

Long Example

Harry is a 'directional trader' who generally holds positions for no longer than 4 days. He believes that resource prices will be strong over the next few days and thinks XYZ Resources will rally off the back of them. Harry has \$100,000 deposited with his broker and wants to expose 5% of his cash to this position.

ASX XYZ CFDs have an Initial Margin of \$1.30 per contract or approximately 5%. With \$5000, therefore, Harry can gain exposure to \$100,000 (\$5,000/5%), as the \$5,000 he would like to expose is sufficient to pay his Initial Margin on the position.

ASX XYZ CFDs are currently trading at 2599 bid – 2600 offer (eg: \$25.99-26.00).

Harry places an order to buy 3,846 ASX XYZ CFDs at 2600 = \$99,996 value.

After the first day Harry must pay an Initial Margin, Contract Interest, Open Interest and is exposed to Variation Margins.

On subsequent days Harry is only subjected to Contract Interest, Open Interest and Variation Margins.

Note: If XYZ went ex-dividend during this period then Harry would receive the Dividend and any Franking Credit Cashflows.

ASX EQUITY CFD TRADE PRICE		\$26.00			\$27.00
Trade	Buy 3,846				Sell 3,846
	Day 1	Day 2	Day 3	Day 4	
Daily Settlement Price	\$26.50	\$26.80	\$25.80	\$27.00	
Initial Margin					
(1) # of contracts	3,846				
(2) Trade Price		\$26.00			
(3) Initial Value (1x2)	\$99,996				
(4) Margin	\$1.30 or 5%				
Initial Margin (1x4) or (3x4)	-\$4,999.80				+\$4,999.80
Contract Interest					
(1) # of contracts	3,846	3,846	3,846		
(2) Daily Settlement Price	\$26.50	\$26.80	\$25.80		
(3) Position Value (1x2)	\$101,919	\$103,072.80	\$99,226.80		
(4) CI/ # of days	6.25%/365 days	6.25%/365 days	6.25%/365 days		
Contract Interest (3x4)	-\$17.45	-\$17.65	-\$16.99		
Open Interest (OIC)					
(1) # of contracts	3,846	3,846	3,846		
(2) Daily Settlement Price	\$26.50	\$26.80	\$25.80		
(3) Position Value (1x2)	\$101,919	\$103,072.80	\$99,226.80		
(4) OIC/ # of days	1.5%/365 days	1.5%/365 days	1.5%/36 days		
Open Interest Charge (3x4)	-\$4.19	-\$4.24	-\$4.08		
Variation Margin					
(1) Closing	\$26.50	\$26.80	\$25.80		
(2) Opening	\$26.00	\$26.50	\$26.80		
(3) Difference (1-2)	\$0.50	\$0.30	-\$1.00		
(4) # of contracts	3,846	3,846	3,846		
Variation Margin(3x4)	\$1,923.00	\$1,153.80	-\$3,846.00		
Cumulative Profit/Loss					
Gross Profit	\$1,923.00	\$3,076.80	-\$769.20		² \$3,846.00
Contract Interest	-\$17.45	-\$35.10	-\$52.09		-\$52.09
Open Interest	-\$4.19	-\$8.43	-\$12.51		-\$12.51
Net Profit/Loss	\$1,901.36	\$3,033.27	-\$833.80		\$3,781.41

1 Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

2 \$3,846 is the difference between the price when the ASX CFDs were initially purchased (\$26.00) and the price when the CFDs were sold (\$27.00) multiplied by the number of CFDs traded (3,846)