Module 3

Using orders to trade

TradeSense

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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 trade

In the examples in Module 1, we looked at placing trades 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; either over the internet (using PureDeal) or through our dealers over the telephone.

When dealing in the actual market, for example trading futures contracts or physical shares, there are quite a few different types of orders, with varying complexity.

When using our internet dealing platform to trade CFDs, there are two main types of order: Stops and Limits.

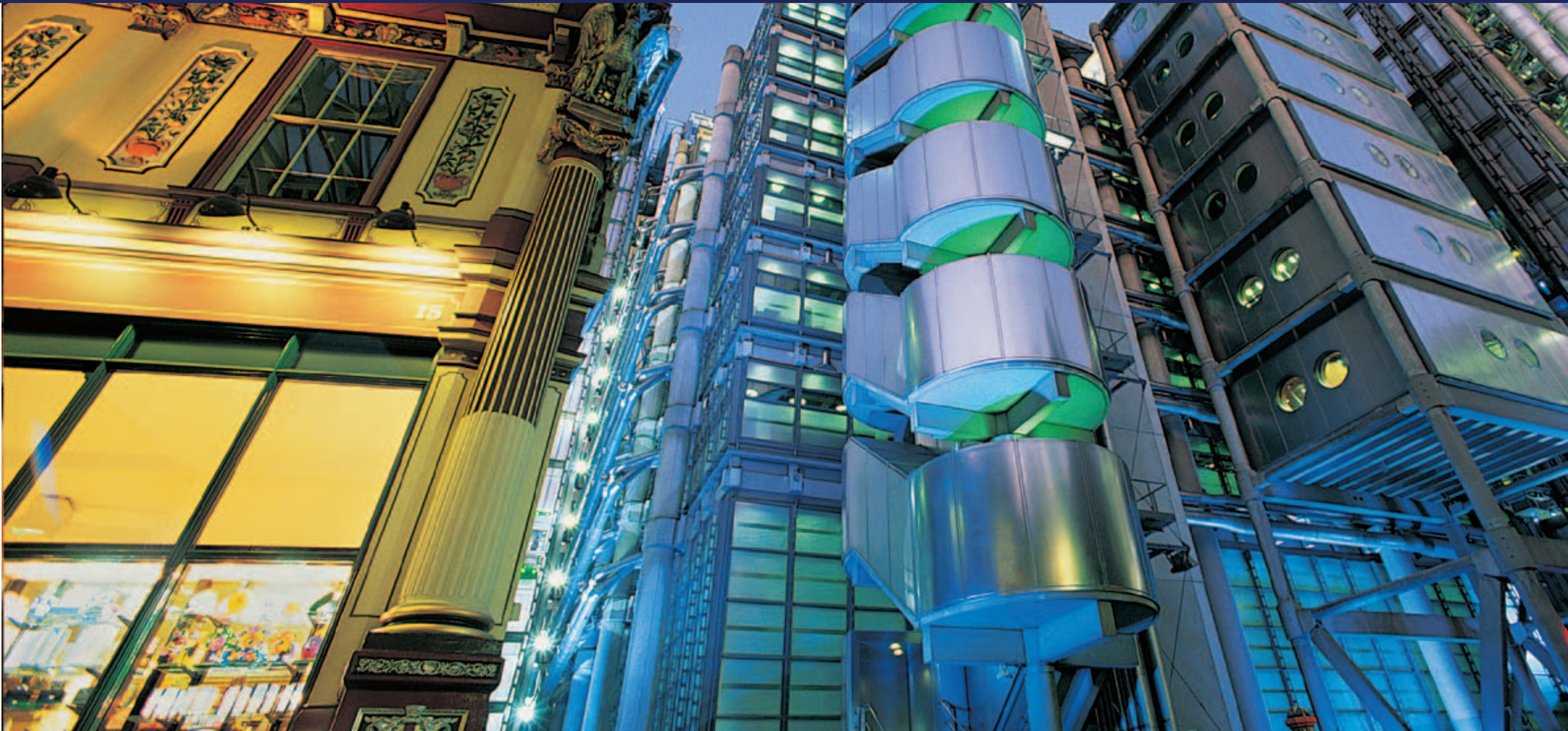
How these are strictly defined in the underlying markets is slightly different to the definitions given here, but for the purposes of using PureDeal the following simple classifications are true:

