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## UK Financial Spread Betting and CFD Trader Numbers Edge Towards 100,000

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### Spread Betting and Contracts for Difference Brokers grow from Volatility

Despite the worsening economic outlook in Europe and around the world, the number of spread betting and contracts for difference (CFD) traders continues to rise in the UK. 88,000 people used financial spread betting and CFDs in the UK in the first seven months to July 2011, up from 83,000 in October 2010. 26,000 used CFDs, 1,000 more than in 2010.

Based on a detailed online survey of 12,296 traders, the *2011 Financial Spread Betting and Contracts for Difference Report* is the largest and most comprehensive study of retail leveraged trading markets in the UK.

#### Key findings:

- ∴ 98,000 people use financial spread betting and/or contracts for difference (CFDs) in the UK, up from 83,000 in 2010
- ∴ IG Group remains the leader in both markets, though some competitors have gained ground
- ∴ CMC Markets is now seen as the most innovative brand among CFD traders
- ∴ Global foreign exchange providers are growing their share of the CFD market
- ∴ Switching between spread betting providers remains at a very high level and is increasingly driven by mobile phone applications.

'Traders take full advantage of the flexibility offered by spread betting and CFDs. The short term nature of the markets and the ability to take short as well as long positions means that many traders thrive on volatility,' says Investment Trends Senior Analyst. And this appears to have continued in the second half of 2011. 'We ran our survey in the second half of 2011 and we hear from the brokers that August saw a surge in trading activity and the number of new accounts opened. It is certain that the 100,000 mark has now been reached,' said Rokicki.

The inflows of new traders are likely to remain healthy. As of July 23,000 people intended to start spread betting and CFD trading in the next few months. Based on conversion rates from previous studies run by Investment Trends, between 16,000 and 20,000 spread betters are likely to act on this intention. Similarly, the CFD market is likely to see about 10,000 new entrants in the next few months.

#### IG Group leads, but its largest competitors have grown market share

Although IG Group's lead remains unchallenged in both markets with 41% of spread betters and 24% of CFD traders using the organisation as their primary broker, it was the other large providers, such as **CMC Markets**, **Capital Spreads** and **City Index** who saw the strongest growth in market share:

Top 5 providers (by primary market share, excluding white label relationships)	Financial spread betting		Top 5 providers (by primary market share, excluding white label relationships)
	Jul 2011	Oct 2010	
IG Index	41%	39%	IG Markets
CMC Markets	9%	7%	CMC Markets
City Index (incl. Finspreads)	9%	8%	City Index (incl. Finspreads)
Capital Spreads	9%	5%	Saxo Bank
ETX Capital	6%	5%	Barclays Stockbroker

Both markets are still firmly in the hands of local specialised providers, but global foreign exchange (FX) providers are beginning to make inroads, particularly on the CFD side. Although still from a low base, many increased their market share between October 2010 and July 2011. With 6% primary share, FXCM is now the sixth largest CFD provider in the UK. Alpari, FOREX.com and Ava FX also saw significant gains. 'With the regulatory screw tightening in the UK, it is likely to see these companies maintain, if not increase their focus on other markets including Europe as well as the US,' says Rokicki.

#### CMC Markets is the most 'innovative' CFD brand

**IG Index**, **City Index** and **CMC Markets** (in this order) are the most recognised brands. More than half of spread betting and CFD traders were aware of these providers after a prompt. The report also delves deeper into brand perception among the current and next wave traders. The largest provider, IG Index, has the widest spread betting brand awareness with the words “market leader” particularly likely to be ascribed to it.

IG Group’s brands have serious challengers, however. More current CFD traders see CMC Markets as innovative brand. Among next wave traders CMC leads on perception of innovation in both markets. ‘CMC’s investment platform is starting to bear fruit,’ said Rokicki. ‘Last year the brand was only slightly above industry average, this year it was twice as likely to be seen as innovative as the average brand in both the spread betting and CFD markets.’

### Seven out of eight spread betters rated their main provider as good or better

Client satisfaction is continuously improving with fully 40% of spread betters giving their main provider a rating of good or better. Another 48% rated their broker as good. ‘It is a highly competitive industry, where clients can switch providers if they know it. The report shows that one in five current spread betters have changed providers within 12 months. This means their customers brokers need to maintain very high standards of satisfaction’, said Rokicki. ‘Only happy clients can ensure a broker’s reputation.’ IG Index had the most satisfied clients overall, closely followed by FXCM and ETX Capital. An in-depth analysis of components of brokers’ service offering revealed several top-scorers: IG Index’ platforms received the highest marks for the range of instruments to trade. FXCM came first in charting, research and education as well as the range of order types. Spreadex had the highest-rated customer service, was the most efficient in taking trades from traders, and did best at reporting clients’ positions and transactions. Worldspreads clients were the happiest with Capital Spreads’ with margin requirements. Last but not least, ETX Capital had the highest scores on the metric of value for money as well as the ease of account opening.

### More than half of spread betters and CFD traders use smart phones and tablets for trading

Smart phone applications have now become a core part of brokers’ service offering. 53% of current spread betting and CFD traders use a smart phone or tablet for trading. New entrants are even keener, with six out of ten having embraced trading on mobile devices. ‘Brokers can no longer afford to treat mobile applications as niche products’, said Rokicki, ‘our data reveals that for spread betting clients who consider switching to another provider the quality of their smart phone application is a very important feature they would look at when choosing their new provider’.

### About Investment Trends’

Investment Trends is a leading specialist market research organisation in the global wealth management industry. We provide new insights and decision support information to over 200 leading financial services businesses across the UK and Australia. We combine analytical rigour and strategic thinking with the most advanced research and statistics to help our clients gain competitive advantage.

Investment Trends’ clients include major banks, online brokers, spread betting, CFD and FX providers, investment advisers, insurance providers and life insurers, as well as industry regulators, financial advice groups and software providers.

### About the report

The results are drawn from the Investment Trends July 2011 Financial Spread Betting and Contracts for Difference report was based on a survey of 12,296 investors conducted in July 2011.

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