



Learn Spread Betting



*You can lose more than your initial
investment when trading CFDs*

GOING LONG

What are the main benefits of spread betting?

- Spread Betting is a way of placing bets on the financial markets.
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- You can place bets on share prices, commodities, currencies and stock indices.
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- Financial spread betting is attractive to some as it is currently tax free*. It can be a good place to start trading, as it allows you to place smaller bets on your chosen market. However, many investors see spread betting as gambling – the market is synthetic, and you do not have direct access to the underlying market. This is in contrast with CFD trading, which provides Direct Market Access (DMA).
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Before you begin Spread Betting with Accendo markets, we'd like to ensure that you are familiar with the mechanics involved and take the time to look through some trading examples which demonstrate potential trading scenarios.

**Under UK tax law, which may be subject to change. Tax treatment will depend on your individual circumstances.*

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You, the investor, have a positive view on the direction of Anglo American's shares. Currently trading at £10, you believe they can go as high as £11 - the equivalent of 100p or 100 points higher. Wanting to make around £1,000 you decide to place a Spread Bet which puts you Long to the tune of £10 per point.

On the equity markets, Anglo American shares are trading with a bid/offer spread of 998p/999p. Given that Spread Betting attracts no explicit commission or stamp duty, the Spread Bet price incorporates a spread of 0.1% on the equity market bid/offer. This means that Spread Bet bid/offer price would be more like 997p/1,000p, and at £10/point the trade value thus equates to £10,000 (1,000 points x £10 per point)[1] .

An easy way to calculate your exposure is to remember that for every £1 per point that you hold in a position, you gain exposure to 100 shares. In this example, Accendo Markets offers Anglo American Spread Bets on a 10% margin (margins vary between 5% and 25% depending on the stock, and liquidity), meaning a deposit of only £1,000 (£10,000 x 10%) would be required in order for you to gain the full £10,000 exposure[2] .

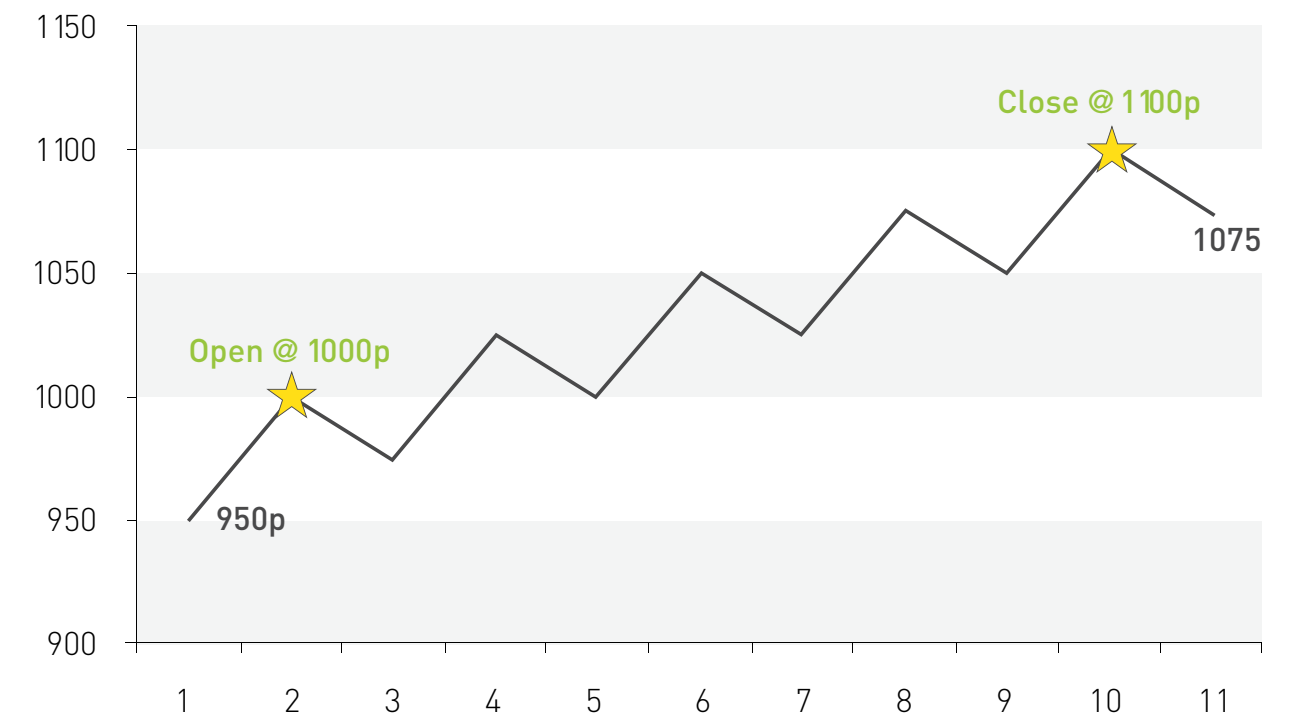
Note that the Initial outlay for a position in traditional shares would of course be the full £10,000.

