

**TRADING EXAMPLES**

**CONTRACTS FOR  
DIFFERENCE**

**Halifax Investment Services Limited**

Australian Financial Services Licence No. 225973

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# TRADING EXAMPLES

## Example 1: Going Long

If you expect Coles Myer to announce good profit results to the market and anticipate its price could rise by 7% over the next sixteen days.

### Open Position

Buy Quantity	5,000 shares	
Price	\$9.10	
Contract Value	\$45,500.00	
Initial Margin	10%	\$4,550.00
Commission	0.30%	\$136.50

### Close Position

Sell Quantity	5,000 shares	
Price	\$9.72	
Contract Value	\$48,600.00	
Commission	0.30%	\$145.80
Gross Profit	\$48,600.00	
	-\$45,500.00	
	<b>\$3,100.00</b>	
Commission (Bought & Sold)	(\$136.50)	
	(\$145.80)	
	<b>(\$282.30)</b>	

### Financing Cost

\*(RBA Cash Rate 5.25% + 3.00%)

45,500 x 8.25% x 16/365 **(\$164.55)**

**Net Profit \$2,648.59**

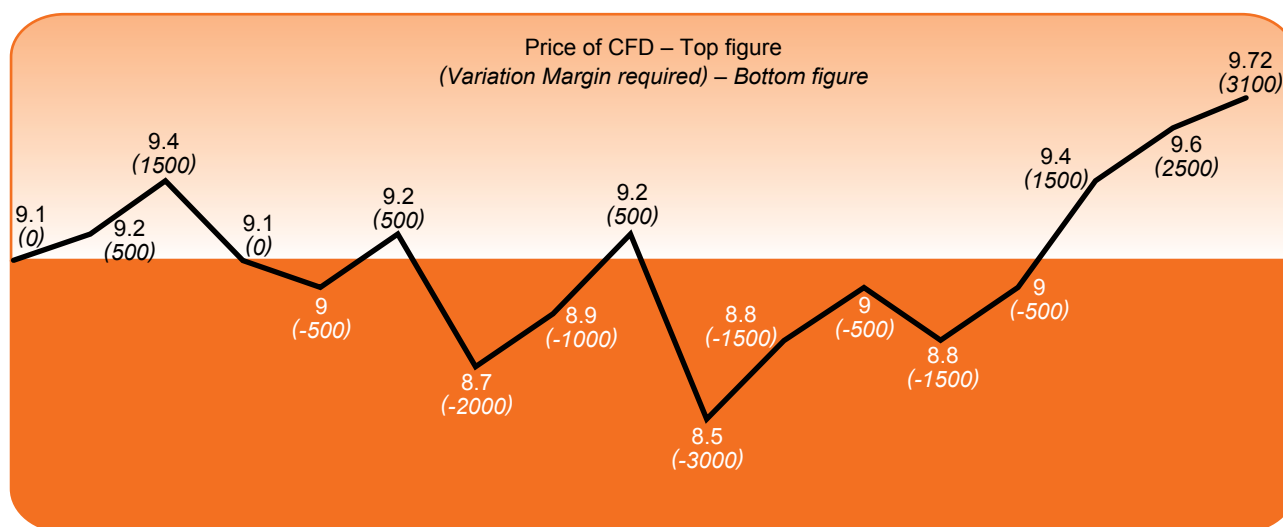
\*Please note for the purpose of this example the Reserve Bank of Australia Cash Rate is fixed at 5.25%.

## WARNING

You can potentially lose more money than is in your trading account. As a result of a loss, if your account does not have sufficient funds to cover the loss, you will be required to fund the shortfall immediately. You may face potential financial penalties, legal action or credit agency default.

Contracts for Difference

**Coles Myer chart long/profit**



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

Alternatively: your expectations prove to be incorrect and your stop loss is triggered.