- 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 Billabong International is trading at $12.92 and you leave an order to sell at $12.00, the order is a Stop, as selling at $12.00 is a worse price (less favourable) than selling at $12.92.

In the same circumstance, if you leave an instruction to sell at $13.20, it is a Limit order, as $13.20 is a better level to sell at than $12.92.

"There are two main types of order: Stops and Limits"



Using orders to trade
(continued)

Problem

You have previously opened a position buying 3000 shares of Billabong at $12.14. Several days after opening the position Billabong is trading at $11.52. You place an order to close your position by selling 3000 shares should the price of Billabong reach $11.80.
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 $11.52 and you are leaving an order to sell at $11.80. Selling at $11.80 is more favourable than selling at $11.52, 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, $12.14, and to view selling at $11.80 as a Stop, as it is a worse level than the opening level. Had the order been left when the position was opened, when $12.14 was the current price, then it would be a Stop. In the problem described, however, the opening level is actually irrelevant to determining whether the order is a Limit or a Stop, as it is not the current price.

Orders on shares

For shares, we always quote actual exchange prices. Therefore, orders on shares are activated by actual trades and bid/offer prices in the market.

Orders on other markets

Orders on markets other than shares are activated by the bid/offer of our quote. Examples of how this works in practice are given further on in this module.

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 an existing trade. For this type of order you need to consider what the duration of the order will be.

Time frames of orders

As we have established, 'working an order' is leaving a set of instructions for a trade 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 orders to open 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.

Using orders to trade
(continued)

For undated contracts (which do not expire) GTC means that the order continues to exist until either it is filled or you cancel it. For Expiry Transactions, GTC orders continue to exist until filled, cancelled or the market expires.

So if you left a GTC Stop order to buy one contract on Spot AUD/NZD (which is undated and has no expiry) 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 indefinitely.

If you left a GTC Stop order to buy one contract of December US Crude Oil, which is set to expire on, say 16 November, 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 16 November.

The December US Crude Oil contract expires on 16 November (in this example) and your order is cancelled once the contract expires.

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 (if there is an expiry). Many people simply choose to specify a time over the next 24 hours (a 'Day order'), however, when not working the order GTC.

