

# USING ORDERS TO DEAL

This module introduces Stop and Limit orders and considers how they can be used to both open and close positions. Also covered is the difference between guaranteed and non-guaranteed Stops.

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# USING ORDERS TO DEAL

In the examples in Module 1, we looked at placing bets at the current price. Our prices are constantly moving; if you are happy to deal at the price we are making at the time, you can deal there and then, but there may be times when the prevailing price does not suit. Of course you can keep on watching the price, waiting for a certain level, but it may be more convenient to leave an instruction to deal should a specified price requirement be met.

Leaving such an instruction is known as **'working an order'**. An order can be left to open a new position or to close an existing position, through our trading platform or through our dealers (over the telephone).

When dealing in the actual market, trading shares or futures, there are quite a few different types of orders, with varying complexity. With spread betting there are two main types of order: Stops and Limits.

## STOPS AND LIMITS

Strictly speaking, how Stops and Limits are defined in the underlying markets is slightly different to the definitions given here, but for the purposes of spread betting with us the following simple classifications are true:

- A Stop is an instruction to deal at a less favourable level than the current price
- A Limit is an instruction to deal at a more favourable level than the current price

So if the FTSE DFB is trading at 5834 and you leave an order to sell at 5714, the order is a Stop, as selling at 5714 is a worse price (less favourable) than selling at 5834.

In the same circumstance, if you leave an instruction to sell at 5874, it is a Limit order, as 5874 is a better level to sell at than 5834.

CONTINUED ▼

# USING ORDERS TO DEAL

## PROBLEM

You have previously opened a position buying £10/point of the December FTSE at 5960. Several days after opening the position the December FTSE is trading at 5873. You place an order to close your position by selling £10/point should the December FTSE reach 5920. Is this a Limit or a Stop?

## ANSWER

This is a Limit. Our definition of a Limit is an instruction to deal at a more favourable level than the current price. The current price is 5873 and you are leaving an order to sell at 5920. Selling at 5920 is more favourable than selling at 5873, and so it must be a Limit.

A common mistake for people unfamiliar with Stops and Limits is to look at the opening level of the position, 5960, and to view selling at 5920 as a Stop (as it is a worse level than the opening level). Had the order been left when the position was opened, when 5960 was the current price, then it would be a Stop. In the problem described, however, the opening level is actually irrelevant to determining whether your order is a Limit or a Stop, as it is not the current price.

## ACTIVATION OF ORDERS

Any order that you leave with us is an instruction to deal should our quote reach, or trade through, that level.

- Instructions to **sell** are activated if the **bid** of our quote reaches the order level
- Instructions to **buy** are activated if the **offer** of our quote reaches the order level

If the conditions specified by an order are met, we will execute a deal for you at your order level (non-guaranteed Stops may be executed at levels worse than you have instructed, however, depending on market conditions and as detailed later in this module).

CONTINUED ▼

# USING ORDERS TO DEAL

## ATTACHED AND UNATTACHED ORDERS

As stated earlier, an order can be left to open a new position or to close an existing position.

If the order is left to close an existing position, the order can be considered to be 'attached' to that position. If you close the position before the order has been activated, the attached order is cancelled. It is possible to have both a Limit and a Stop attached to one position; both would be cancelled if you closed the associated position.

If an order is left to open a new position it can be considered to be 'unattached' – it is not attached to any bet. For this type of order you need to consider what the duration of the order will be.

## TIME FRAME OF ORDERS

As we have established, 'working an order' means you are leaving a set of instructions for a bet to be placed in your absence should certain price conditions be met. So far we have seen that those instructions contain key pieces of information, such as the price you are leaving the order at, whether the order is a Stop or a Limit and whether you are looking to buy or sell.

Another requisite piece of information for an unattached order is for how long you are looking to work the order. You might want the order to last for a few hours, for a day or indefinitely. This is known as how long the order is good for.

This will either be GTC (Good Till Cancelled) or good till a specified time.

CONTINUED ▾

# USING ORDERS TO DEAL

## GOOD TILL CANCELLED

GTC means that the order continues to exist until either it is filled, you cancel it or the period for the market expires.

So if you left a GTC Stop order to buy £1/point of December GBP/USD, which is set to expire on, say, 8 December, and the order level is never reached nor do you instruct us to cancel the order, we would continue to work that order for you only until 8 December. The December GBP/USD contract expires on 8 December, and your order is cancelled once the bet expires.

An important exception to this is the way we treat our Daily Funded Bets (DFBs). Any GTC order left on a DFB will carry over to the next day upon expiry of the relevant bet. For example, if you left a GTC order on Spot GBP/USD we would continue to work that order for you until instructed otherwise by you, or until the order was filled.

If you are leaving an order online, you need to specify whether the order is GTC or give a specific time at which you want the order to be cancelled. If you are not working the order GTC, you can choose to work it until pretty much any time before the contract's expiry. Many people simply choose to specify a time over the next 24 hours (a 'Day order'), however, when not working the order GTC.

Please note that the time frame of an order, whether it is 'GTC' or otherwise, refers only to the length of the order, not any resulting bet.

If an order is executed, the expiration period of the resulting bet will be defined by the 'period' that you specified in the original order.

For example, consider a GTC order on our FTSE DFB: the order is good until cancelled, but if the order is executed you will have a Daily Funded Bet.



Find Markets My Account

1:20 AM  
Balance: £159,955  
Deposit: £51,000

### WATCHLISTS

Popular Markets

|                             | Buy     | Sell    | Change | % Change | High    | Low     |  |
|-----------------------------|---------|---------|--------|----------|---------|---------|--|
| FTSE 100                    | 5121.8  | 5892.5  | 48.7   | 5121.8   | 5121.8  | 5121.8  |  |
| Wall Street                 | 10126   | 11429.5 | 25.5   | 10126    | 10126   | 10126   |  |
| FTSE to finish Up [5812.95] | 15102.3 | 15102.3 | 49.5   | 15101.3  | 15101.3 | 15101.3 |  |
| Spot FX EUR/USD             | 12924.5 | 10126   | 0.00   | 12924.5  | 12924.5 | 12924.5 |  |
| HSBC Holdings Plc           | 1298.20 | 345.53  | 25.3   | 1298.20  | 1298.20 | 1298.20 |  |
| Germany 30                  | 364.93  | 365.93  | 34.5   | 364.93   | 364.93  | 364.93  |  |

### OPEN POSITIONS

|                             | Buy     | Sell    | Change | % Change |  |  |  |
|-----------------------------|---------|---------|--------|----------|--|--|--|
| FTSE 100                    | 5121.8  | 5892.5  | 48.7   |          |  |  |  |
| Wall Street                 | 10126   | 11429.5 | 25.5   |          |  |  |  |
| FTSE to finish Up [5812.95] | 15102.3 | 15102.3 | 49.5   |          |  |  |  |
| Spot FX EUR/USD             | 12924.5 | 10126   | 0.00   |          |  |  |  |
| HSBC Holdings Plc           | 1298.20 | 345.53  | 25.3   |          |  |  |  |
| Germany 30                  | 364.93  | 365.93  | 34.5   |          |  |  |  |

# STOP ORDERS

**As previously described, a Stop is an instruction to deal at a worse price than the current level of your chosen market.**

Although the idea of wanting to deal at a worse price than is currently available might seem a little strange at first, there are plenty of examples of times when a trader may want to do so.