### Close Position

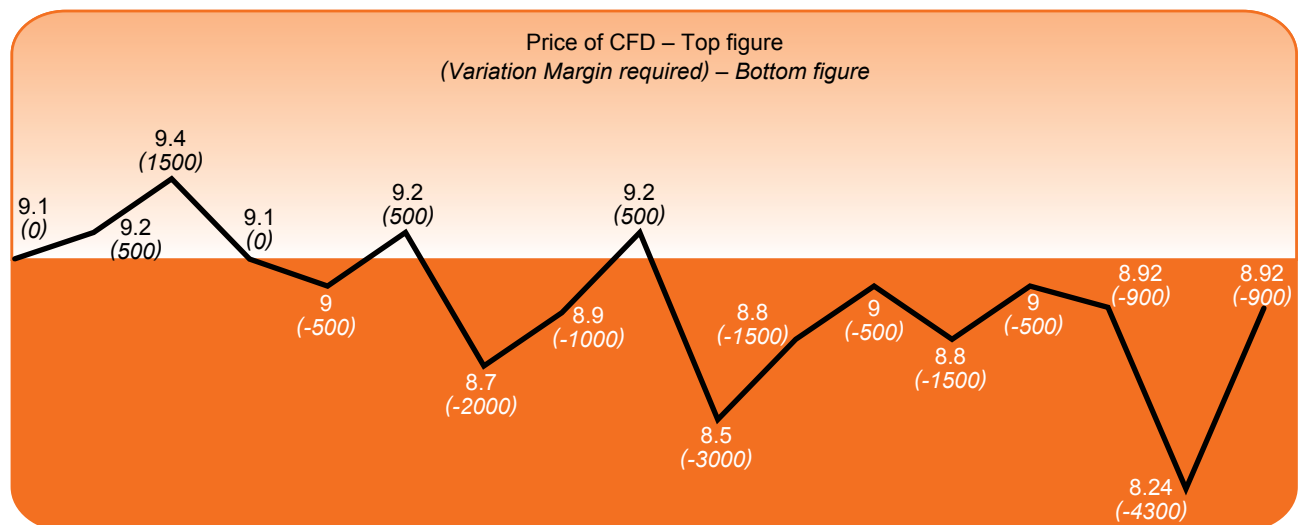
Sell Quantity	5,000 shares
Price	\$8.92
Contract Value	\$44,600.00
Commission	0.30% \$133.80
Gross Loss	\$44,600.00
	-\$45,500.00
	<b>\$900.00</b>
Commission (Bought & Sold)	(\$136.50)
	(\$133.80)
	<b>(\$270.30)</b>
Financing Cost	
*(RBA Cash Rate 5.25% + 3.00%)	
45,500 x 8.25% x 16/365	<b>(\$164.55)</b>
<b>Net Profit (loss)</b>	<b>(\$1,334.85)</b>

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### Coles Myer chart long/loss



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

# TRADING EXAMPLES

## Example 2: Going Short

If you anticipate that the rally in BHP Billiton shares has peaked and anticipate that it could fall by as much as 8% over the next ten days.

### Open Position

Sell Quantity		5,000 shares
Price		\$14.90
Contract Value		\$74,500.00
Initial Margin	20%	\$14,900.00
Commission	0.3%	\$223.50

### Close Position

Buy Quantity		5,000 shares
Price		\$13.71
Contract Value		\$68,550.00
Commission	0.30%	\$205.65
Gross Profit		\$74,500.00
		-\$68,550.00
		<b>\$5,950.00</b>
Commission (Sold & Bought)		(\$223.50)
		(\$205.65)
		<b>(\$429.15)</b>

Interest Earned

\*(RBA Cash Rate 5.00% – 2.50%)

74,500 x 2.50% x 10/365 **\$51.03**

**Net Profit \$5,571.88**

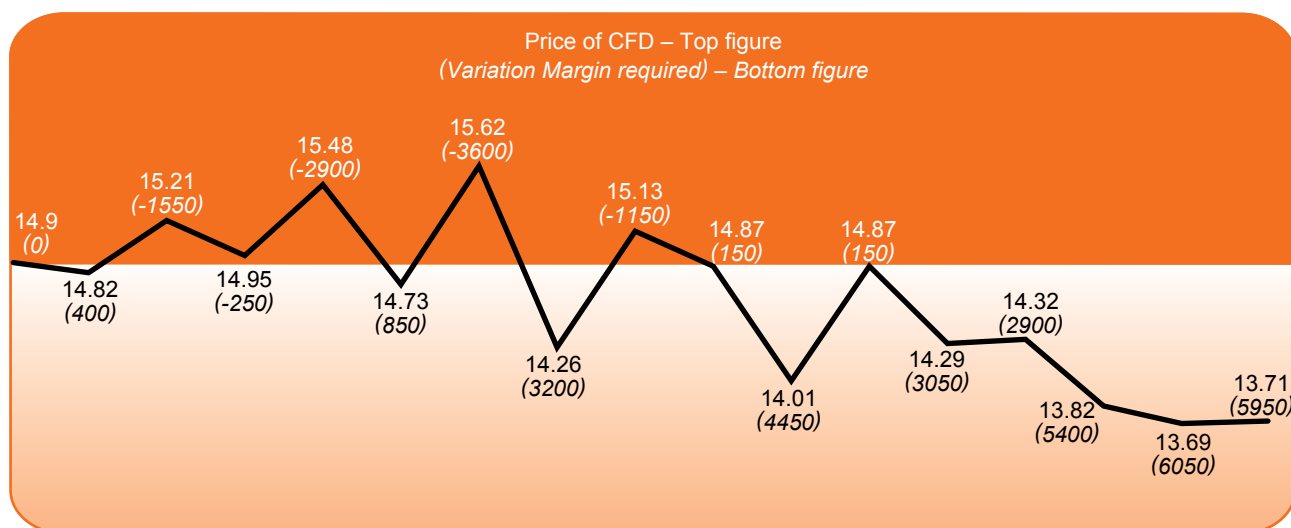
\*Please note for the purpose of this example the Reserve Bank of Australia Cash Rate is fixed at 5.25%.