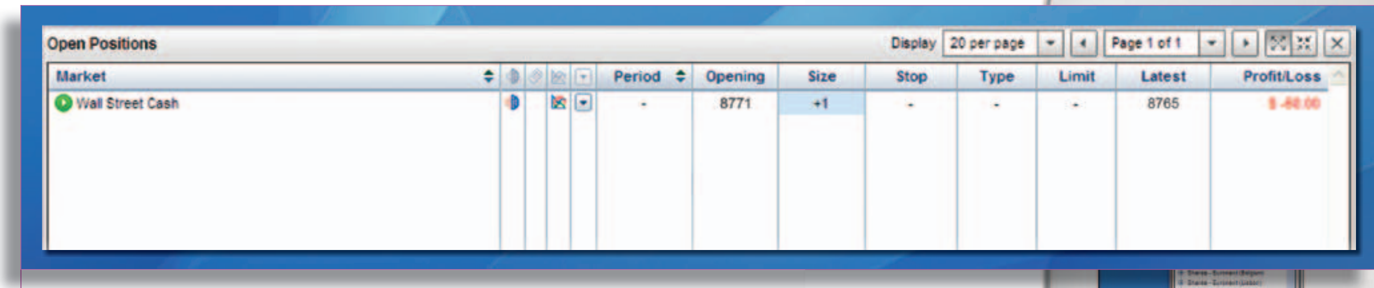
Stop orders

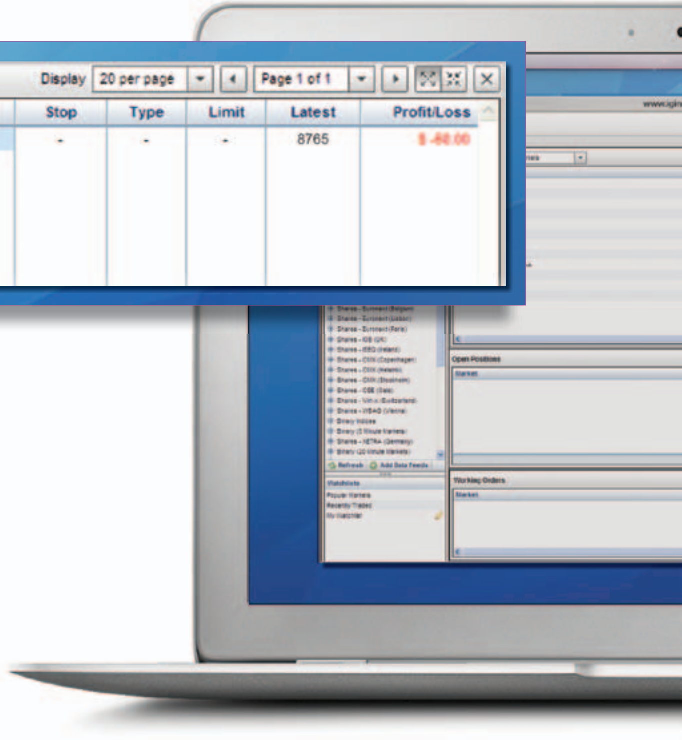
As described above, a Stop is an instruction to deal at a worse price than the current level of that market.

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 trade in the event of an adverse movement. This is often referred to as a Stop-loss. Closing a trade that is moving against you can often be a sensible choice (on which there is more in Modules 4, 5 and 6 which discuss, respectively, Leverage and 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 trade 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 8800, a level that you may have decided is a key resistance level. Placing a Stop order selling to open at, say, 8785 would allow you to take a short position should the index clearly break through the level.

Example: attaching a Stop to an existing position

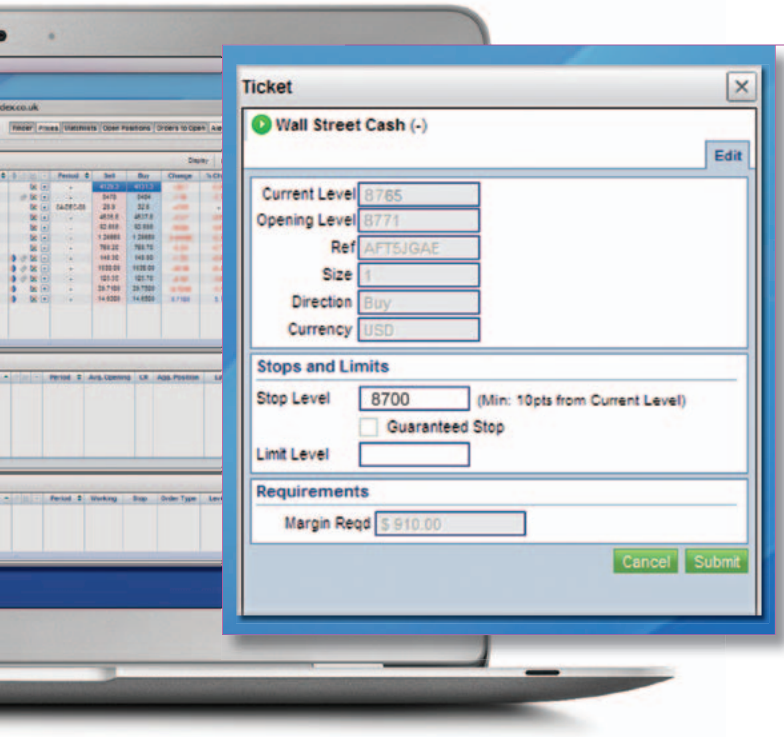




1 Let's say that you have already opened a position, long one contract of Wall Street at 8771. The position is displayed in the 'Open Positions' window at the bottom of the screen (clicking on 'Open Position' at the top of the screen allows you to toggle this window on or off). You can see that the position 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 8700.