INITIATING THE TRADE

Example 1 - Trade Results in a Profit

After 8 days, Anglo American's shares have risen by 10% (100p) to 1,100p.

You decide to close the trade and realise the 100p profit per share.



Opening Trade	Spread Bet	Calculation
Opening Spread Bet price	£10.00	Market price + 0.1%
Opening Value of Spread Bet	£10,000	1,000 points x £10/point
Initial outlay/deposit	£1,000	£10,000 x 10%
Commission	-	-

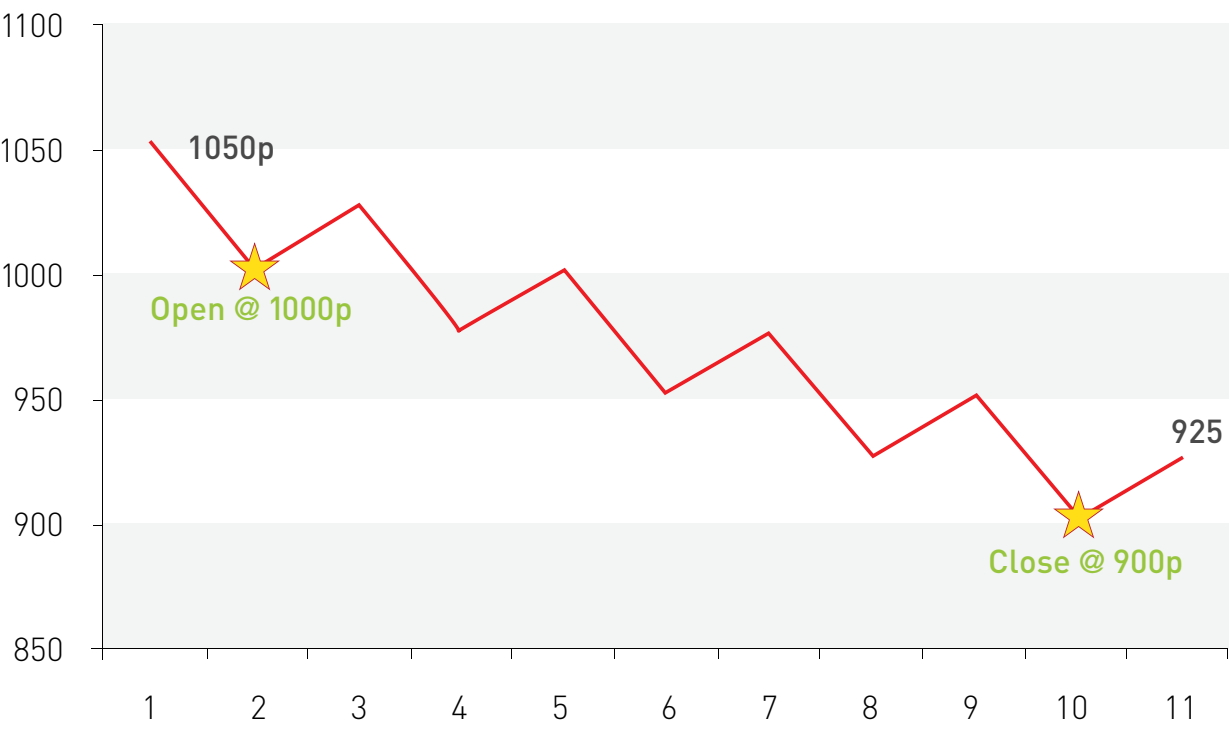
(1) Note that bid/offer spread varies depending on stock's liquidity

(2) This is an example only. Margins vary and may be subject to change

Closing Trade	Spread Bet	Calculation
Closing Spread Bet price	£11.00	£11.00/pt* 1,000 pts
Change in value	£1,000	£11,000 - £10,000
Commission/Stamp duty	-	-
Financing*	£8.05	See below*
Total Costs	£8.05	£8.05
Total Profit	£991.95	£1,000 - £8.05
% Return	99.2%	£991.95/ £1,000* 100

