

Introduction to CFD Trading

1. What is CFD Trading?

A **Contract for Difference (CFD)** is a financial derivative that allows traders to speculate on the price movement of an underlying asset without owning the asset itself.

- If you expect the price to go **up**, you place a **Buy (long)** trade.
- If you expect the price to go **down**, you place a **Sell (short)** trade.
- The result is based on the **difference between the opening and closing price** of the contract.

Example: If you buy a CFD on gold at \$1,900 and sell at \$1,920, your profit is \$20 (excluding costs).

2. What Can You Trade with CFDs?

CFDs cover a wide range of markets, including:

- **Forex** (currency pairs like EUR/USD, GBP/USD)
- **Indices** (S&P 500, FTSE 100, DAX 40)
- **Commodities** (gold, oil, natural gas, silver)
- **Shares** (Apple, Tesla, Amazon)
- **Cryptocurrencies** (Bitcoin, Ethereum, etc.)

3. Key Features of CFD Trading

1. Leverage and Margin

- CFDs are traded on **margin** (you only deposit a fraction of the trade value).
- **Leverage** amplifies both profits and losses.
- Example: With 10:1 leverage, a \$1,000 deposit controls \$10,000 worth of contracts.

 **Risk:** Losses can exceed your deposit if the market moves against you.

2. Flexibility – Long or Short

- You can profit from both rising and falling markets.

3. No Asset Ownership

- You never own the actual stock, oil barrel, or cryptocurrency. You only speculate on price changes.


4. Trading Costs

- **Spread:** The difference between buy and sell prices.
- **Overnight financing (swap/rollover):** Charged if positions are held overnight.
- **Commissions:** Sometimes charged on share CFDs.

4. Example of a CFD Trade


- You believe EUR/USD will rise from 1.1000 to 1.1050.
- You buy 1 CFD at 1.1000.

- If the price moves to 1.1050 and you close the trade:
 - Profit = $(1.1050 - 1.1000) \times \text{position size}$.
- If the price instead falls to 1.0950:
 - Loss = $(1.0950 - 1.1000) \times \text{position size}$.

 **Tip:** Always consider how much you could **lose** before opening a trade.

5. Risks of CFD Trading

- **Leverage risk:** A small market move can cause large losses.
- **Market volatility:** Sharp swings may trigger stop-outs.
- **Financing costs:** Holding positions long-term can be expensive.
- **Counterparty risk:** Depends on the broker's reliability.

 **Important:** Never trade money you cannot afford to lose.

6. Risk Management Tools

- **Stop-Loss Orders:** Automatically closes your trade if losses reach a set level.
- **Take-Profit Orders:** Locks in gains at a chosen price.
- **Position Sizing:** Only risk a small % of your account balance per trade.
- **Demo Accounts:** Practice trading without risking real money.

7. Special Focus: CFDs on Cryptocurrencies

- Extremely **volatile** compared to other assets.
- Can produce large gains but also rapid losses.
- High risk — recommended only for experienced traders.

Key Takeaways

- CFDs let you trade a wide variety of markets without owning the asset.
- Leverage increases both opportunity and risk.
- Strong risk management is essential.
- CFDs on cryptos carry an **even higher risk profile**.
- Beginners should always start with a **demo account** before live trading.

IMPORTANT DISCLAIMER

We have your best interests at heart and, as a professional and regulated firm, we have prepared this document to help you understand CFD trading in a clear and accessible way. Our goal is to ensure that you can use the trading platform confidently, while fully understanding the risks involved.

It is important to note:

- We do not execute trades on your behalf. All trading decisions are your responsibility.
- We do not provide investment advice. Our role is limited to offering the platform and supporting its use.
- Trading involves significant risks, and you should carefully consider your financial situation, experience, and risk tolerance before placing any trades.
- We encourage you to use all risk management tools available on the platform, such as stop-loss orders, position sizing, and demo accounts for practice.
- We genuinely care about our clients and their safety. While we are here to assist with platform-related queries and guide you in understanding its features, it is essential that you take personal responsibility for your trading decisions. By trading, you acknowledge that you understand these risks and that responsible trading is your responsibility.
- We provide a comprehensive range of educational materials designed to help you understand trading thoroughly. We strongly encourage you to review these resources carefully before engaging in any trading activity, so that you are fully informed about the platform, the products, and the risks involved.
- Our mission is to provide a secure, professional, and supportive environment so that you can make informed decisions and trade with confidence.