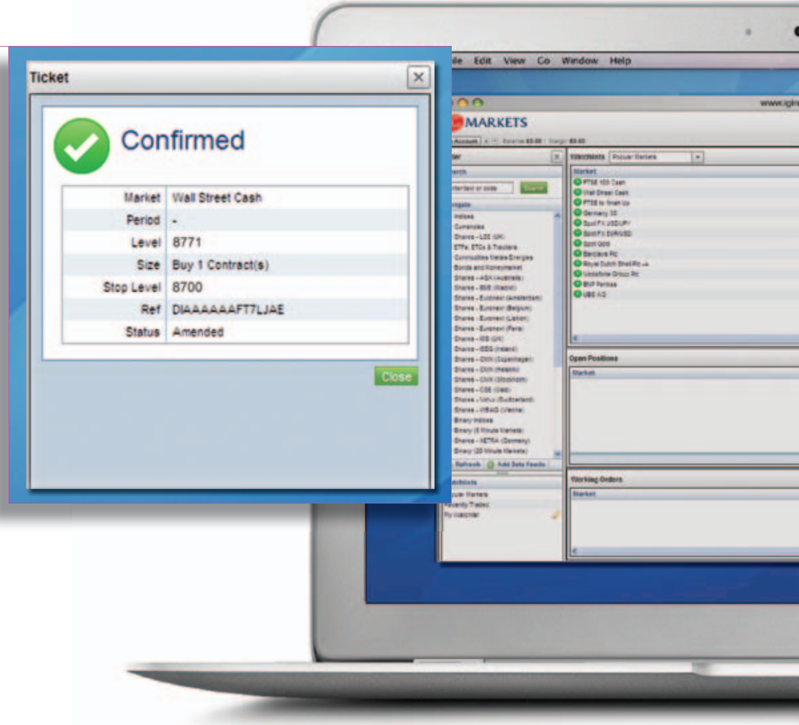
2 To do so, you click on the dash in the 'Stop' column: this opens an edit position 'Ticket' which is populated with the details of the trade, including the deal reference, and offers you fields in which you can enter order levels (you can also open an edit position 'Ticket' by selecting 'Edit Position' from the dropdown menu in the 'Open Positions' window).

