Trading & Investing Online Course

Learn to invest the profitable way…
The hands-on, practical 'as long as it takes' workshop for 'beginners'

Marcus de Maria

Investment Mastery Ltd Kinetic Business Centre
Theobald Street
Elstree Herts

Support@investment-mastery.com
www.investment-mastery.com

Investment Mastery
Trading and Investing
Online Course
Unit 5 of 5

Unit 5

- Advanced Buffalo - make more trades with less of your own money
- How to leverage your trading
  - CFDs
  - Spreadbetting
- How to set up your Leveraged Broker account
- Using the leveraged Broker

Strategy 5:
Trading - Buffalo Leveraged

Making money from Channelling / Rolling/Oscillating/Ranging stocks

10 minutes a day

Aiming for up to 35% a year

CFDs
(Contracts for Difference)

What are CFDs?

- CFDs are a way of making money from share price movements without owning the share itself. You simply own a contract which you buy at one price and sell at another, making (or paying out) the difference - hence the name, Contracts For Difference.

So how’s that different from conventional share dealing?

- When buying a contract you do not own the underlying instrument, you are betting on which direction you think the price will move in. Instead of buying shares, you are purchasing contracts.

The pros of trading CFDs

- You only need to pay a percentage of the stock (known as the Margin Requirement) up front. For stocks the Margin Requirement starts from 5%. That means you could take a €20,000 position and you only need to provide €1,000 initially.
- You can place a Guaranteed stop loss when trading CFDs. Which means if the market were to gap against you, you would still be taken out of that trade at your stop loss price.

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Risk Management
CFDs

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Example of trading a UK stock (CFD calculation)

- Imagine that you have looked at “BP” as a share you wanted to trade. You want to buy at £4, with a stop loss at £3.50.

- To work out how many shares you should be trading, you will need to know the following:

1) Account Risk = How much of your account you are risking

2) Trade Risk = Difference between your entry price and stop loss

Then you can work out:

3) Trade Size = How many shares to buy/sell

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1) Account Risk

Account Risk = Account Size x % Risk

Calculation:

- Account size: €10,000
- % Risk = 1%
- Account Risk = €10,000 x 0.01(1%) = €100

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Account Risk Calculation Cont:-

- Now you need to convert your account risk in euros into the currency that the share is trading in
- In our example we convert euros into British Sterling as the share is trading on the London Stock Exchange
- EURGBP price is currently at 0.8600, this in turn means €1 = £0.86
- Therefore:
- Account Risk = €100 x EURGBP price

  = €100 x 0.8600 = **£86**

2) Trade Risk

Trade Risk = Difference between entry price and the stop loss

Calculation:

- £4 (EP)- £3.50 (SL) = **£0.50**

3) Trade Size

Trade Size = How many shares to buy/sell

Calculation:

- Account risk / Trade risk = Trade size
- £86/£0.50= 172 Shares

You need to buy 172 shares in this example

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Example of trading a US stock (CFD calculation)

Imagine that you have looked at 'Apple' as a stock you wanted to trade. You want to buy at $ USD 180, with a stop loss at $ USD 178.50.

To work out how many shares you should be trading, you will need to know the following:

1) Account Risk = How much of your account you are risking

2) Trade Risk = Difference between your entry price and stop loss

Then you can work out:

3) Trade Size = How many shares to buy/sell

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1) Account Risk

Account Risk = Account Size x % Risk

Calculation:

- Account size: €10,000
- % Risk = 1%
- Account Risk = €10,000 x 0.01(1%) = €100

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Account Risk Calculation Cont:-

- Now you need to convert your account risk in euros into the currency that share is trading in
- In our example we convert euros into US Dollars as the share is trading on Nasdaq
- EURUSD price is currently at 1.3100, this in turn means €1 = $1.31
- Therefore:
- Account Risk = €100 x EURUSD price

  = €100 x 1.3100 = **$131**

2) Trade Risk

Trade Risk = Difference between entry price and the stop loss

Calculation:

- $180 (EP) - $178.50 (SL) = **$1.50**

3) Trade Size

Trade Size = How many shares to buy/sell

Calculation:

- $131/$1.50 = 87 Shares

You need to buy 87 shares in this example

Spread betting

What is spread betting?

- Spread betting is a method of speculating on the price movements of an instrument without actually owning what you are trading
- You do not own what you are trading
- You are betting on which direction you think the price will move in. Instead of buying shares or contracts, you would be betting in £'s per point movement in the price (a point may be 1p, 1c, 100th of a c or a $ depending on the instrument you are trading).

Why is it called spread betting?

- The term spread betting is used because there is an additional spread around the market price (they make their money on the spread, hence the word) and the reason it is called a bet is because if that term is used it means you are exempt from all capital gains taxes!
- YES TAX FREE!!!

Risk Management
Spread betting

Example of trading a UK stock (Spread Betting calculation)

- Imagine that you have looked at "BP" as a share you wanted to trade. You want to buy at £4, with a stop loss at £3.50.
- To work out how many £ per point you should be trading, you will need to know the following:

1) Account Risk = How much of your account you are risking

2) Trade Risk = Difference between your entry price and stop loss

Then you can work out:

3) Trade Size = How many £'s per point

1) Account Risk

Account Risk = Account Size x % Risk

Calculation:

- Account size: £10,000
- % Risk = 1%
- Account Risk = £10,000 x 0.01(1%) = £100

2) Trade Risk

Trade Risk = Difference between entry price and the stop loss

Calculation:

- £4 (EP)- £3.50 (SL) = **£0.50**
- **£1 = 100 points**
- **£0.50 = 50 points**

3) Trade Size

Trade Size = how many £'s per point

Calculation:

- Account risk / Trade risk = Trade size
- £100/50pts = £2 Per Point

You need to buy at £2 Per Point in this example

Example of trading a US stock (Spread Betting calculation)

Imagine that you have looked at 'Apple' as a stock you wanted to trade. You want to buy at $ USD 180, with a stop loss at $ USD 178.50.

To work out how many £ per point you should be trading, you will need to know the following:

1) Account Risk = How much of your account you are risking

2) Trade Risk = Difference between your entry price and stop loss

Then you can work out:

3) Trade Size = How many £'s per point

1) Account Risk

Account Risk = Account Size x % Risk

Calculation:

- Account size: £10,000
- % Risk = 1%
- Account Risk = £10,000 x 0.01(1%) = £100

2) Trade Risk

Trade Risk = Difference between entry price and the stop loss

Calculation:

- $180 (EP) - $178.50 (SL) = **$1.50**
- **$1.50 = 150 points**

3) Trade Size

Trade Size = How many shares to buy/sell

Calculation:

- Account risk / Trade risk = Trade size
- £100/150 = £0.66 Per Point

You need to buy at £0.66 Per Point in this example

Leveraged Broker:
www.roboforex.com - NOTES

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