For example, Stops are frequently attached to open positions as an instruction to close the bet in the event of an adverse movement. This is often referred to as a **Stop-loss**. Closing a bet that is moving against you can often be a sensible option (on which there is more in Modules 3, 4 and 6 which discuss, respectively, Leverage & Margin, Attitude to Risk and Trading Discipline), and placing a Stop can therefore be useful if you are unable to keep an eye on the position at all times.

Also, clients sometimes wish to deal should a certain technical resistance or support level be breached. For example, your chart analysis may suggest to you that selling Wall Street is a good idea if it drops below 13000, a level that you may have decided is a key support level. Placing a Stop order selling to open at, say, 12885 would allow you to take a short position should the index clearly break through the level.



## EXAMPLE 1

# ATTACHING A STOP TO AN EXISTING POSITION



The screenshot shows a window titled 'OPEN POSITIONS' with a table of open positions. The table has columns for MARKET, PERIOD, OPENING, AMOUNT/PT, STOP, TYPE, LIMIT, LATEST, and PROFIT/LOSS. A single row is visible for 'Wall Street' with an opening price of 13417.0 and an amount of +2. The STOP and LIMIT columns contain dashes, indicating no stop or limit is currently attached to the position.

| MARKET      | PERIOD | OPENING | AMOUNT/PT | STOP | TYPE | LIMIT | LATEST  | PROFIT/LOSS |
|-------------|--------|---------|-----------|------|------|-------|---------|-------------|
| Wall Street | MAR-13 | 13417.0 | +2        | -    | -    | -     | 13417.0 | \$ 0.00     |
| Total       |        |         |           |      |      |       |         | £0.00       |

1 Let's say that you have already opened a position, buying £2/point of March Wall Street at 13417.0. The position is displayed in the 'Open Positions' window at the bottom of the screen (clicking on 'Open Positions' at the top of the screen allows you to toggle this window on or off). You can see that the position currently has no Stop or Limit attached, as '-' is displayed in the 'Stop' and 'Limit' columns (the dash represents an absence of an order. The order level would be displayed instead of the dash if one were present).

You decide that you want to attach a Stop order to the position in order to close the deal should the position move against you.

You decide to place a Stop at 13343.0.

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EXAMPLE 1

# ATTACHING A STOP TO AN EXISTING POSITION

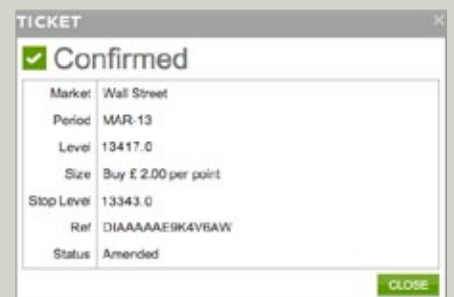
2 To do so, you click on the dash in the 'Stop' column: this opens an edit 'Ticket' which is populated with your bet details, including the deal reference, and offers you fields in which you can enter order levels.

The 'Current Level' field gives you a firm idea of the current market level. You enter your Stop level, 13343.0 in the 'Stop Level' field. Note that you could also enter a level for a Limit if you wanted. Orders cannot be placed closer to the current market level than a specific minimum distance. The level below which you must place your Stop is indicated (13407.0 in this case).

The next step is to click on the 'Submit' button.



3 A message comes back telling you that your order has been accepted.



4 You can now view your order in the 'Open Positions' window.

| OPEN POSITIONS |        |         |           |         |      |       |         |             |  |
|----------------|--------|---------|-----------|---------|------|-------|---------|-------------|--|
| MARKET         | PERIOD | OPENING | AMOUNT/PT | STOP    | TYPE | LIMIT | LATEST  | PROFIT/LOSS |  |
| Wall Street    | MAR-13 | 13417.0 | +2        | 13343.0 | N    | -     | 13417.0 | \$ 0.00     |  |
| Total          |        |         |           |         |      |       |         | £0.00       |  |



# BEING STOPPED OUT

It is possible to place bets with us over the telephone, via our dealers, or via our trading platform. Dealing over the telephone allows you to ask our experienced team of dealers any questions that may arise when placing a bet, and many clients enjoy the friendly and efficient telephone service that we offer.

## SLIPPAGE

This means that you are not guaranteed to deal at the level you have specified; the price you deal at may be worse.

The number of points that you deal worse at than the specified price is known as 'slippage'. Factors such as how fast a market is moving, how illiquid the underlying market is and how many other Stops have been placed at the same or similar levels can have a bearing on whether you pay any slippage and how much that slippage is.

Continuing the previous example, you have a position: +£2/point of March Wall Street at 13417 with a Stop at 13343.

You check the price one evening before going out and can see that our bid/offer for March Wall Street is 13357/13365.

The price has moved against you, but you are comfortable in the knowledge that should there be a strongly adverse movement your position will be automatically closed out.

A couple of Wall Street bellwethers report disappointing earnings after the close of the New York Stock Exchange and all the underlying US index futures trade down markedly. Our Wall Street prices drop accordingly; before the figures we are quoting March Wall Street at 13348/13356. After the figures our price falls rapidly, dropping below your Stop level, and your position is closed out.

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# BEING STOPPED OUT

Our quote for Wall Street around the time your Stop was hit looks like this:

| Time (New York) | Our Wall Street price |
|-----------------|-----------------------|
| 21:15:18        | 13348/13356           |
| 21:15:23        | 13347/13355           |
| 21:15:33        | 13343/13351           |
| 21:15:34        | 13342/13350           |
| 21:15:35        | 13339/13347           |
| 21:15:36        | 13338/13346           |
| 21:15:38        | 13337/13345           |

At 21:15:23 the bid of our quote is 13347 and the Stop is still untouched and the position is still open. At 21:15:33 the bid is 13343.

The Stop has now been hit and your position will be closed, although the level at which your position is to be closed has yet to be determined. The next quote is 13342 bid, and it is at this level that your bet is closed. You have paid 1 point of slippage.

Early the next morning, you check our quote for March Wall Street and we are making 13273/13281. Although you have paid a bit of slippage, your Stop has fulfilled its purpose in taking you out of your bet before your losses became unwieldy and without you having to constantly monitor the market.