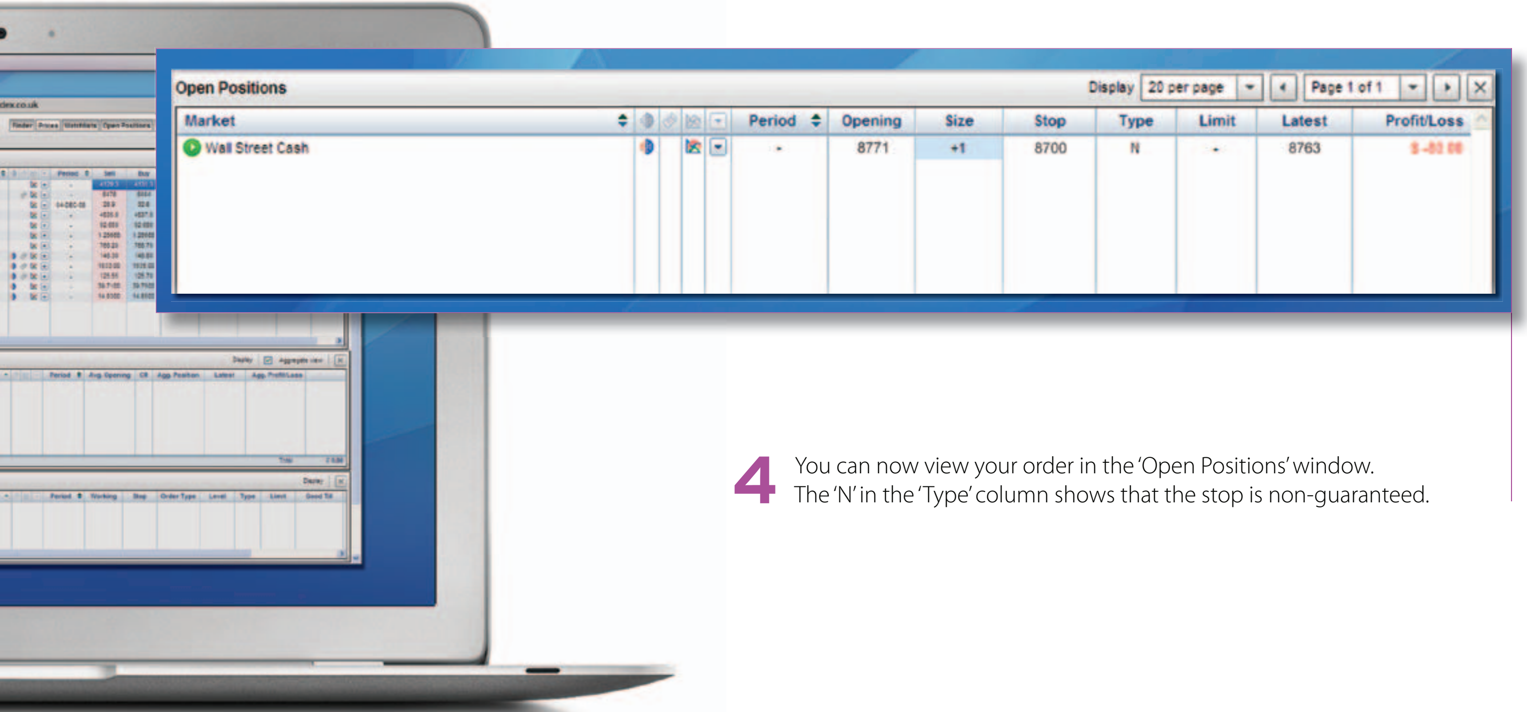
In this ticket, the 'Current Level' field gives you a firm idea of the current Wall Street price. You enter your Stop level, 8700, in the 'Stop Level' field. Note that you could also enter a level for a Limit if you wanted. Orders cannot be placed closer to the current market level by more than a specific minimum distance, which is indicated.

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

Example: attaching a Stop to an existing position
(continued)

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.
The 'N' in the 'Type' column shows that the stop is non-guaranteed.

Example: attaching a Stop to an existing position (continued)

The mechanics of how a Stop order works are such that once your specified Stop level has been touched, you then deal at the current available bid/offer price following the Stop level being reached. 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 at worse than the specified price is known as 'slippage'. Factors such as how fast a price 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.

You have a position: long one contract of Wall Street at 8771 with a Stop at 8700.

You check the price one day and can see that our bid/offer for Wall Street is 8732/8736. The price has moved against you slightly, 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 (which continue trading after the close of the stock exchange) trade down markedly. The US index futures have a strong influence on our Wall Street price and so our quote drops accordingly; before the figures we are quoting Wall Street at 8718/8722. After the figures our price falls rapidly, dropping below your Stop level, and your position is closed out.

