CFDs: Benefits for Equity traders

Don't tie up your capital

CFDs are traded on MARGIN. You only put up a % of the trade as collateral based on requirements set by your CFD provider. Therefore, you can trade a position on a STOCK (other asset classes can be traded via CFDs too) WITHOUT actually owning it as an asset. You are required to maintain a certain amount of margin in your account – as defined by your CFD provider – but it is a fraction of the cost of buying STOCKS outright. You can potentially use your capital elsewhere.

Are you sitting on idle capital?

If you own a portfolio of STOCKS (or BONDS) you can use that stock portfolio as collateral for trading CFDs. Depending on your provider, your current portfolio could be used as collateral.

One account, global access

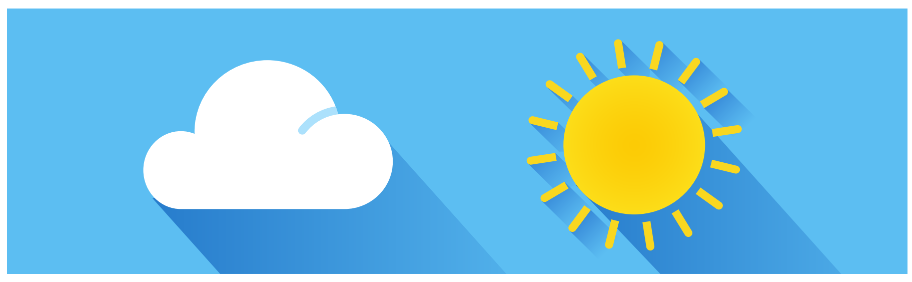
CFDs can be traded on a variety of assets and instruments around the world. From one account. This means that you can set up a diversified portfolio covering many different markets and have access to much wider trading options. CFDs allow you to explore many alternative portfolio or strategy options.

Working 9 to 5...and beyond

As many underlying assets (ie, what a CFD follows) are traded around the clock, it means your money can work harder outside of normal hours. And potentially smarter – as a CFD investor you have the ability to place sophisticated automated trades – 'buy this CFD at this price, at this time' – and this can be done via a 'limit' order or algorithmic trading.

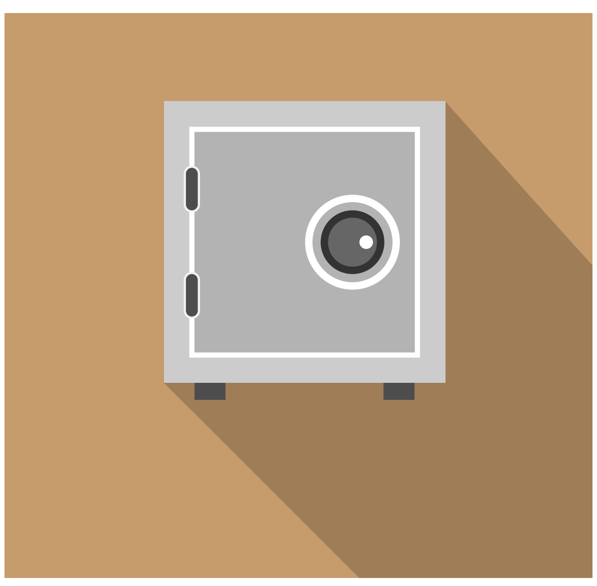
Cloudy horizon? Plan for the sun to shine...

Unlike traditional stock trading, you can trade a CFD to benefit from a falling price or market. For example, you might have concerns about buying individual stocks – Therefore, Instead of buying Stocks, you could use CFDs to SHORT a particular stock or even the index and therefore gain potential profits from a falling market. CFDs are a mechanism that allow you to be an active, engaged trader, whatever the market conditions or your strategies.



Hedging your portfolio

Hedging an existing portfolio is a popular use of CFDs. If you do not wish to liquidate your physical stock portfolio for some reason, you can quickly an efficiently secure it by selling the appropriate CFDs for a short or long period, until you feel more confident about the market again.

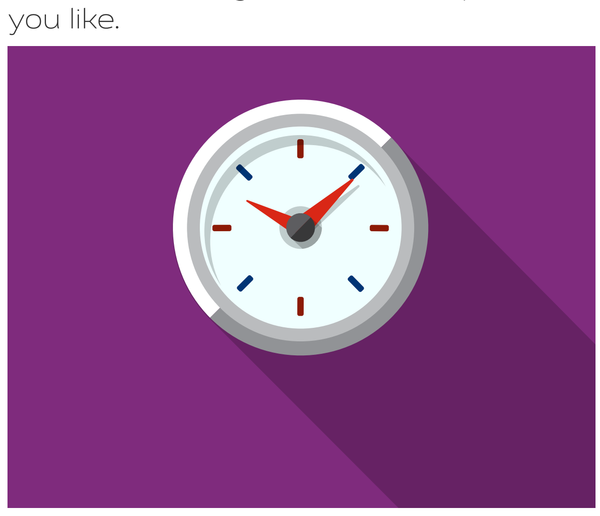


No ownership - but reap the dividends

If you believe a STOCK is going to increase in value and you buy a CFD based on this strategy, it is called going LONG. If you own that CFD when (or if) a dividend is paid, you receive that dividend. Even though you don't own the stock. On the other hand though, you are required to pay the dividend if you SHORT the STOCK.

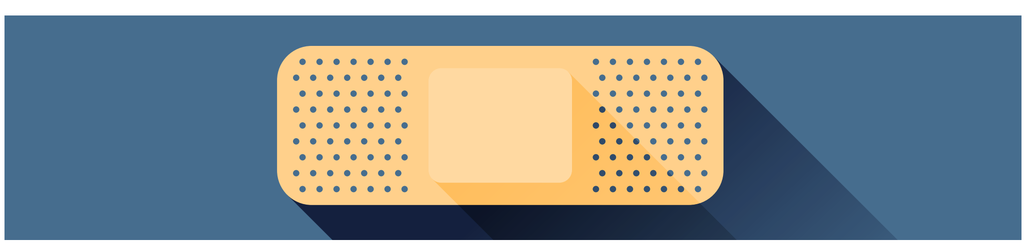
At a time that suits you

Unlike other DERIVATIVES – financial instruments that are based on underlying assets – CFDs on stocks don't have expiry dates which end up becoming worthless upon expiry. This means you can hold CFDs for as long or as short a period as you like.



Right here, right now

When the CFD position is closed it is settled and paid that day. Simple.



Using a band-aid

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