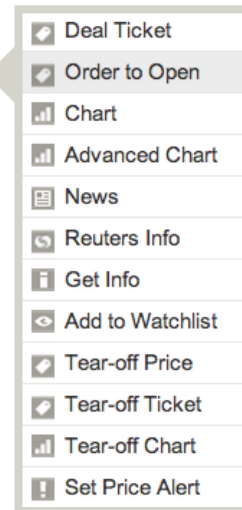
You opened your position by buying at 13417 and closed it by selling at 13342, meaning a loss of 75 points. At £2/point this equals a loss of  $75 \times 2 = £150$ . Had you not placed a Stop on your position, however, you would be facing a running loss of far greater than this.

EXAMPLE 2

# USING A STOP ORDER TO OPEN A NEW POSITION

1 After studying a three-month chart of Vodafone showing the share price bouncing off a 190p resistance level, you decide that if the price clearly breaks above 190p it is likely to continue moving further upwards.

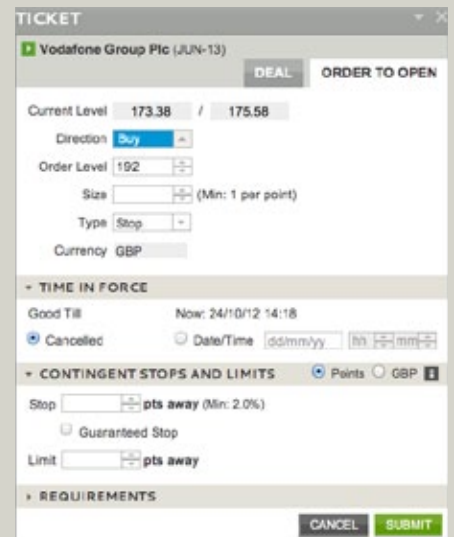
You therefore decide to place a Stop order at 192, buying June Vodafone. After navigating to Vodafone, you can select 'Order to Open' from the drop down menu as shown.



2 After clicking on 'Order to Open', an order screen opens, and populates with the current level of June Vodafone

You next type in the order level, which you decided was 192. You select the direction of the order as 'Buy' (you can change the direction of the deal by clicking on the blue arrow in the 'Direction' box).

Whether the order is a Stop or Limit is driven by whether you are buying or selling and the level that you leave. In this case, with the current price below 192, your instruction to buy is a Stop (192 is a less favourable price to buy than the current price). If you selected 'Sell', you will need to change the order type to 'Limit'.



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## EXAMPLE 2

# USING A STOP ORDER TO OPEN A NEW POSITION

3 By selecting 'Guaranteed Stop', you automatically check the 'Force Open' box. The 'Force Open' option, when selected, causes any deal you are placing to be opened as a new position, irrespective of your existing positions (our dealer will normally net off opposing positions in a logical manner: e.g. 'selling' £10/point of Barclays when you have an open position long £10/point of Barclays will leave you with no position). A Guaranteed Stop can only be placed on an opening deal, and so by selecting this option you are necessarily 'forcing' an open position.

If you wanted to work the order good till a specified time, you would need to select 'Date/Time' and enter, respectively, the date and time in the 'dd/mm/yy' and 'hh:mm' boxes (in the specified format) that you would like the order to expire. The current date and 'system' time is displayed next to 'Now' (this is specified in 'system' time as our trading platform can be used across different time zones).

You decide that you want to work the order GTC and so leave the setting at the default, with 'Good Till Cancelled' selected. As you can see from the screen shot, you do have the option of attaching contingent orders. You choose not to use it (this option is discussed later in this module).

Once you have checked that all the details of your order have been entered correctly you click 'Submit'.

The screenshot shows a trading ticket for Vodafone Group Plc (JUN-13). The ticket is titled 'TICKET' and has two tabs: 'DEAL' and 'ORDER TO OPEN'. The 'ORDER TO OPEN' tab is active. The ticket displays the following information:

- Current Level: 173.38 / 175.58
- Direction: Buy
- Order Level: 192
- Size: 5 (Min: 1 per point)
- Type: Stop
- Currency: GBP

Under the 'TIME IN FORCE' section, 'Good Till' is set to 'Now: 24/10/12 14:18'. The 'Cancelled' option is selected, and there are input fields for 'Date/Time' (dd/mm/yy) and 'hh:mm:ss'.

Under the 'CONTINGENT STOPS AND LIMITS' section, 'Points' is selected, and there are input fields for 'Stop' and 'Limit' (both in 'pts away'). The 'Guaranteed Stop' option is also visible.

At the bottom, there is a 'REQUIREMENTS' section and two buttons: 'CANCEL' and 'SUBMIT'.

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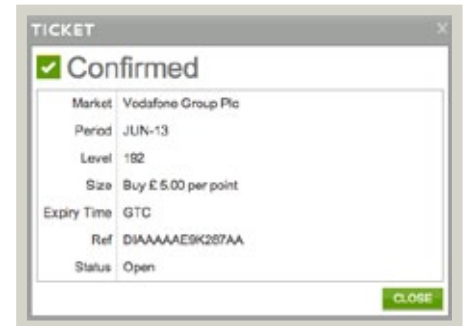
## EXAMPLE 2

# USING A STOP ORDER TO OPEN A NEW POSITION

**4** A message is returned saying that your order has been accepted, which includes a summary of the details, along with a reference number. You should take a note of this number as a record.

You now have a GTC Stop order to buy £5/point of June Vodafone at 192.

Over the next few weeks, Vodafone continues to range-trade between 184p and 188.5p. One day our June Vodafone price is 190.65/191.90. The price of the underlying share then next trades 0.15 of a penny higher. Our next June Vodafone price is correspondingly 0.15p higher (i.e. 190.80/192.05). The offer of our quote has hit your Stop. Your order is activated and you will open a bet at our next available bid/offer. Vodafone continues to trade several times at the same price and, therefore, your bet is executed at 192.05. In other words, you have paid 0.05p of slippage.







Market Detail

Balance: £ 10,000  
Deposit: £ 0

### Deal Ticket

Running P&L: £ 0  
Available: £ 10,000

FTSE 100

SELL  
5812.0

BUY  
5813.0

Size

10

Stop

15

Est: 3820.0

Limit

5

Est: 3820.0

Currency

GBP

Min: 10 pts  
 Guaranteed  
(Extra spread: +- 2)

Force Open

Submit

Requirements  
GBP £ 150.00

# GUARANTEED STOPS

**As illustrated in the previous examples above, Stop orders are subject to slippage whereby your bet can be executed at a worse value than the order level.**

Now, this can be a vital consideration: often you may be attaching a Stop to a bet precisely because you want to manage your risk and ensure that your losses do not exceed a set amount. When there is the potential for slippage, however, there is no way to guarantee that this will be the case (in spread betting, Stop orders as described above are regularly referred to as non-guaranteed Stops).

