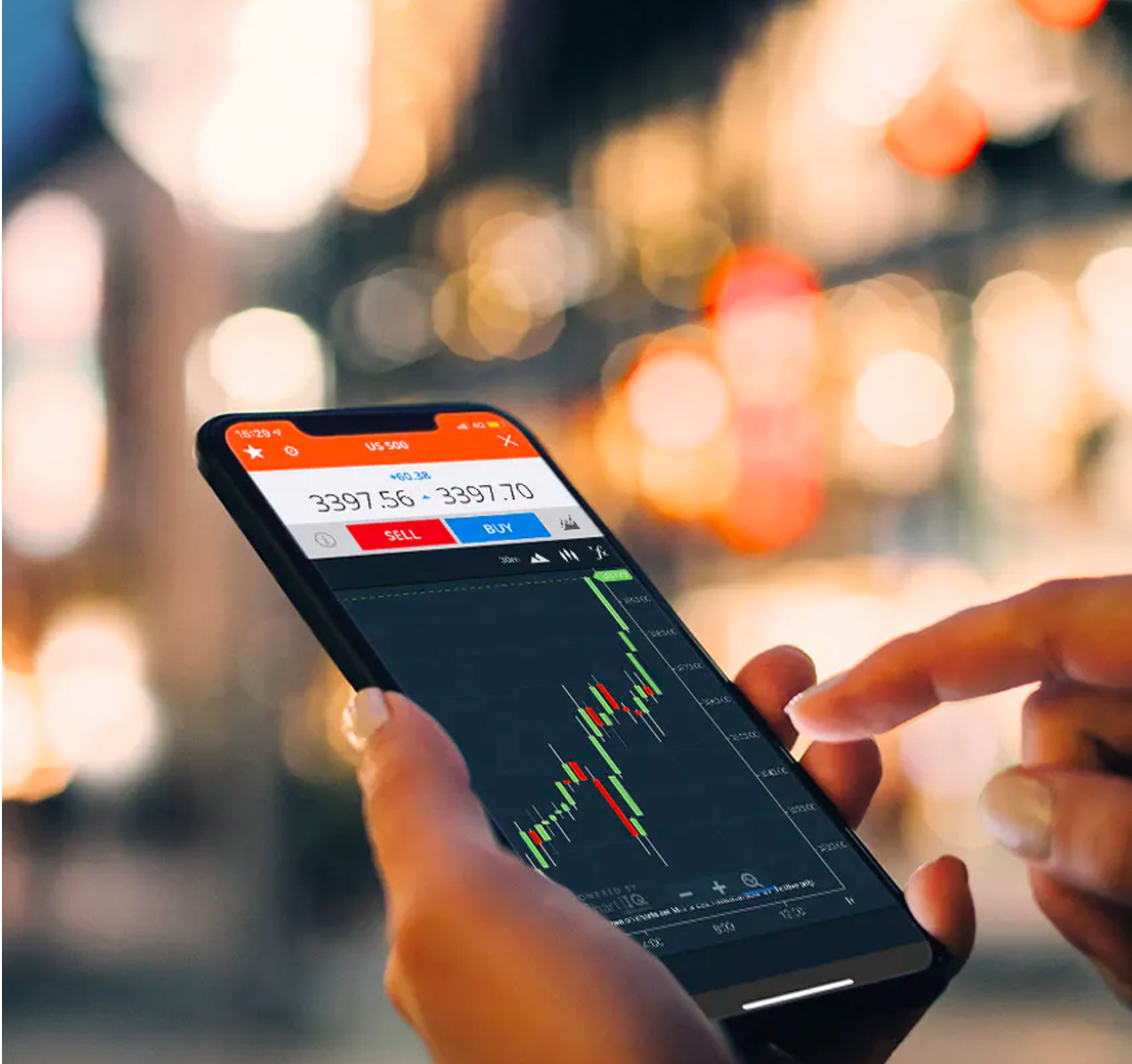

Trading Basics

with Trade Nation

So, you want to find out more about spread trading and CFDs? Well, here's a primer telling you everything you need to know about these exciting ways to speculate on the global financial markets.

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What is spread trading?

Spread trading is also known as spread betting. It is arguably the most straightforward method of speculating on financial markets such as stock indices, shares, commodities and Forex, all from a single account.

There are 3 key features of spread trading

1

Spread trading gives you the opportunity to profit from the rise or fall in the price of a financial instrument. This could be on a stock index, a currency pair or the price of gold.

2

With spread trading you deposit a small percentage of the total value of your trade to control all of it. This means you're trading with leverage.

