



HOW TO SPREAD BET

Table of Contents

Notice & Risk Warning.....	4
Overview of Spread Betting	5
Spread Betting on Global Markets	5
Trading Platform Overview – Desktop, Web, and Mobile.....	6
Market data.....	7
Charts	7
Order Entry Ticket	8
Trade Panel.....	8
Entering and Exiting a Trade	8
Margin and Leverage.....	8
The Order Ticket.....	10
Trade in Both Directions and Hedging with Spread Betting.....	11

Notice & Risk Warning

Derivatives including spread betting, CFD & Forex trading are leveraged products and as such carry a high level of risk to your capital which can result in losses greater than your initial deposit. These products may not be suitable for all investors. Ensure you fully understand all risks involved and seek independent advice if necessary. Please see ThinkMarkets.com website for details.

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Overview of Spread Betting

Spread Betting is a tax efficient* method of investing in the UK & Republic of Ireland that allows traders to speculate on the movement of various financial markets, such as currencies, commodities and stock indices. Unlike share dealing or traditional investments, spread betting allows you to take positions in instruments without actually owning the asset. With ThinkMarkets clients are able to spread bet with position sizes as low as 10p per point.

Another reason why Spread Betting has become popular with traders is because you are able to speculate on the movement of market prices. Which means that if you believe that the market will rise or fall you are able to take a position in the direction you believe that the market will go. It is also important to remember that spread betting is a leveraged product, meaning that traders may invest a small amount of capital and gain a large market exposure which amplifies the loss or profit.

**UK Tax laws are subject to change without notice, please seek independent financial advice.*

Spread Betting on Global Markets

Spread Bets allow you to trade on a wide range of markets covering many products and regions of the world. There are three general markets you can spread bet on with ThinkMarkets these are; forex, stock indices and commodities. These diverse selections of markets make spread betting perfect for the active global trader.

Stock Indices

Indices reflect the value of a major grouping of stocks and serve as a benchmark for the group's overall performance. Indices can be classified in many ways, such as by the exchange on which they trade, by region, or by a specific sector of the market. For example the S&P500 index tracks the performance of 500 of the largest publicly traded companies within the United States. The performance of those companies would be influenced by various factors such as economic



conditions, foreign exchange rates and political issues. ThinkMarkets provides access to a number of internationally traded indices, such as the UK100, US30 and GER30.

Commodities

Commodity markets track the prices of physical commodities such as energies and precious metals. Commodity markets offer opportunities to trade market movements caused by shifting trends in the global demand of physical goods or energy as well as geo-political issues that may impact markets such as oil. Due to global reliance on oil, the commodity derivative has become widely traded internationally. The most popular grades of oil traded within the commodities market are West Texas Intermediate (WTI) and Brent Crude oil.

Forex

The Forex (FX) market is a global market for all tradable currencies, with over \$5 trillion worth of transactions taking place daily. The forex market has become the largest global market in the world, combined with the fact that it operates 24 hours a day from Sunday to Friday (UK Greenwich Mean Time). These transactions are executed by global investment banks, corporations, central banks and individual traders. The forex markets contain some of the most widely traded currency pairs, such as the EURUSD, GBPUSD, USDJPY and AUDUSD. Given the popularity of these major currency pairs they frequently experience large price movements due to large movements in liquidity.

Trading Platform Overview – Desktop, Web, and Mobile

Spread Bettors have access to the popular MetaTrader 4 (MT4) trading platform with feature rich options including tablet and mobile platforms providing traders with a wide variety of devices to execute their trades. With multiple devices you are able to enter trades at home and keep track of them on the move with either the mobile or tablet platform. The MT4 platform has basic essential features that all traders need to become familiar with.

Market data

The ThinkMarkets' MT4 platform will have a panel that provides streaming market data on the left side of the platform. The purpose of this feature is to provide real-time pricing of products offered by ThinkMarkets, such as forex pairs, commodities and indices. With this function you can easily access all spread betting products where you can either open a new chart, add a new instrument to your watch list or initiate a new trade.