We offer a special kind of Stop order that is guaranteed to be executed always at your level and never to allow any slippage.

This is called a Guaranteed Stop.

EXAMPLE 3

# PLACING A CONTROLLED RISK UP BET ON US LIGHT CRUDE OIL

| PRICES                     |           |      |      |        |       |          |        |        |  |  |
|----------------------------|-----------|------|------|--------|-------|----------|--------|--------|--|--|
| MARKET                     | PERIOD    | SELL | BUY  | CHANGE | % CHG | UPDATE   | HIGH   | LOW    |  |  |
| Daily US Light Crude (Dec) | 24-OCT-12 | 8622 | 8626 | -245.0 | -2.76 | 15:43:45 | 8930.0 | 8570.5 |  |  |
| US Light Crude             | DEC-12    | 8621 | 8627 | -245.0 | -2.76 | 15:43:45 | 8931.0 | 8569.5 |  |  |
| US Light Crude             | JAN-13    | 8679 | 8685 | -245.0 | -2.69 | 15:43:41 | 8983.5 | 8631.0 |  |  |

1 With the current oil price around \$86/barrel, you perceive plenty of potential on the upside. At the same time, you are well aware that you are dealing with a market which has exhibited plenty of volatility for an extended period. With this in mind, you resolve to take a long position (going long means you are buying, and therefore want the market to rise) and are happy to pay a few extra points of spread in return for the added safety a Guaranteed Stop will afford you.

Navigating to the Crude section, you are offered several Crude Oil contracts to deal on. You could choose to deal on Brent Crude (a bet that settles against a futures contract that trades in the UK), but you have been following the price of US Light Crude Oil and so, naturally, it makes more sense to bet on this contract. You decide to deal on the 'DEC-12' contract.

2 Clicking on the green button (or on the market name) opens a deal ticket.

Ticking the 'Guaranteed Stop' box means that the bet will have Controlled Risk protection and that the Stop you place on the position will be guaranteed.

When you tick the box, the additional spread that you will pay for Controlled Risk is displayed (in this case it is four points).

The bid/offer is showing as 8621/8627. The Controlled Risk premium is added to the offer because you are buying. You therefore deal at  $8627 + 4 = 8631$ . Had you been selling, the additional spread would have been subtracted from the bid.

CONTINUED ▾

## EXAMPLE 3

# PLACING A CONTROLLED RISK UP BET ON US LIGHT CRUDE OIL

**3** By selecting 'Guaranteed Stop', you automatically check the 'Force Open' box. The 'Force Open' option, when selected, causes any deal you are placing to be opened as a new position, irrespective of your existing positions (our dealer will normally net off opposing positions in a logical manner: e.g. 'selling' £10/point of Barclays when you have an open position long £10/point of Barclays will leave you with no position). A Guaranteed Stop can only be placed on an opening deal, and so by selecting this option you are necessarily 'forcing' an open position.

As well as the size in which you are betting, you also need to specify how far away you would like your Stop to be from the opening of the deal.

You select £4/point as your size and 70 points as your Stop distance and click 'Buy'.

The screenshot shows a trading ticket window titled 'TICKET' for 'US Light Crude (DEC-12)'. It has two tabs: 'DEAL' and 'ORDER TO OPEN'. The 'ORDER TO OPEN' tab is active, showing a 'Buy' order with a price of 8627.0. The 'DEAL' tab shows a price of 8621.0. The order size is 4, with a note '(Min: 1 AmountPt)'. The currency is GBP. The 'Market Order' checkbox is unchecked, and the 'Force Open' checkbox is checked. Under 'STOPS AND LIMITS', the 'Stop' is set to 70 pts away, with an estimated price of 8631.0. The 'Guaranteed Stop (Extra spread +/- 4)' checkbox is checked. The 'Limit' is set to pts away. Under 'REQUIREMENTS', the 'Deposit Required' is GBP 300.00.

**4** The price you deal at is 8627 plus the 4 points of spread = 8631. Your Stop is placed 70 points away at 8561. The Stop is guaranteed: no matter what the market does, you cannot be stopped out at a level worse than your Guaranteed Stop. Your maximum possible loss is therefore restricted to £280 (70 points at £4/point).

Over the next few days the price of Crude oscillates between \$86 and \$87 a barrel. Two weeks after opening your bet, December US Light Crude closes at \$86.80/barrel. Before the next day's trading begins, OPEC announces a production increase with a possibility of further increases in the future.

US Light Crude Oil opens over \$2 lower at \$84/barrel. Your bet is closed at your Stop level of 8561. You have lost £280, but the Guaranteed Stop has saved you from a far greater loss.

The screenshot shows a trading ticket window titled 'TICKET' with a green checkmark and the word 'Confirmed'. The details are as follows: Market: US Light Crude; Period: DEC-12; Level: 8631.0; Size: Buy £ 4.00 per point; Stop Level: 8561.0; Ref: DIAAAAEE9LDV7AS; Status: Open. There is a 'CLOSE' button in the bottom right corner.



# LIMIT ORDERS

**As stated in our earlier definition, a Limit order is an instruction to deal at a more favourable price than the current level. This is useful for catching a target level where it would often prove difficult to do so without committing large periods of time to monitoring the market price.**

Just like a Stop order, for the order to be activated the bid (if your order is to sell) or offer (if your order is to buy) of our quote needs to reach your order level.

The requirements for a Limit to be filled can be slightly more stringent, however. This is because we require there to be sufficient size in any equivalent underlying market to allow us to hedge our exposure if needed. So for a Limit order to be filled, the bid or offer of our quote does need to be 'good in the size' that you are looking to deal. For this reason, if you are dealing in larger sizes, or on less liquid markets, we may fill only part (or none) of a Limit order. Limit orders can never be filled at a level worse than your order level (with the exception of Limit orders that are instructions to open Controlled Risk bets. Such orders will be filled at your order level plus the additional spread that is charged for the benefit of a Guaranteed Stop).

EXAMPLE 4

# ATTACHING A LIMIT ORDER ON THE OPENING OF A BET

| PRICES    |        |        |        |        |       |          |        |        |  |  |
|-----------|--------|--------|--------|--------|-------|----------|--------|--------|--|--|
| MARKET    | PERIOD | SELL   | BUY    | CHANGE | % CHG | UPDATE   | HIGH   | LOW    |  |  |
| Spot Gold | DFB    | 1707.0 | 1707.5 | -21.28 | -1.23 | 13:52:14 | 1730.0 | 1704.5 |  |  |
| Gold      | DEC-12 | 1708.0 | 1708.5 | -18.1  | -1.05 | 13:52:14 | 1731.5 | 1705.0 |  |  |

1 You decide to place a bet buying £10/point of Spot Gold. You navigate to the instrument using the trading platform and open a deal ticket.