3

You can also trade in a size that suits your risk appetite, something that isn't always possible when using other financial products.

Some additional features

At Trade Nation you have access to a huge range of markets from a single account. This gives you full control of your own trading from our easy-to-use platform.

The costs are transparent. There are no commissions or fees to pay. We make money from the difference between the buying and selling prices of each product. This is called the spread.

Unlike many other providers, our spreads don't increase just because markets get volatile. This is important as low fixed spreads help keep your dealing costs down and so maximise the return from your trading.

What is a spread?

In all types of trading there are always two prices on show: the first, and lower one, is the price at which you can sell, or 'bid'.

The second, and higher one is the 'offer' which is the price at which you can buy. The difference between these two prices is known as the 'spread', and the smaller the spread the cheaper it is to trade.

Spreads can be fixed or variable, and at Trade Nation our spreads are fixed. You will often see companies claiming 'tight spreads' which suggests that their dealing costs are low. However, they will quality this by writing: "Spreads from..."

This means that their spreads are variable and will rise sharply when market volatility increases. This is what happens when economic numbers are released, or on unexpected news announcements. In contracts, our fixed spreads don't increase in times of heightened volatility. In addition, we offer some of the tightest fixed spreads available which means you can benefit from low cost dealing.

You always have the assurance of knowing what the spread will be at all times. With a variable spread you have no control over the price, and it may be at its widest when you need to close or open a trade.

What is trading on margin?

With spread trading you put down a small percentage of the underlying trade value to control it. This is called trading on margin.

For most of the stock indices that we offer, our margin requirement is 5%. This means you only have to deposit 'margin' of £100 in your account to control £2,000-worth of the index. So, there's the potential for making large profits for a modest outlay. But there's a corresponding risk of suffering a big loss if things don't work out as planned. Given this, and that even the best traders will lose sometimes, it's vital to pay attention to risk management.

BID	OFFER	SPREAD
The price at which you can sell	The price at which you can buy	The difference between these two prices

What are the risks of spread trading?

Spread trading offers opportunities to make profits, but there are risks.

Not just from incorrectly predicting which way a market will move, but also because spread trading employs leverage. But don't fear risk, understand it. Then you can control it.

Understanding these risks and developing suitable strategies to offset them is essential if you are to have a long and successful trading career.

Leverage

As spread trades are leveraged products, it's important to assess your risk appetite and consider using our risk management tools to protect yourself if a market moves against you.

Volatility

Some markets fluctuate more wildly than others. But all have the potential to move sharply, especially following economic announcements or on unexpected news. It's important to research and understand the possible volatility of a market so that you can tailor the size of your trade to match your risk appetite.

Gapping

Gapping, also known as 'slippage', describes a price movement in which no trade occurs. This could be caused by anything that changes the price of a market: unexpectedly bad, or good news about a company, a natural disaster or a major political event.

Typically, a gap in price takes place between the closing and reopening of a market. But it can also happen when markets are actively trading. It is important to understand that a gap in the market can adversely affect your trading. So, make sure you don't take on excessive risk.

Spread trading is a straightforward method of speculating on fast-moving financial markets

In summary, spread trading is a straightforward method of speculating on fast-moving financial markets. It involves leverage where you can control a large position through a relatively modest deposit. As a consequence, it's important to carry but careful and disciplined risk and money management and to make sure that you never speculate with money you can't afford to lose.

What is CFD trading?

CFD stands for Contract for Difference.

It is a financial derivative that allows traders to speculate on the price movements of an underlying financial security. A CFD is an arrangement for one party to pay the difference in value from when the trade was opened to when it was closed. At Trade Nation, CFDs are available on well over a thousand different markets including commodities, currencies, stock indices and shares.

What does CFD stand for?
Contract for Difference

CFD Trading explained in 3 points

1

CFD Trading gives you the opportunity to profit from the rise or fall of a market without having to own, or sell, the underlying asset when trading CFDs.

2

CFD Trading is a leveraged product. You are only required to deposit a percentage of the total value of your position to trade a CFD.

3

You can go long or short of a huge number of different markets when trading CFDs.

History of CFDs

CFDs were first traded in London in the 1990s. Initially they were used by hedge funds looking to go short (that is, sell something they don't own) and also place trades which were too big to be executed in the underlying market, without causing dramatic price moves.

It soon became obvious that CFDs offered the perfect vehicle for leveraged trading and going short as well as long on all kings of financial markets.

The tech boom of the late 1990s provided a wealth of new markets ideally suited to CFDs, and CFD trading has now spread to other major financial centres. Approximately a third of the total volume traded on the London Stock Exchange is CFD-related.

Why trade CFDs?