Example 2 - Trade Results in a Loss

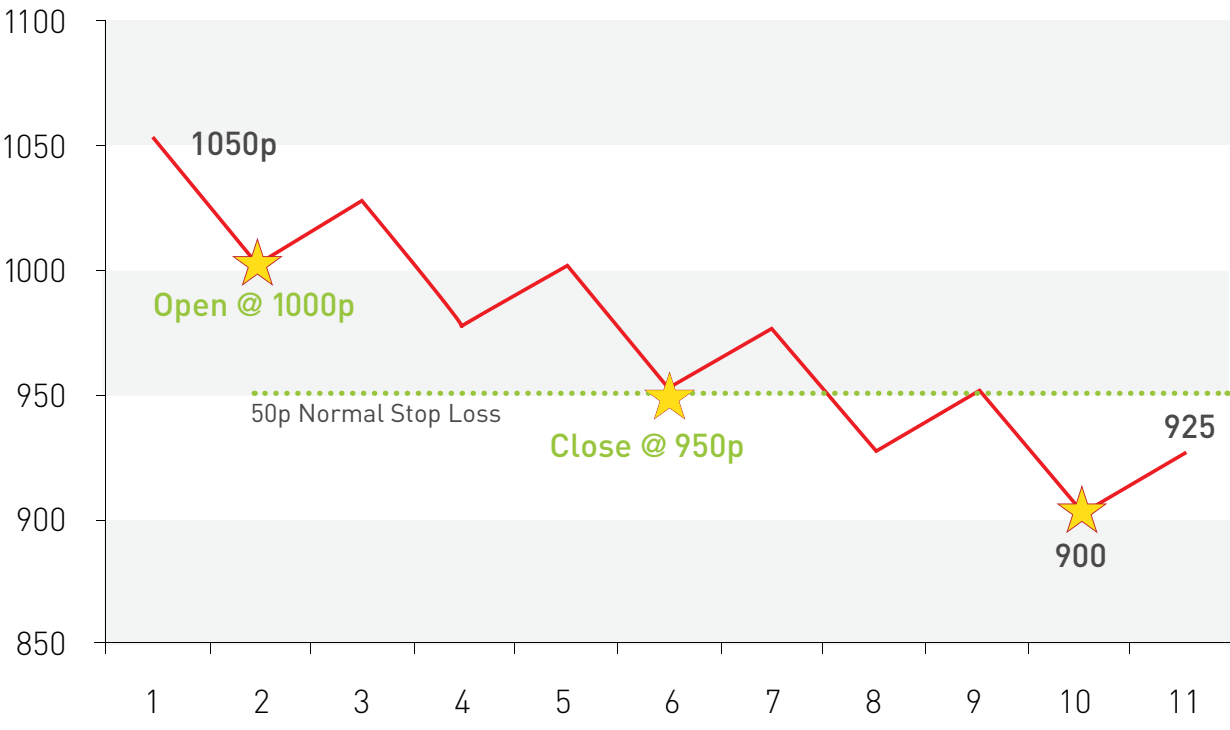
Alternatively, after 8 days, Anglo American’s shares have fallen by 10% (100p) to 900p. You decide to close the trade and realise the 100p loss per share.



Closing Trade	Spread Bet	Calculation
Closing value of Spread Bet	£9,000	£9.00/pt* 1,000 pts
Change in value	-£1,000	£9,000 - £10,000
Commission/Stamp duty	-	-
Financing*	£7.29	See below*
Total Costs	£7.29	£7.29
Total Loss	-£1,007.29	-£1,000 - £7.29

Example 3 - Trade Results in a Loss, with Normal Stop Loss(3)

Stop Loss: Alternatively, after 10 days, Anglo American’s shares have fallen by 10% (100p) to 900p. However, with a stop loss placed at 950p, this limited the loss to 50p per share (1000p-950p)