You enter your bet size of £10/point. Note that attaching a Stop or a Limit is optional: a Stop or Limit will only be attached if you enter a value in the respective field.

The values you enter into these fields determine how far away your orders are placed relative to where your bet is opened.

Entering any value into either of these boxes automatically ticks the 'Force Open' box. A Stop or Limit cannot be attached to only part of a bet, so even if you already have a position on Spot Gold, this will force a new position to be opened.

You decide that you would like a Stop order 10 points away and a Limit order 6 points away, and so you enter 10 and 6 as shown.

You could have entered just a Stop level or just a Limit level. You then click 'Buy'.



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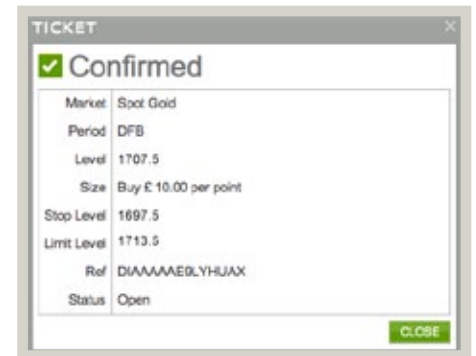
## EXAMPLE 4

# ATTACHING A LIMIT ORDER ON THE OPENING OF A BET

2 You receive an acceptance message summarising the bet you have placed:

You have bought £10/point of Spot Gold at 1707.5 with a Stop at 1697.5 (i.e. 10 points away from where you opened, as requested) and a Limit at 1713.50 (i.e. 6 points away from the opening).

The Limit is an instruction to sell £10/point of Spot Gold, in order to close your bet, should the bid of our quote reach 1713.50 (and the quote would need to be good in this size – this is unlikely to be an issue in the case of this example because of the small size of the order).



3 Your bet appears in 'Open Positions' and you can view your orders in the 'Stop' and 'Limit' columns.

| OPEN POSITIONS |  | TURN ON AGGREGATE VIEW |         | DISPLAY VIEW |        |      |        |        |             |        |  |
|----------------|--|------------------------|---------|--------------|--------|------|--------|--------|-------------|--------|--|
| MARKET         |  | PERIOD                 | OPENING | AMOUNT/PT    | STOP   | TYPE | LIMIT  | LATEST | PROFIT/LOSS |        |  |
| Spot Gold      |  | DFB                    | 1707.5  | +10          | 1697.5 | N    | 1713.5 | 1712.5 | £ +50.00    |        |  |
|                |  |                        |         |              |        |      |        |        | Total       | £50.00 |  |

4 A few hours later Spot Gold is trading on the high of the day with a bid/offer of 1713.50/1714.00. The bid of our quote has reached your Limit to sell. Our quote is sufficiently good in the size of your order and therefore your Limit is executed: you sell £10/point at the bid price of 1713.50 to close your bet. You opened at 1707.50 and sold at 1713.50, making 6 points. At £10/point, your profit is  $6 \times 10 = £60$  tax-free.\*

\*Tax law can be changed or may differ depending on your personal circumstances.



EXAMPLE 5

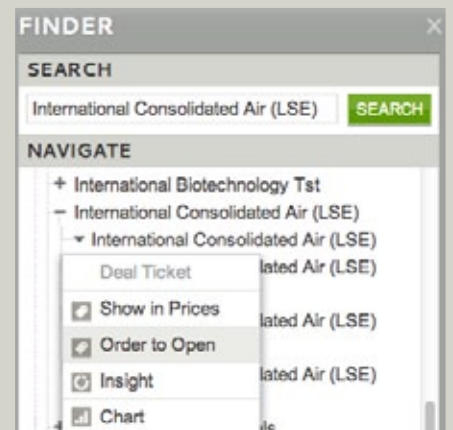
# LEAVING AN UNATTACHED LIMIT ORDER

You have been keeping an eye on the International Consolidated Airlines share price, which is currently trading around the 155p level, and have noticed a tendency for it to bounce off support around the 140p level. You therefore decide that there would be value in buying at that level.

The process for opening the order screen is the same as for the earlier example of creating an opening Stop order: after navigating to International Consolidated Airlines and importing it into the 'Prices' section, you select 'Order to Open' from the drop down menu.

| PRICES                               |        |        |        |        |       |          |        |        |  |  |
|--------------------------------------|--------|--------|--------|--------|-------|----------|--------|--------|--|--|
| MARKET                               | PERIOD | SELL   | BUY    | CHANGE | % CHG | UPDATE   | HIGH   | LOW    |  |  |
| International Consolidated Air (LSE) | DFB    | 154.65 | 154.95 | -4.90  | -3.07 | 15:40:55 | 160.05 | 154.55 |  |  |
| International Consolidated Air (LSE) | DEC-12 | 154.75 | 155.35 | -4.91  | -3.07 | 15:40:55 | 160.45 | 154.65 |  |  |
| International Consolidated Air (LSE) | MAR-13 | 154.80 | 156.05 | -4.92  | -3.07 | 15:40:55 | 161.20 | 154.70 |  |  |
| International Consolidated Air (LSE) | JUN-13 | 154.90 | 156.75 | -4.93  | -3.07 | 15:40:55 | 161.90 | 154.80 |  |  |

1 You can also select 'Order to Open' directly from the navigation tree by drilling down to the furthest level (i.e. so that you cannot expand folders any further) and then clicking on the market name as shown.



CONTINUED ▾

EXAMPLE 5

# LEAVING AN UNATTACHED LIMIT ORDER

2 The functionality works in the same way as for creating an unattached Stop order: the 'Current Level' is displayed at the top of the window.

Entering the order level of 140 and selecting 'Buy' determines the order as being a Limit (buying at 140 is a more favourable level than the current price of 154.75/155.35). If you selected 'Sell' you would need to change the order type to a Stop (because selling at 140 would be a worse level to sell at than the current price).

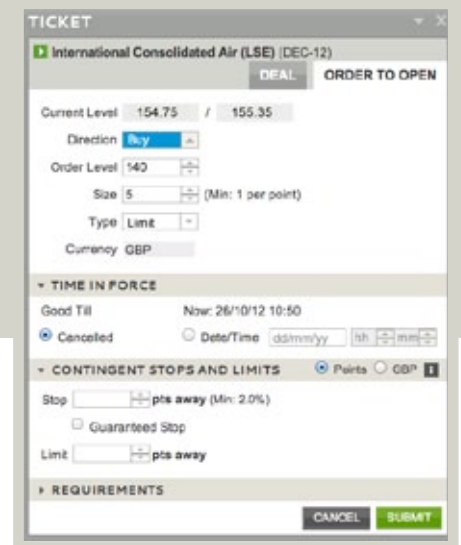
3 In this case, you decide you'll just work the order for the day. So rather than selecting 'Good Till Cancelled', you enter a specific time by selecting the radio button next to the date and time boxes and entering 26/10/12 and 16:30. If the order has not been filled by 16:30 on 26/10/12, it will be automatically cancelled.

