore whether this strategy makes sense for you, and how to implement it effectively.



**Book a Call Today!**