## WARNING

You can potentially lose more money than is in your trading account. As a result of a loss, if your account does not have sufficient funds to cover the loss, you will be required to fund the shortfall immediately. You may face potential financial penalties, legal action or credit agency default.

Contracts for Difference

**BHP chart short/profit**



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

Alternatively: your expectations prove to be incorrect and your stop loss is triggered.

### Close Position

Buy Quantity	5,000 shares
Price	\$15.20
Contract Value	\$76,000.00
Commission	0.3% \$228.00
Gross Loss	\$74,500.00
	-\$76,000.00
	<b>\$1,500.00</b>
Commission (Sold & Bought)	(\$223.50)
	(\$228.00)
	<b>(\$451.50)</b>
Interest Earned	
*(RBA Cash Rate 5.00% – 2.50%)	
74,500 x 2.50% x 10/365	<b>\$51.03</b>
<b>Net Loss (loss)</b>	<b>(\$1,900.47)</b>

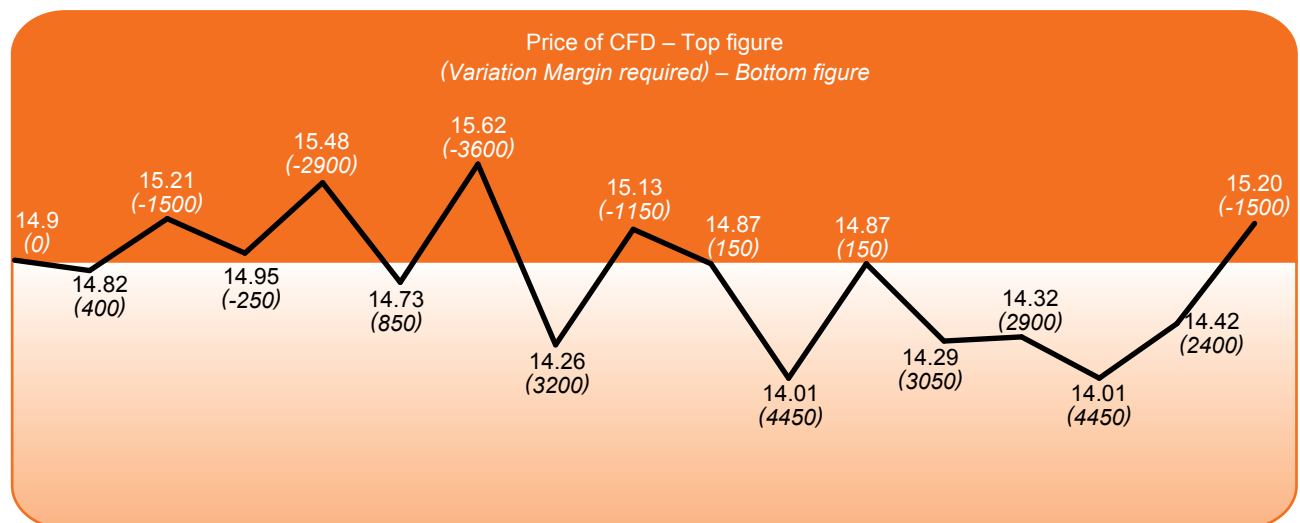
\*Please note for the purpose of this example the Reserve Bank of Australia Cash Rate is fixed at 5.25%.

**Please note that CFDs are highly leveraged derivatives and involve the potential for both profit and losses, as reflected in the examples shown above.**

### WARNING

You can potentially lose more money than is in your trading account. As a result of a loss, if your account does not have sufficient funds to cover the loss, you will be required to fund the shortfall immediately. You may face potential financial penalties, legal action or credit agency default.