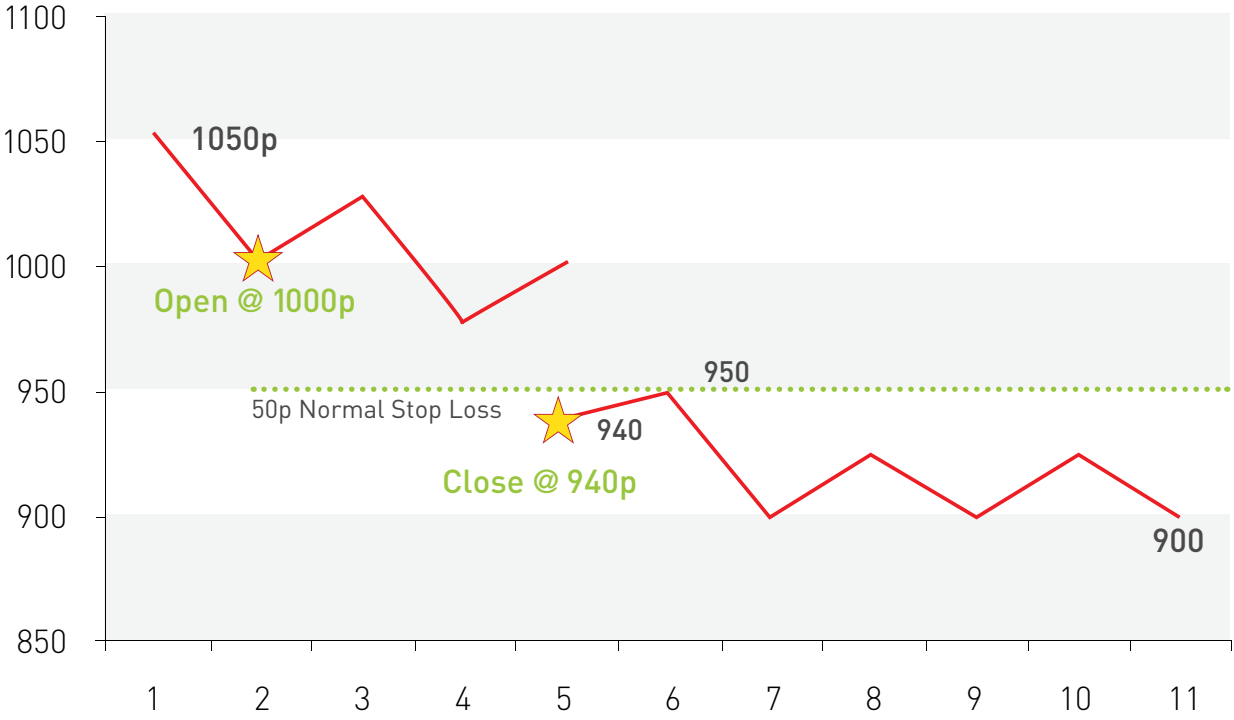


Closing Trade	Spread Bet	Calculation
Closing value of Spread Bet	£9,500	£9.50/pt* 1,000 pts
Change in value	-£500	£9,500 - £10,000
Commission/Stamp duty	-	-
Financing*	£3.74	See below*
Total Costs	£3.74	£3.74
Total Loss	-£503.74	-£500 - £3.74

(3) Stop losses are used to limit losses or to protect running profits

Example 4 - Trade Results in a Loss, with Normal Stop Loss(4)

and Gapping Taking Example 3 a step further, should the shares be particularly volatile and gap (trade straight through) the 950p stop loss, the position would be closed out at the next available price, in this example at 940p, resulting in a loss of 60p per share.



