



Ready for launch: IGMarkets targets Kiwis

By Alison Bell

IGMarkets Australia will offer New Zealand dollar denominated contracts-for-difference when it launches its New Zealand operations today, throwing down the gauntlet to arch rival and monopoly provider CMC Markets.

IGMarkets' chief executive Tamas Szabo said a lack of competition, combined with a lot of traders with advanced level foreign exchange expertise, made the market very attractive.

"We believe our launch will not only provide more aggressive pricing on CFD markets, it will also offer traders the assurance that they will never experience re-quotes when trading any of our products."

CMC Markets and IGMarkets are global CFD providers in expansion mode and the largest players in the Australian CFD market.

Both are vying for leadership status in Australia and hold a 22-25 per cent share of the market, which comprised 32,000 traders at June 2009, according to research firm Investment Trends.

A CFD is an agreement to exchange the difference in value of a particular asset between the time at which a contract is opened and the time at which it is closed.

The high-risk derivative instruments are typically used by sophisticated traders taking geared, short-term positions in volatile

markets.

They can be used to trade equities, indices, foreign exchange and commodities but many traders are unwilling to repeat the high-risk activity.

Until today, CMC Markets was the only CFD provider in New Zealand, moving into the market in April 2006 with an office in Auckland.

And until now New Zealand CFD traders have had to trade foreign exchanges in their natural currency, with any profit or loss realised in that foreign currency.

"You have to still convert your profits into New Zealand dollars and your exposure to those markets is in the natural currency of each market," Mr Szabo said.

"Investors can avoid costs associated with currency conversions and foreign exchange fluctuations by locking in their exposure in New Zealand dollar terms, thereby easily interpreting their profit and loss." IGMarkets will target an estimated 5000 active New Zealand foreign exchange traders who take advantage of that market's status as the first Asia-Pacific market to open to speculate on currency movements.

"Our evidence shows that New Zealand clients are much heavier focused on FX and the vast majority of them trade just FX," Mr Szabo said.

Their most popular trading FX pairs were US dollar/yen, euro/US dollar, and the Aussie dollar/US dollar pair, he said.

IGMarkets will begin hosting ongoing investor seminars in Auckland, Wellington and Christchurch this week.

A decision on whether to open a New Zealand office was under review, Mr Szabo said.

IGMarkets Australia is a subsidiary of FTSE-listed IG Group which has operations in 10 countries and 830 employees.

IGMarkets employs 65 people in Australia.

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OPTIMISTIC: Chief executive Tamas Szabo is predicting strong interest.