

Financial Standard

www.financialstandard.com.au

CFD demand rises with equities recovery

Wednesday, 5 August 2009 12:30pm

Contracts for Difference (CFDs) are staging a comeback and, in the last 12 months, there was a power shift among the largest players too, new research found.

Research firm Investment Trends released its latest annual report on the sector, canvassing the views of more than 7,500 investors, nearly a third of whom are active CFD traders. The firm also surveyed a more than 300 investors who intend to trade CFDs and roughly the same number of people who used to but no longer trade CFDs.

Among the report highlights were the dramatic return of CFD traders, up 23 per cent to 32,000 traders since June last year. Investment Trends also found there are now two firms sharing the lion's share of the sector: CMC Markets and IG Markets.

Mark Johnston, the group's principal, said that the market remains intensely competitive and ever changing.

"CFD traders now hold an average of two CFD accounts each, and will change providers at the drop of a hat if something goes wrong or if a better offering is found," he said, adding that one in four CFD traders switched providers last year.

Johnston said that CFD traders are largely from the same pool of direct share traders in Australia. It is a niche market that is a fraction of the size of the direct share traders market, where there are around 700,000 participants.

However, Johnston predicts that while it will remain a niche market, their modeling suggests the industry could double, with another 30,000 thinking of trading CFDs in the future. What is interesting too, he said, is that CFDs, which originally came from the UK, is starting to be integrated into other more familiar products.

"it is increasingly overlapping with the more traditional margin lending market, with one in five margin lending clients now using CFDs as well, and 77 per cent of CFD traders also have an active margin loan."

Michelle Baltazar

This story was found at: <http://www.financialstandard.com.au/news/view/26458>

Printed: **Thursday, 6 August 2009 9:09am**