

Financial Standard

www.financialstandard.com.au

CFD traders hibernate during crisis

Friday, 17 October 2008 12:45pm

The number of 'dormant' contracts for difference (CFD) traders rose 71 per cent from April last year to August 2008 due to market uncertainty.

According to the third annual 2008 Contracts For Difference Report by Investment Trends, the number of CFD traders fell from 31,000 to 26,000 in the same period.

While there was growth in the number of people looking to trade CFDs within a year, ongoing negative performance in the share market has seen the number of former or dormant CFD traders increase from 14,000 to 24,000.

"Overwhelmingly the largest issue is the market volatility," said Mark Johnston, principal of Investment Trends.

"Last year a number of people said [they were] interested in trading CFDs, and the only thing stopping [them] is that they haven't gotten around to doing it yet," he said.

But this year the trend has been the reverse, with prospective traders now blaming market volatility for their reluctance to trade, he said.

"A key success factor for CFD providers will be to attract former CFD traders back into the markets once the volatility settles down," said Johnston.

The report also examined how the investment approach of the traders will alter as a result of the market's ups and downs.

Nearly 30 per cent said they will leave their long term plans untouched, while 28 per cent said they will now buy undervalued assets on an opportunistic basis.

Around 23 per cent said they would pour money into cash and invest once markets calm down, while 21 per cent said they would trade less often.

Meanwhile, twenty per cent said they would trade more often despite market uncertainty.

Ruth Liew

This story was found at: <http://www.financialstandard.com.au/news/view/24284>

Printed: **Monday, 20 October 2008 9:09am**