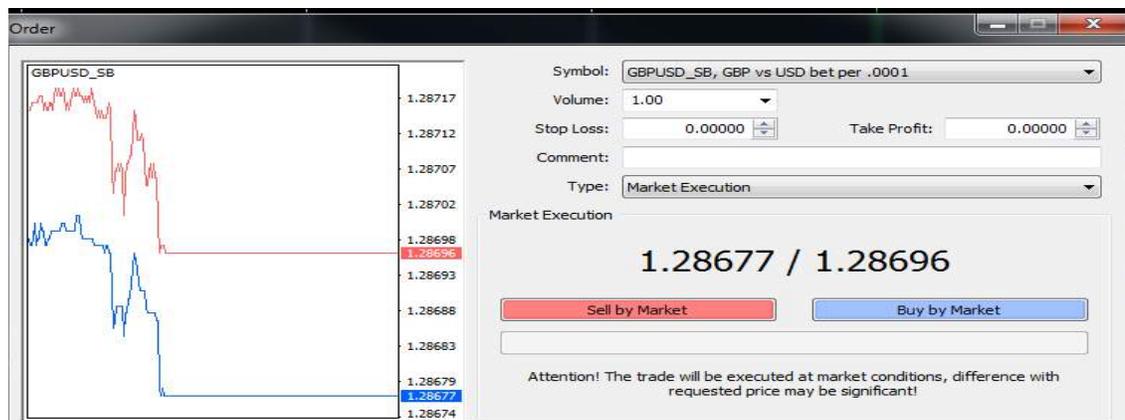
Symbol	Bid	Ask
AUDCAD_SB	0.98670	0.98693
AUDCHF_SB	0.73424	0.73444
AUDJPY_SB	76.503	76.522
AUDNZD_SB	1.04288	1.04312
AUDUSD_SB	0.76370	0.76387
AUS200_SB	5567.3	5567.6
BRENT_SB	49.00	49.03
CADCHF_SB	0.74405	0.74425
CADJPY_SB	77.526	77.544
CHFJPY_SB	104.181	104.203
ESTX50_SB	2984.0	2985.0
EURAUD_SB	1.48330	1.48355
EURCAD_SB	1.46375	1.46399
EURCHF_SB	1.08926	1.08943
EURGBP_SB	0.85967	0.85984
EURJPY_SB	113.493	113.511
EURNOK_SB	9.32204	9.32405
EURNZD_SB	1.54705	1.54734
EURSEK_SB	9.46344	9.46450
EURUSD_SB	1.13295	1.13309
FRA40_SB	4414.50	4415.50
GBPAUD_SB	1.72528	1.72551
GBPCAD_SB	1.70250	1.70282
GBPCHF_SB	1.26692	1.26716
GBPJPY_SB	132.001	132.028
GBPNZD_SB	1.79945	1.79974
GBPUSD_SB	1.31778	1.31787
GER30_SB	10567.50	10569.00
JPN225_SB	16529.0	16539.0
NZDCAD_SB	0.94601	0.94628
NZDCHF_SB	0.70397	0.70419
NZDJPY_SB	73.349	73.370
NZDUSD_SB	0.73221	0.73239
SPX500_SB	2187.50	2187.60
UK100_SB	6861.00	6863.00
US30_SB	18574.0	18576.0

Charts

ThinkMarkets' MT4 platform utilises user-friendly charting packages in order to help you get the most out of your spread betting experience. MT4's customisable features allows you to select various chart type, such as Line, Bar and Candlestick. MT4 also has a range of technical indicators and the ability to move between multiple timeframes making it easier to conduct technical analysis when spread betting.



Order Entry Ticket



When submitting a trade, the trader specifies on the order ticket the product they would like to trade and the volume of the trade (total order size). The order type (Buy or Sell), the price of the order (market or pending) and in many cases, the desired stop loss and take profit order levels. Once the trade is executed, there will be an associated order ticket that will appear in the trade panel.

Trade Panel

The trade panel on MT4 serves as a central location that shows all open trades as well as any pending orders or other critical data regarding your trades such as price, order volume, profit or loss for active trades and margin requirements.

Order /	Time	Type	Size	Symbol	Price
26645534	2013.05.22 23:00	buy	1.00	spx500	1654.75
26645535	2013.05.22 23:00	buy	1.00	wti	94.24
26645560	2013.05.22 23:01	buy	1.00	jpn225	15650.0
26645567	2013.05.22 23:01	buy	1.00	aus200	5144.0
Balance: 50 000.00 Equity: 49 962.16 Margin: 461.67 Free margin: 49 500.49					

There are also additional tabs within the trade panel for your account details that include balance as well as your overall profit or loss along with your completed order history.

Entering and Exiting a Trade

Before a new trade can be submitted, a trader must have adequate margin available in his or her trading account. Margin requirements and the role of Leverage are important trading concepts to understand. Margin and leverage together determine your capital requirements to open and maintain trades, as well as providing information about your exposure to higher risk.

Margin and Leverage

With the opening of any trade on a spread betting account a certain amount of capital will be set aside for each order. This is known as margin. It is not a fee or a charge to your account. It is the amount set aside,

from your free equity to support your new trade. Your required margin for each trade is determined by the leverage settings of your account. The leverage of your account is the multiplier of your purchasing power.

How to calculate margin?

Example 1 - For the calculations below we will assume that:

- Your account deposit currency is GBP
- Leverage **100:1**
- Buy **£3** per point on EURUSD at the price of **1.1350**.
- The margin required for the positions will be $3 \times (1.1350 \times 10000) / 100 = \text{£}340.50$

The margin requirement is **£340.50** for one position.