01 CFD traders can hedge against declines in their share portfolio by short selling CFDs against the securities they physically hold. In this way,they can protect themselves from falling prices without incurring the costs of selling physical shares.

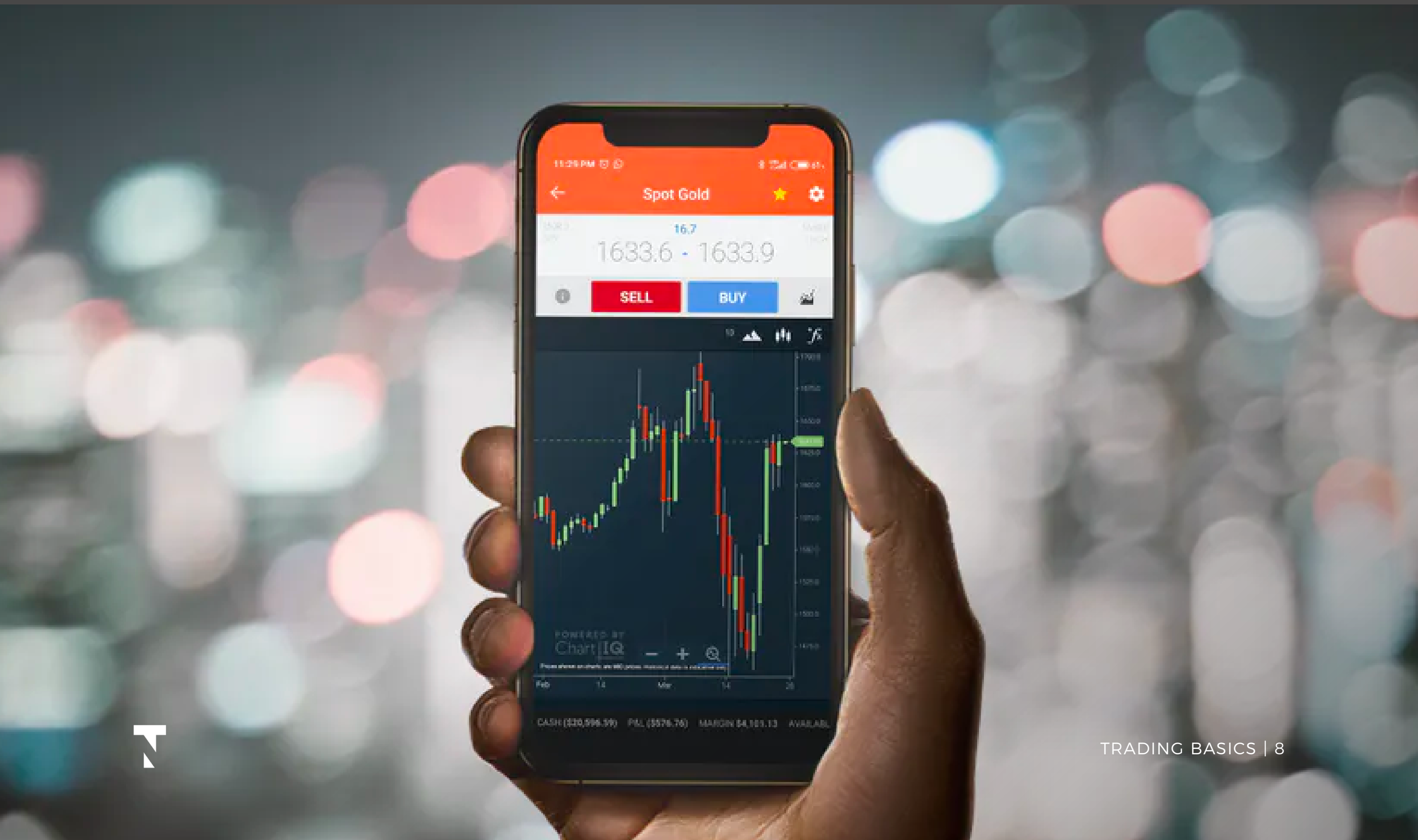
02 CFD trading is leveraged. This means you only have to put down a small percentage of the underlying value of a trade to control it all.

03 CFDs allow you to trade multiple asset classes from one account.

At Trade Nation you can run your own account from one platform

At Trade Nation you have access to well over a thousand different markets from a single CFD account, so you can centralise your speculative and hedging activity.

Running your own account from one platform, without having to instruct a broker to act on your behalf, and monitoring market movements in real time, are all major advantages of a CFD account. At Trade Nation, CFDs are available on our MT4 platform, and unlike spread trades, CFDs have variable spreads.



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