

DMA CFDs

Growth in CFD markets

Shares & ASX CFDs

GROWTH PATTERN EMERGES IN CFD TRADING

Trading Platform

by Anthony Black

First Prudential Markets

The contract for difference industry is poised to grow strongly in 2011 if the big increase in the number of traders in 2010 is any indication. A survey undertaken by CFD researcher Investment Trends found that the number of Australians trading CFDs had risen from 32,000 to 39,000 – a 22 per cent increase during the 2009/2010 financial year on the previous 12 months.

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Investment Trends senior analyst Pawel Rokicki says the healthy increase was fuelled by 9000 new entrants and thousands more dormant traders returning to the market. "In volatile conditions in the first half of 2010, being able to make money both in bullish and bearish markets was the largest driver turning people to CFDs," Rokicki says. "Access to instruments and markets otherwise not available was another important function of CFDs.

DMA - REAL CFD choice

Autochartist: CFD Trading

Edge

“CFDs provide an opportunity to play the market both ways using leverage...that's a major reason why the instrument is rapidly growing in popularity”

Thumbs up for Autochartist

Growth in CFD markets

Account Services

What professional trader Paul Chow likes about CFDs is the opportunity to take long and short positions on underlying equities, and he constantly monitors trends to gauge market movements. He mixes technical and fundamental analysis to do between 20 and 30 CFD trades a day. "I look at the overall market and trade with the trend, whether it's bullish or bearish," he says.

Education

Autochartist

Sharemarket volatility enables CFD traders to make money in rising and falling markets, and that strongly appeals. Chow continues: "CFDs provide an opportunity to play the market both ways using leverage and, in my view, that's a major reason why the instrument is rapidly growing in popularity. Also, CFDs provide an opportunity for small traders to participate in the market, and astute players can make a reasonably good income."



Liquidity is most important when trading CFDs. Chow says illiquid stocks can make it difficult to get in and out at the price investors want. "With illiquid stocks, you can tend to overpay getting in, while sacrificing profits on the way out," Chow says. He is a big believer in managing risk and advises inexperienced traders not to "get in too deep". "If you can manage risk, the profits will take care of themselves," he says. "One thing I've learned is to let your profits run and be prepared to cut losses by using a stop loss."

Chow describes his CFD provider First Prudential Markets as an innovative firm, committed to providing its traders with the latest cutting-edge technology to give them every chance to make money. "First Prudential Markets provides us with some wonderful tools that I feel gives retail traders an advantage," he says. Notably, Chow says he is impressed with First Prudential Markets Direct Market Access (DMA) trading platform, where orders go straight to the market depth free of any intervention from a CFD provider.

Simply, Chow likes the transparency of the DMA platform. "It's the real thing – what you see is what you get," Chow says. "There's no intervention, no delay – you don't have to second guess." Integrating Autochartist into First Prudential Markets webIRESS platform last year is another welcome addition as it enables traders via DMA to anticipate and react to the elements of trend, support and resistance, which forms the basis of chart pattern trading.

Also, Chow, as a professional trader sitting in front of computer screens for long periods, says First Prudential Markets goes out of its way to provide top quality service. "The fact is every time I ring, I don't have to wait in a queue," he says. "I talk to someone at First Prudential Markets straight away and that's very important when trading CFDs. It makes life a lot easier."

It's all part of the service, according to First Prudential Markets general manager Matthew Press. So is offering their clients the very latest technology and educational tools. "Our interests are always aligned with our clients," Press says. "The basic principle of DMA is if our client makes a profit, then we're hedged and we haven't lost money. So our motivation is always about trying to bring as many educated clients into the market with the best opportunities for them to make money. We want our traders to have a sustainable business over the long term."



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Press says successful traders are quick to acknowledge losing positions by closing them to keep losses to a minimum. Successful traders move on and look for fresh opportunities. They understand how to manage risk tolerance. Inexperienced traders can be too quick to take profits and too slow to close losing positions. Successful traders apply leverage at reasonable levels. “There is no successful trader I know that trades up to the maximum leverage available,” Press says. “Most successful First Prudential Markets traders will leverage modestly in comparison to their capability.” Press says taking a pairs position is common as part of trader’s overall strategy. Taking a long and short position in two separate stocks can generate a profit if a trader’s intuition is backed by the market. An ideal scenario, say, in a falling market is the gain from shorting a stock more than offsets the loss on a long position.

First Prudential Markets is keen to share its knowledge with all traders – new and existing ones. New account holders are offered a preparation account, enabling clients to trade small positions until they ascertain their risk

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tolerance level, which Press encourages First Prudential Markets has just launched a Trading Intelligence Package, which educates new or inexperienced clients about the intricacies of short selling and the dynamics of fundamental and technical analysis. The package comprises a CD of six lessons. Simply, Press is adamant that more education combined with experience results in more successful traders.

“And that’s what we want,” he says. FPM

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