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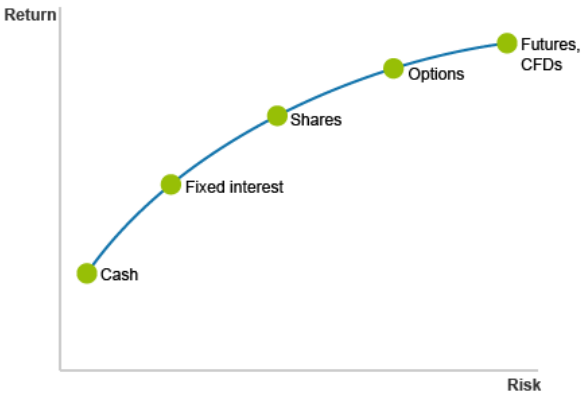
Topic 1: Are CFDs for me?

CFDs are not for everyone.

Because of the significant leverage they offer, they are a high-risk investment - riskier than an investment in the underlying asset.



In deciding whether you are suited to trading CFDs, you should ask yourself some questions:

- Am I comfortable with leverage and volatility?
- Do I have the cash to lose?
- Do I have the time and interest to monitor my trades?
- Am I set up for trading?

Am I comfortable with leverage and volatility?

The value of a CFD position can change significantly in a short period of time.

Some investors are comfortable with such volatility, and accept that high risk goes hand-in-hand with the potential high rewards CFDs and other volatile investments offer.

Others find extreme day-to-day (and sometimes minute-to-minute) price movements difficult to handle, even upsetting, and that volatility makes rational, unemotional investment decision-making difficult.

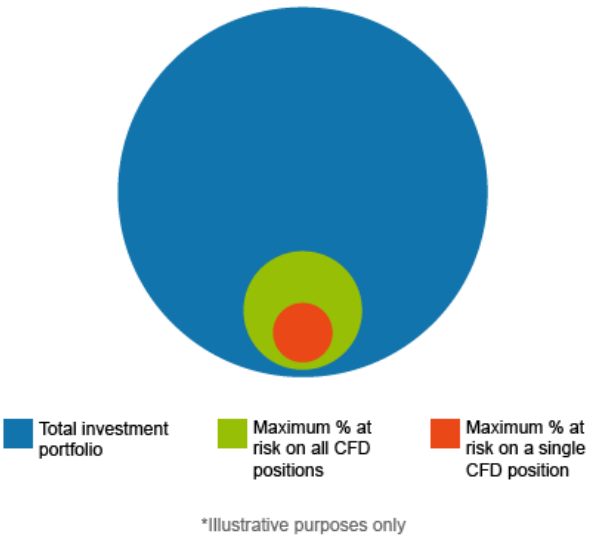
You should consider investing in CFDs only if leveraged, volatile investments are suited to your investing style and appetite for risk.

Do I have the cash to lose?

You should treat CFDs as you would treat any speculative, high-risk investment.

While you enter every trade with the aim of making a profit, it is prudent to plan for the worst possible outcome.

What makes this hard with CFDs is that it is difficult to accurately quantify your amount at risk, as your potential loss is not limited to your initial deposit.



*Illustrative purposes only

The amount you commit to any one CFD position, and to your CFD positions in total, should be only a small percentage of your overall investments.

You should consider whether you have sufficient resources to allocate a percentage of your investing funds to CFDs. Is the money you would be placing at risk money you can afford to lose?

Do I have the time and interest to monitor my trades?

CFDs are not 'set and forget' investments. They are best suited to a trading approach which calls for frequent monitoring and active management of your positions.

You should consider whether you have the time, discipline and interest to take such an active approach.

'Trading', as opposed to 'investing', does not suit everyone. If you are more of a 'buy and hold' investor, CFDs may not be right for you.

Am I set up for trading?

A CFD trader must have access to real time prices, and the ability to act quickly in response to price movements.

This typically calls for access to reliable and fast internet during trading hours.

You should consider whether you are appropriately set up to check prices whenever you want, and implement your trading decisions without delay.