You also decide that if your order is executed, you would like to have a Stop attached to the new position. In other words you are instructing us to work a Stop order, contingent on the Limit order first being filled.

To do this, you simply need to enter the value in the 'Contingent Orders' section. This section is optional: you can leave all fields in this section empty if you do not wish to attach a contingent order. If you tick the 'Guaranteed Stop' box, however, (which will make the order an instruction to open a Controlled Risk bet) it is mandatory to include a contingent Stop distance (by definition, a Controlled Risk bet has to have a Stop).

You enter a Stop distance of 30 points. If your Limit order is executed, the new position will have a non-guaranteed Stop attached to it 30 points away from the opening level of the bet.

You click 'Submit' and receive a confirmation that your order has been accepted.



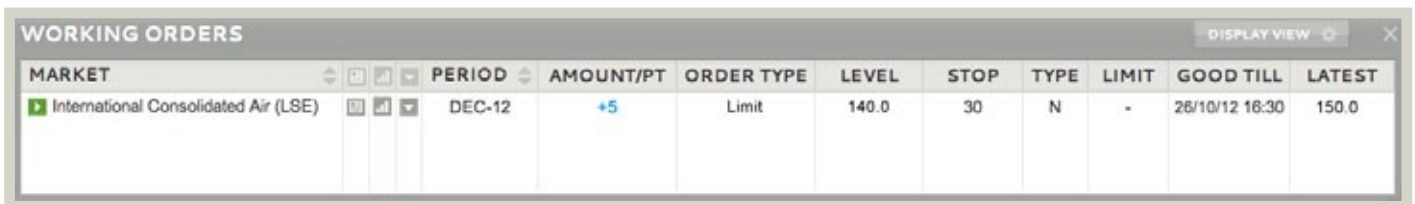
CONTINUED ▾

## EXAMPLE 5

# LEAVING AN UNATTACHED LIMIT ORDER

4 The share drops throughout the day, trading at a low of 150p at 16.25. Because our offer price has not been as low as your order level, your Limit is not executed.

By 16:30 the share price has not been any lower and your order is not filled. Your order is cancelled in accordance with your instructions.



| MARKET                               | PERIOD | AMOUNT/PT | ORDER TYPE | LEVEL | STOP | TYPE | LIMIT | GOOD TILL      | LATEST |
|--------------------------------------|--------|-----------|------------|-------|------|------|-------|----------------|--------|
| International Consolidated Air (LSE) | DEC-12 | +5        | Limit      | 140.0 | 30   | N    | -     | 26/10/12 16:30 | 150.0  |

Clicking on 'Working Orders' at the top of the trading platform toggles on or off a window that allows you to monitor the status of any orders that you are working.

Clicking on a position launches a window that allows you to edit the order (or delete the order if you would like to cancel the instruction, provided it is not already in the process of being executed).

| ASSETS         | PERIOD | SELL    | BUY     | CHANGE | % CHG | UPDATE   | HIGH    | LOW     |
|----------------|--------|---------|---------|--------|-------|----------|---------|---------|
| ings Pic (LSE) | -      | 565.90  | 566.10  | -4.50  | -0.79 | 09:10:15 | 558.40  | 553.10  |
| Bank AG        | -      | 25.1000 | 24.9150 | 1.7975 | 7.74  | 09:10:06 | 25.4400 | 23.2250 |
| n Pic (LSE)    | -      | 1918.50 | 1919.00 | 0.75   | 0.04  | 09:10:22 | 1922.50 | 1907.00 |
| Crude          | SEP-12 | 9084.0  | 9090.0  | -53.0  | -0.58 | 09:10:20 | 9152.0  | 9073.0  |

| POSITIONS              | PERIOD | OPENING | POSITION | ORDER SIZE | STOP | TYPE | LIMIT | LATEST  |
|------------------------|--------|---------|----------|------------|------|------|-------|---------|
| ET                     | -      | 4.417   | +5       | -          | -    | -    | -     | 4.3870  |
| rance-KLM              | -      | 1700.0  | +19      | -          | -    | -    | -     | 1918.50 |
| Billiton Pic (LSE)     | -      | 12.34   | +20      | -          | -    | -    | -     | 1918.50 |
| Billiton Pic (LSE)     | -      | 1871.0  | +100     | -          | -    | -    | -     | 1918.50 |
| Billiton Pic (LSE)     | -      | 4.88    | +1       | -          | -    | -    | -     | 1918.50 |
| ica Baviera            | -      | 557.0   | +1       | -          | -    | -    | -     | 1918.50 |
| SEurofirst 80 - IEUR   | -      | 542.5   | +0.2     | 0.5        | -    | -    | -     | 1918.50 |
| SBC Holdings Pic (LSE) | -      | 541.0   | +0.2     | 0.5        | -    | -    | -     | 1918.50 |
| SBC Holdings Pic (LSE) | -      | 553.0   | +0.2     | 0.5        | -    | -    | -     | 1918.50 |
| SBC Holdings Pic (LSE) | -      | 541.0   | +9.71    | -          | -    | -    | -     | 1918.50 |
| SBC Holdings Pic (LSE) | -      | 553.0   | +0.2     | -          | -    | -    | -     | 1918.50 |

| WORKING ORDERS          | PERIOD | ORDER SIZE | WORKING | ORDER TYPE |
|-------------------------|--------|------------|---------|------------|
| MARKET                  | -      | 0.5        | +0.5    | Limit      |
| HSBC Holdings Pic (LSE) | -      | 0.5        | +0.3    | Limit      |
| HSBC Holdings Pic (LSE) | -      | 0.5        | +0.3    | Limit      |
| HSBC Holdings Pic (LSE) | -      | 0.5        | +0.3    | Limit      |
| HSBC Holdings Pic (LSE) | -      | 0.5        | +0.3    | Limit      |

# TRAILING STOPS

This is an advanced feature of our trading platform, which allows you to leave an instruction to automatically move the level of a Stop order in the direction of the market following market moves of a certain size in your favour.

These Trailing Stops are always attached orders and are only available on non-guaranteed Stops.

Trailing Stops are not enabled as a default. Just as with One-click Dealing, in order to make them available you need to go to 'Preferences' in the 'My Account' section of our trading platform (fig 1).

The first time that you select 'Allow Trailing Stops' a window will appear detailing the relevant Terms and Conditions for this feature. In order to proceed, you need to check the box indicating that you have read and understood the agreement.

Once you have selected 'Allow Trailing Stops' and clicked 'Set Preferences', it will instigate a change in your dealing 'Tickets', as shown.