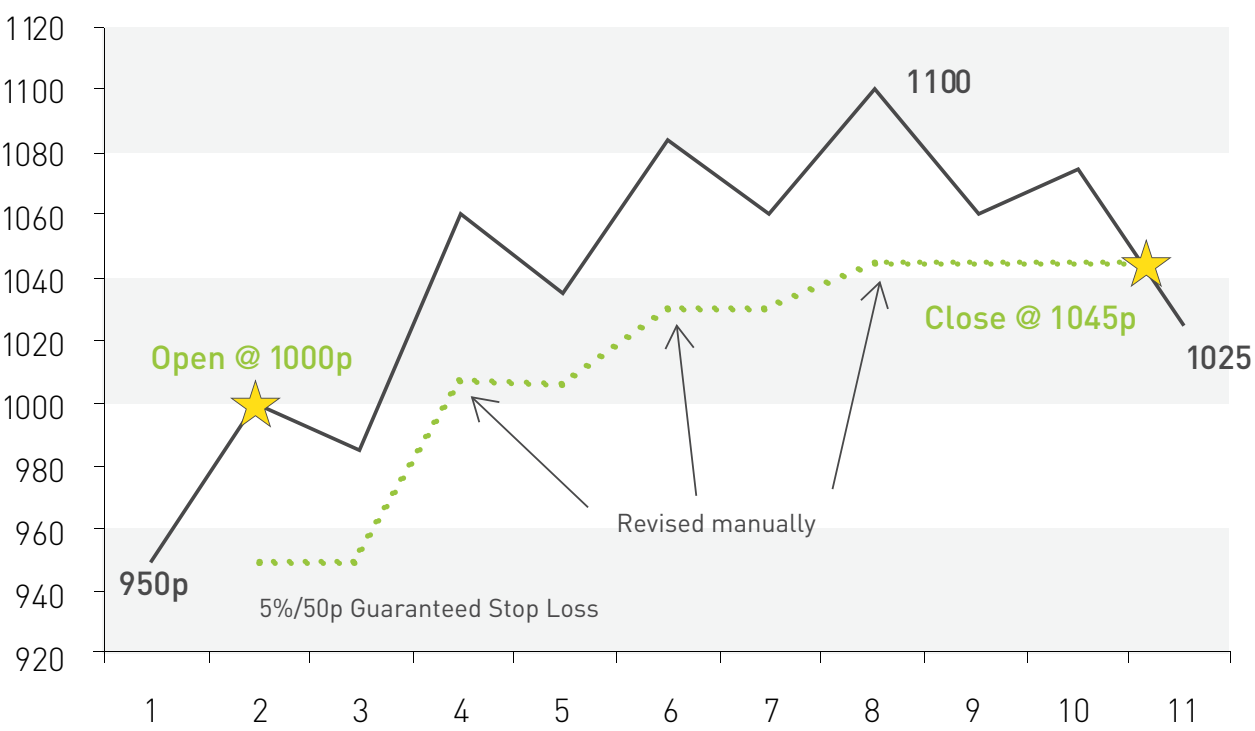
Closing Trade	Spread Bet	Calculation
Closing value of Spread Bet	£9,400	£9.40/pt* 1,000 pts
Change in value	-£600	£9,400 - £10,000
Commission/Stamp duty	-	-
Financing*	£2.79	See below*
Total Costs	£2.79	£2.79
Total Loss	-£602.79	-£600 - £2.79

4) Stop losses are used to limit losses or to protect running profits

EXAMPLE 5

Example 5 - Trade Results in a Profit, with Guaranteed Stop Loss(5)

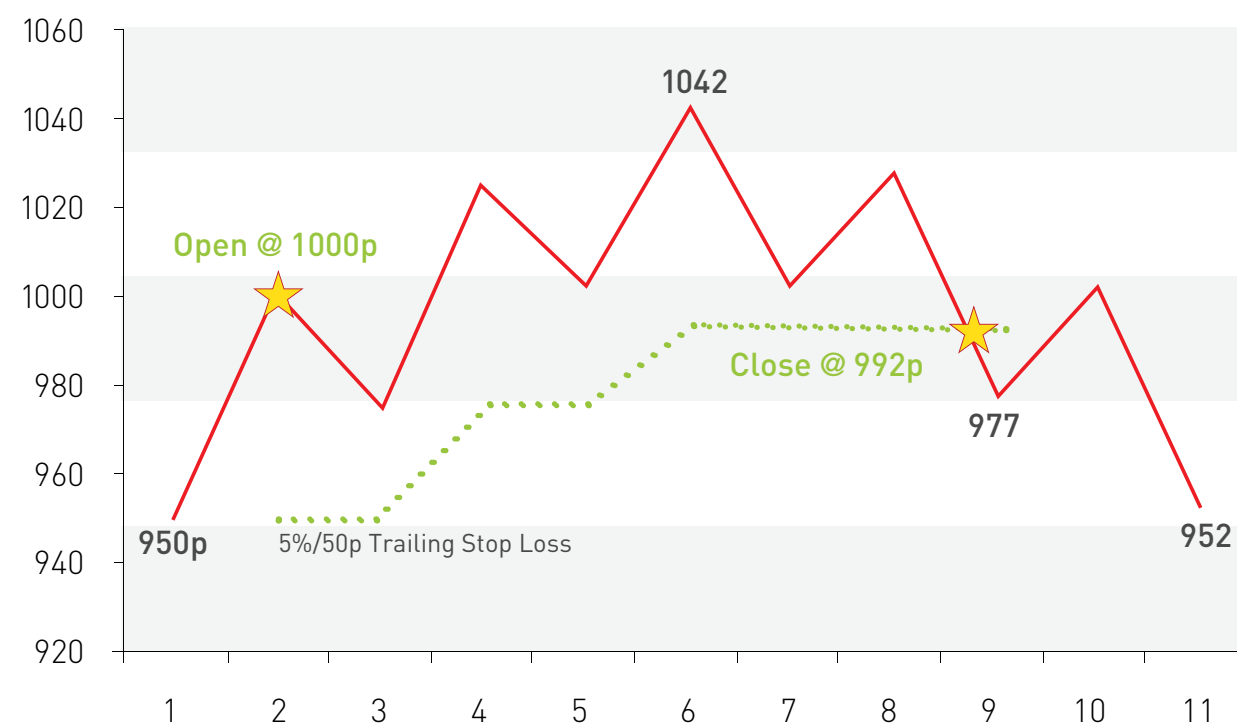
After 8 days Anglo American's shares had risen as high as 1,100p and then fallen back to 1,000p. Given that a 5% Trailing Stop Loss had been placed when the trade was opened, the initial stop at 950p followed the shares up to the high of 1,100p and revised the stop to 1,045p, locking in a gain of 55p per share. Note, as in example 3 and 4, the possibility of slippage remains, and the position could be closed out below the revised stop depending on where the order can be executed. Trailing stops incur no additional cost. Trailing stops cannot be placed nearer than 1 tick/penny from the current share price (6).



