



Personal Investor

March, 2005

Page: 11

Section: General News

Region: National Circulation: 50,901

Type: Magazines Business

Size: 127.06 sq.cms.

Published: Monthly

Brief: CURRENCY

CFD training

The equity derivatives broker CMC Group has launched a training program for investors who want to learn more about contracts for difference (CFDs). CMC, one of the most active brokers in the growing CFD market, has established an offshoot called "tradersacademy", which plans to run half a dozen courses this year.

A CFD is a highly leveraged form of margin loan. A broker who writes a CFD agrees to pass on the value of any movement in the share price to the investor. The investor, who can gear their investment up to 95%, must maintain a specified margin (as with a margin loan account). This agreement is referred to as a swap, and the broker covers its position by holding stock, an equity loan or a derivative.

Equity derivative trading volumes increased dramatically in Australia last year. The value of instalment warrant trading on the ASX, which was about \$50,000 a month in 2000,

climbed to more than \$150,000 a month last year. Trading in October was a record \$237,000.

In the exchange traded option market, daily volume hit a record in August 2004: 83,000 trades a day.

The CFD market is still in its infancy but it is growing fast. In August a big London CFD broker, Man Financial, set up shop in Sydney, and Macquarie Bank is preparing to enter the market.

The tradersacademy courses start with an eight-hour weekend "detox" session, at which participants are introduced to CFD trading through simulations and discussions on risk management, setting profit targets and managing losses.

Seminars over the subsequent six weeks cover strategy, trading mechanics, the Australian and international CFD markets, technical analysis and foreign exchange.

CMC plans to run three-day intensive programmes for people who live outside Sydney.

JOHN KAVANAGH