Now there is a 'Trailing Stop' check box that has been added to the 'Stops and Limits' section, just beneath the 'Guaranteed Stop' check box.

As Trailing Stops cannot be used with bets that have a Guaranteed Stop, if you tick the 'Guaranteed Stop' box the 'Trailing Stop' box becomes greyed out and inactive (fig 2).



Figure 1



Figure 2

## EXAMPLE 6

# ATTACHING A TRAILING STOP TO A POSITION

1 You decide to buy £1/point of EUR/USD with a Stop placed 20 points from your opening and fill out a deal 'Ticket' accordingly. You also decide that you would like a Trailing Stop and therefore tick the 'Trailing Stop' box (with the 'Guaranteed Stop' box unchecked).

When attaching a normal (non-trailing) Stop to a position, you only specify one criterion: namely, the distance that the Stop is placed from your opening level. With our Trailing Stops you still specify the distance (20 points in this example) and this always governs the closest that your Stop will be from the current market bid/offer.

There is a second condition, however, called the 'Step' that determines the increment the market needs to move in your favour before the Stop level is adjusted. Consequently, ticking the 'Trailing Stop' box causes another field to appear, in which you specify the 'Step' (the minimum value is indicated on the 'Ticket'; please note that the minimum Step may vary according to market conditions). You enter 10 points.

You have now stipulated the two required criteria of the Step (that governs when your Stop is adjusted) and the Distance (that defines how far away the Stop is placed each time an adjustment occurs following a market movement in your favour that satisfies the Step).

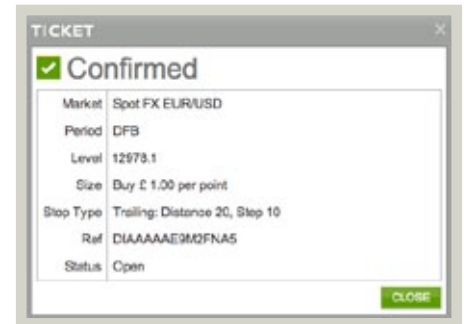
The screenshot shows a trading ticket for Spot FX EUR/USD (DFB). The ticket is titled 'TICKET' and has a close button. It is divided into 'DEAL' and 'ORDER TO OPEN' sections. The 'DEAL' section shows a 'Sell' order at 12977.3 and a 'Buy' order at 12978.1, with a spread of 0.8. The 'ORDER TO OPEN' section has a 'Market Order' checkbox that is unchecked and a 'Force Open' checkbox that is checked. Below this is the 'STOPS AND LIMITS' section, which is expanded. It shows a 'Stop' order set at 20 points away from the current price of 12977.3 / 12978.1. The 'Guaranteed Stop' checkbox is unchecked, and the 'Trailing with Step' checkbox is checked, with a 'Step' of 10 points away (minimum 10). A 'Limit' order is also shown as 'pts away'. The 'REQUIREMENTS' section is collapsed.

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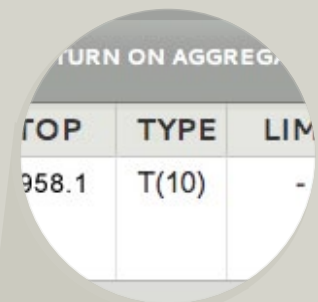
EXAMPLE 6

# ATTACHING A TRAILING STOP TO A POSITION

2 You click 'Buy' and receive a confirmation of all the details of the deal.  
 You have bought £1/point of EUR/USD at a rate of 12978.1, with a Trailing Stop with a Distance of 20 points and a Step of 10 points.



3 Your deal appears in the 'Open Positions' window, where you can view the current Stop level: you opened your spread bet at 12978.1 and the Stop is placed 20 points lower, as specified, at 12958.1. In the 'Type' column there appears 'T (10)'. The 'T' shows the type of Stop is Trailing and the '10' in the brackets indicates the Step (clicking on either the Stop level in the 'Stop' column or the figures in the 'Type' column will open a 'Ticket' that allows you to amend any or all of the Step, the Distance and the current absolute Stop level).



| OPEN POSITIONS  |        | TURN ON AGGREGATE VIEW |           | DISPLAY VIEW |       |       |         |             |  |
|-----------------|--------|------------------------|-----------|--------------|-------|-------|---------|-------------|--|
| MARKET          | PERIOD | OPENING                | AMOUNT/PT | STOP         | TYPE  | LIMIT | LATEST  | PROFIT/LOSS |  |
| Spot FX EUR/USD | DFB    | 12978.1                | +1        | 12958.1      | T(10) | -     | 12982.1 | £ +4.00     |  |
| Total           |        |                        |           |              |       |       |         | £ +4.00     |  |

CONTINUED ▾

## EXAMPLE 6

# ATTACHING A TRAILING STOP TO A POSITION

**4** Shortly after you open your deal, EUR/USD drops a touch to 12970.7/12971.7. Trailing Stops only follow market movements in your favour, so that your Stop level is not adjusted: it remains, for the time being, at the original level of 12958.1, maintaining your initial risk of 20 points (excluding any potential slippage).

A couple of minutes later, the rate moves up to 12980.2/12981.2.

Although the market has moved in your favour, your Stop level is still not adjusted, as the market bid is fewer than 10 points higher than your opening level. For your Stop to be adjusted, the bid needs to move your specified Step above your opening level.

This happens shortly, as the rate progresses to 12991.7/12992.7.

As soon as the rate hits 12988.1 (your step of 10 points higher than your opening level of 12978.1), your Stop is adjusted. The new level is your specified distance from the market at that point. The distance is 20 points, so that the new level is  $12988.1 - 20 = 12968.1$ . Your Stop will now only be adjusted again if the bid of our quote moves the Step of 10 points higher than this new level.

Over the next few minutes, the euro continues to strengthen against the dollar, eventually moving as high as 13002.5/13003.5. At this point your Stop has trailed the market up to 12978.1. The details of how the amendments have occurred can be viewed by clicking on the 'Activity' button at the top of the trading platform. This launches a window which details the specifics of any bets or orders.