### BHP chart short/loss



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

# TRADING EXAMPLES

## Example 3: How you can lose more than what's in your account over 1 day

In this example a small mining stock is trading at 20 cents and you have read favourable reports about the stock and decide to buy \$10,000 worth of stock with the Initial Margin required from the CFD provider being \$2000 (20%).

Previous to taking out the trade you have no open positions and an account balance of \$4000

### Open Position

Buy Quantity	50,000
Price	\$0.20
Contract Value	\$10,000
Initial Margin	\$2,000
Commission	0.30% \$30

### Close Position

Sell Quantity	50,000
Price	\$0.04
Contract Value	\$2,000.00
Commission	0.03% or \$10.00
Gross Profit/Loss	\$10,000.00
	\$2,000.00
	<b>\$8,000.00</b>
Commission (Sold & Bought)	(\$30.00)
	(\$12)
	<b>(\$40)</b>
Financing cost	
RBA Cash rate 5.25% + 3%)	
10,000 x 8.25% x 1/365	-2.26
<b>Net Loss</b>	<b>\$8,042.26</b>

However, after the close of business that day a mine accident occurred as a result of their only mine collapsing.

After accessing the trading platform the following day you are shocked to find that the stock price is 4 cents and that your stock has been forcibly sold at the opening price.

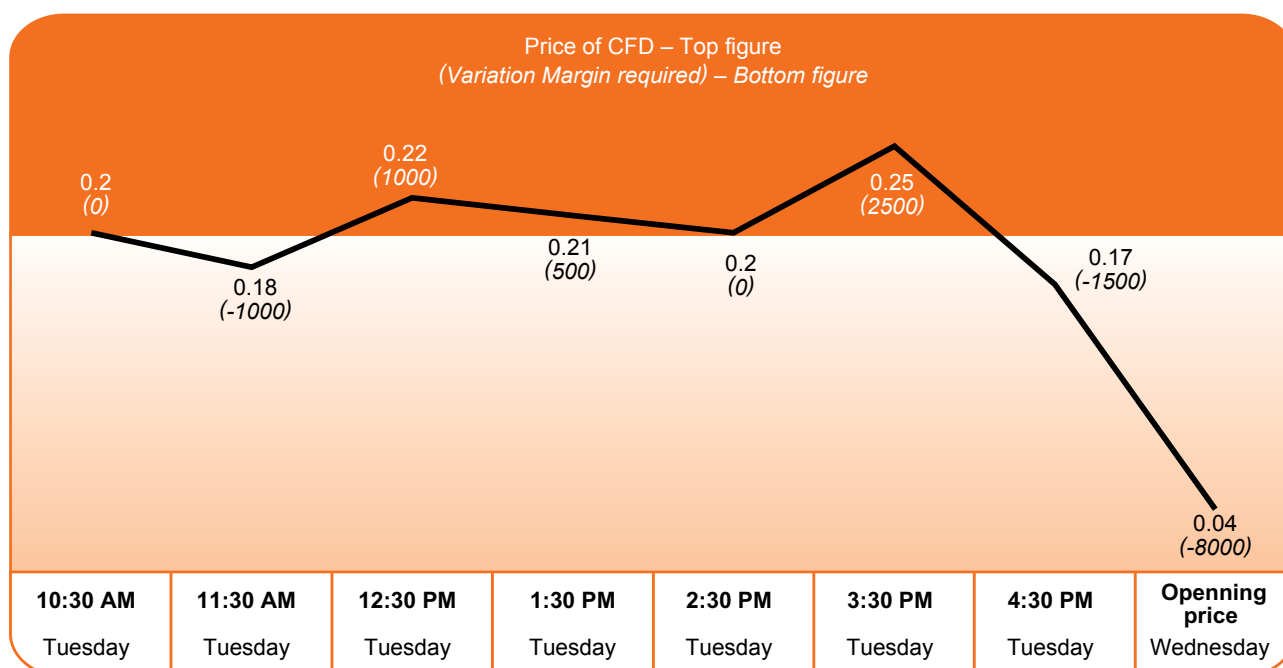
As the stock has lost 60% of its value your Equity in the CFD immediately went into default and was closed out.

As the loss was \$8,042.26 (the CFD transaction and costs) which is greater than what was in your account prior to the trade, you are now in deficit to the amount of \$4,042.26 and thus owe this money to the CFD provider.

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You can potentially lose more money than is in your trading account. As a result of a loss, if your account does not have sufficient funds to cover the loss, you will be required to fund the shortfall immediately. You may face potential financial penalties, legal action or credit agency default.

## Example



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.