From Example 1 we can see that if you wanted to open a £3 per pip spread bet on the EURUSD with 100:1 leverage, £340.50 would be the initial margin required.

Example 2 - For the calculations below we will assume that:

- Your account deposit currency is GBP
- Leverage **200:1**
- Buy **£2** per point on **GBPUSD** at the price of **1.4330**.
- The margin required for the positions will be $2 \times (1.4330 \times 10000) / 200 = \text{£}143.30$

The margin requirement is **£143.30** for one position.

From Example 2 we can see that £143.30 would be needed to be set aside in your account to open £2 per pip trade on the GBPUSD with 200:1 leverage. If you do not have sufficient funds in your account to support the size of your spread bet, you will not have enough available margin to open this new trade.

With higher leverage comes lower margin requirements for the same trade size, however higher leverage also means increased exposure and risk. It is important to select a leverage level appropriate for your personal risk tolerance.

Maintenance Margin

The maintenance margin (often called variation margin) is the additional capital that would be required if your positions move against you. Its purpose is to ensure that your account has enough capital in order to fund your current open positions. Maintenance margin (Variation Margin) reflects the daily change in the market value of the contracts, i.e. the daily gain or loss of a contract due to market and price movements.

Calculating Profit and Loss

Example 1 - For the calculations below we will assume that:

- Your account deposit currency is GBP
- Leveraged **200:1**
- Buy **£5** per point of **USDCAD** at the price of **1.30000**
- The price **falls 50 pips** against our position to **1.2950**.

As we are trading £1 per pip, our total loss for this position would be **50*5 = -£250**.

Example 2 - For the calculations below we will assume that:

- Your account deposit currency is GBP
- Leveraged **200:1**
- Buy **£5** per point of **USDJPY** at the price of **100.000**
- The price increases to 100.20 with a 20 pip profit.
- As we are trading £5 per pip, our total profit for this position would be **20*5 = £100**.

Calculating profit and loss with spread bets can be simply done by multiplying the amount of currency that is being traded along with the amount of points in profit or loss. This same formula can be used to calculate potential losses in order to establish stop loss levels. If your risk management strategy is to risk only £100 per trade and you are trading £5 per pip, your stop loss should be 20 pips away. It is recommended to use risk management tools such as Stop Losses and Limits to manage and mitigate your risk.

The Order Ticket

Regardless of the market you are trading, each and every order will be placed using a trade order ticket. As indicated before, the Order Entry Ticket is the most critical feature of your trading and it is important to understand the different features and options of your trade order.

Instrument – Use this feature to select and confirm the product you wish to trade. On MT4 you can change the market you are trading directly on the Trade Order Ticket, so it is important to confirm that you are trading the product you intend to trade.

Volume – In this field of the Order Ticket you indicate the size of your trade. On the MT4 platform it is referred to as 'Volume'.

Order Types – Orders are available in 1 of 3 types: – Buy, Sell, or Close. You can also specify one of 3 categories of order: market, pending entry, and risk/reward orders, also commonly known as stop loss or take profit orders. It is also important to understand the difference of order options available for new orders vs. closing orders.

Buy, Sell, and Close Orders – An order to buy is placed if the trader believes the market will go up in price. An order to sell is placed if the trader believes the market will go down in price.

A close order is simply an order that will completely close the trade you indicate. If your original order was a Buy

order then the close order will enter a Sell order to close your Buy position. Alternatively if your original order was a Sell order then the close order will initiate a Buy order to close you previous sell position.

Market or Pending Entry – A market order is a Buy or Sell order that will be completed (filled) at the best available market price. A pending entry order is an order to be completed once the market hits a specific price. Once set, this order will wait on the sideline until the market reaches a desired price. If the market never reaches the pending order price, then the order will remain unfilled.

Stop Loss and Take Profit – Once your new Buy or Sell order opens your new trade you can initiate additional orders to control your risk (stop loss order) or indicate where you wish to exit a trade with a profit (take profit order). Stop loss and take profit orders are a different type of pending order. They will remain on the sideline until the market reaches your stop loss or take profit price, only then will the order be executed to close your position. MT4 will allow you to set your stop loss and take profit levels at the same time you submit your market or pending entry order. When using multiple order types it is important to understand and keep track of all of your orders.

Trade in Both Directions and Hedging with Spread Betting

Spread Betting provides traders with unlimited opportunities in a wide variety of markets and market conditions. With spread betting traders can easily trade both long and short allowing them to execute their strategies in both up and down markets.

The diversity of markets available to spread bet on makes it a popular option for hedging exposure to other market positions using traditional investment products. For example an equity index spread bet could be used to hedge an investment in stocks that are part of the underlying index.