Closing Trade	Spread Bet	Calculation
Closing value of Spread Bet	£10,450	£10.45/pt* 1,000 pts
Change in value	£450	£10,450 - £10,000
Commission/Stamp duty	-	-
Financing*	£7.84	See below*
Limited Risk Premium	£30.00	£10,000 *0.3%
Total Costs	£37.84	£7.84 + £30
Total Profit	£412.16	£450 - £7.84 - £30
% Return	41.22%	£412.16/ £1,000 *100

(5) Stop losses are used to limit losses or to protect running profits

(6) Revisions take place automatically when positions move into profit. Minimum increment for revision is as small as 1 tick/penny (subject to change).



Example 6 - Trade Results in a Loss, with Trailing Stop Loss(7)

After 10 days Anglo American's shares had risen as high as 1042p and then fallen back to 952p. Given that a 5% (50p) Trailing Stop Loss had been placed when the trade was opened, the initial stop at 950p followed the shares up to the high of 1042p and revised the stop to 992p, reducing the potential loss to 8p per share. Note, as in the example of a Normal Stop Loss, the possibility of slippage remains and the position could be closed out below the revised stop depending on where the order can be executed. Trailing stops incur no additional cost. Trailing stops can never be placed nearer than 1 tick/penny from the current share price(8) .

Closing Trade	Spread Bet	Calculation
Closing value of Spread Bet	£9,920	£9.92/pt* 1,000 pts
Change in value	-£80	£9,920 - £10,000
Commission/Stamp duty	-	-
Financing*	£5.73	See below*
Total Costs	£5.73	£5.73
Total Loss	-£85.73	-£80 - £5.73

(7) Stop losses are used to limit losses or to protect running profits

(8) Revisions take place automatically when positions move into profit. Minimum increment for revision is as small as 1 tick/penny (subject to change).

GOING SHORT

All of these examples work in exactly the same way in reverse i.e. you take a negative view, borrow the shares and sell them short except that financing would be lower if the share price falls in value as the ultimate exposure value would have fallen.

**Should you have any questions on spread betting,
including ways in which your risk can be managed,
call us to discuss on 0203 051 7461**

Notes:

* Financing based on total exposure and calculated daily.

Daily cost calculation = Exposure * (LIBOR + 3.0%) / 365. Eg. £10,000 * (0.5% + 3.0%) / 365 = £0.96 per day

Trade technically closed at official close price each day and reopened at same price but adjusted for daily financing cost.

In the case of a short position, financing is calculated based on LIBOR minus 3%.

Your account is thus credited with interest unless LIBOR is less than 3.0%, in which case short positions will incur a debit.

LIBOR subject to change without notice

Trading with a *Personal* Touch

CFDs, spread betting and FX can result in losses that exceed your initial deposit. They are not suitable for everyone, so please ensure you understand the risks involved. Seek independent financial advice if necessary.

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