CONTINUED ▾



## EXAMPLE 6

# ATTACHING A TRAILING STOP TO A POSITION

**5** As shown in the window, as the EUR/USD rate moved higher, your Stop trailed the market in 10-point increments, always maintaining the 20-point distance from the current market bid at the time of the adjustment. At this point, with your Stop at 12978.1, the bid of the quote would need to move to 13008.1 for your Stop to move higher again. The market starts to move lower, however, slipping down to 12977. Your Stop is hit and you deal at market, selling at 12978.1 (the market moves steadily enough for you to pay no slippage).

| CURRENT ACTIVITY |          |                 |        |         |           |         |         |       |       |                             |
|------------------|----------|-----------------|--------|---------|-----------|---------|---------|-------|-------|-----------------------------|
| DATE/TIME        | ACTIVITY | MARKET          | PERIOD | CHANNEL | AMOUNT/PT | LEVEL   | STOP    | TYPE  | LIMIT | RESULT                      |
| 26/10/12 14:38   | Order    | Spot FX EUR/USD | DFB    | System  | +£1       | 12978.1 | -       | -     | -     | Position/s closed: E9M2FNA5 |
| 26/10/12 14:38   | Order    | Spot FX EUR/USD | DFB    | System  | +£1       | 13002.5 | 12978.1 | T(10) | -     | Stop amended: E9M2FNA5      |
| 26/10/12 14:30   | Order    | Spot FX EUR/USD | DFB    | System  | +£1       | 12991.2 | 12968.1 | T(10) | -     | Stop amended: E9M2FNA5      |
| 26/10/12 14:19   | Order    | Spot FX EUR/USD | DFB    | Web     | +£1       | 12977.3 | 12958.1 | T(10) | -     | Position opened: E9M2FNA5   |

**6** The closure of your position can be viewed in the 'Activity' window. You opened your bet at 12978.1 and you closed at 12978.1, meaning that you finished flat overall, making no profit or loss.

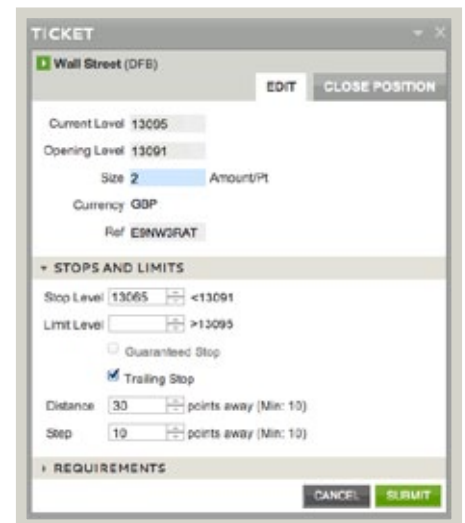
## EXAMPLE 7

# ADDING A TRAILING STOP TO AN EXISTING POSITION

1 Let's say that you have already opened a position, long £2/point of our Wall Street DFB at 13091, and that you would now like to attach a Trailing Stop to the position. To do so, you need to open an edit 'Ticket'. This is done in the same fashion as is described in the 'attaching a stop to an existing position' example (that is, find the position in the 'Open Positions' window and click on the dash in the 'Stop' column).

Having already activated your Account for Trailing Stops in the 'Preferences' section, the edit 'Ticket' now contains a 'Trailing Stop' check box.

You enter your initial Stop level, which you decide will be 13065. To set the Stop as a Trailing Stop, you tick the 'Trailing Stop' box and then specify the two necessary criteria: in this case, you opt for a distance of 30 points and a Step of 10 points and then click 'Submit'. Your order is confirmed.



The screenshot shows a 'TICKET' dialog box for 'Wall Street (DFB)'. The 'STOPS AND LIMITS' section is expanded, showing the following settings:

- Stop Level: 13065 (less than 13091)
- Limit Level: (empty) (greater than 13095)
- Guaranteed Stop
- Trailing Stop
- Distance: 30 points away (Min: 10)
- Step: 10 points away (Min: 10)

The 'REQUIREMENTS' section is also visible at the bottom, with 'CANCEL' and 'SUBMIT' buttons.

EXAMPLE 7

# ADDING A TRAILING STOP TO AN EXISTING POSITION

**2** Our Wall Street price rises. When it reaches 13105/13109, the bid price is 10 points higher than when you set your Trailing Stop. This is your chosen Step size, so your Stop is adjusted, being moved as close to the market as the distance allows. So it moves 30 points below the bid and is placed at 13075.

As long as the market keeps rising (without fluctuating enough to touch your Stop), your Stop will keep trailing the market, the level being adjusted each time the market moves a further 10 points higher. At each one of these Steps, the Stop is placed 30 points from the bid.

The market trends up in precisely this manner, reaching as high as 13134/13138. The last adjustment to your Stop occurred when the rate was bid at 13125, placed 30 points lower at 13095.

| CURRENT ACTIVITY |          |             |        |         |           |       |       |       |       |                              |
|------------------|----------|-------------|--------|---------|-----------|-------|-------|-------|-------|------------------------------|
| DATE/TIME        | ACTIVITY | MARKET      | PERIOD | CHANNEL | AMOUNT/PT | LEVEL | STOP  | TYPE  | LIMIT | RESULT                       |
| 26/10/12 10:39   | Order    | Wall Street | DFB    | System  | +£2       | 13095 | -     | -     | -     | Position/s closed: E9NW3RAT  |
| 26/10/12 10:32   | S&L      | Wall Street | DFB    | System  | +£2       | 13125 | 13095 | T(10) | -     | Stop/Limit amended: E9NW3RAT |
| 26/10/12 10:29   | S&L      | Wall Street | DFB    | System  | +£2       | 13115 | 13085 | T(10) | -     | Stop/Limit amended: E9NW3RAT |
| 26/10/12 10:26   | S&L      | Wall Street | DFB    | System  | +£2       | 13105 | 13075 | T(10) | -     | Stop/Limit amended: E9NW3RAT |
| 26/10/12 10:20   | S&L      | Wall Street | DFB    | System  | +£2       | 13095 | 13065 | T(10) | -     | Stop/Limit added: E9NW3RAT   |

**3** The market next drops down to 13095/13099. Your Stop is hit and you sell at market, dealing at 13095 (paying no slippage in this circumstance). You opened your bet by buying at 13091, and closed by selling at 13095, meaning that you make 4 points.

$$\begin{array}{r}
 \text{£}2 \text{ /POINT} \\
 \times \quad \quad \quad \text{4 POINTS} \\
 \hline
 \text{£}8 \text{ PROFIT}
 \end{array}$$

At £2/point, this means a profit of 4 points x £2/point = £8

## SUMMARY

By now you should:

- Understand the difference between a Stop and a Limit order and how each order works
- Know how to attach a Stop or a Limit to an existing position using our trading platform
- Know how to place an unattached order online in order to open a new position
- Have a basic understanding of the criteria for an order to be filled
- Understand the difference between a non-guaranteed Stop and a Guaranteed Stop
- Be aware of slippage and when it may apply
- Know how to use Trailing Stops

Remember that spread betting is a leveraged product and can result in losses that exceed your initial deposit. It may not be suitable for everyone, so please ensure that you fully understand the risks involved.

Please note that although the material contained within our introduction programme is updated regularly to ensure accuracy, the information given is subject to change, often without notice, and therefore may not reflect our most current offering. Our examples are for illustrative purposes only and do not reflect events in the markets. The information is for guidance only and we accept no liability for its accuracy or otherwise.

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