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

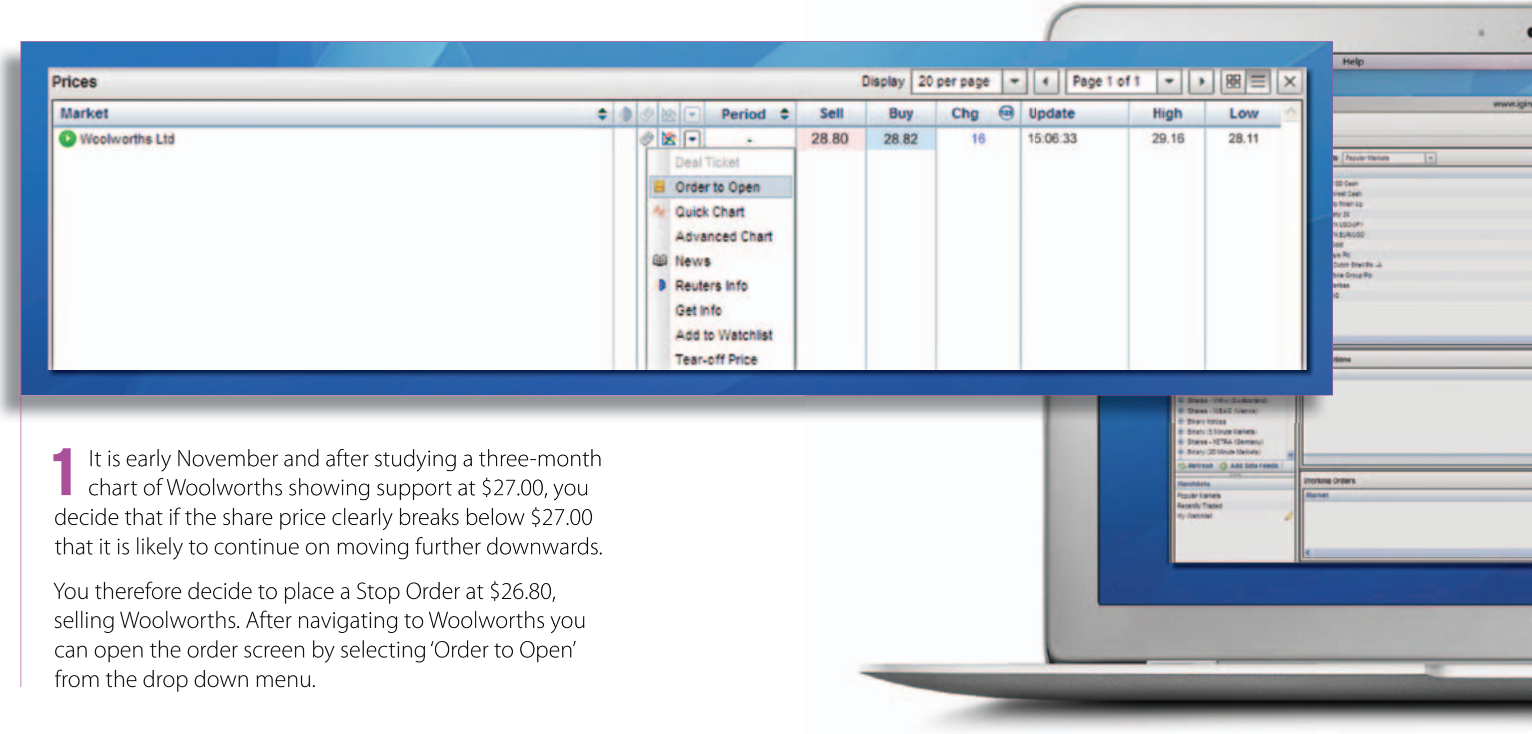
Time (New York)	Our Wall Street price
16:15:18	**8710/8714**
16:15:23	**8709/8713**
16:15:33	**8702/8706**
16:15:34	**8700/8704**
16:15:35	**8698/8702**
16:15:36	**8696/8700**
16:15:38	**8695/8699**

At 16:15:33 the bid of our quote is 8702 and the Stop is still untouched and the position is still open. At 16:15:34 the bid is 8700. 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 8698 bid, and it is at this level that your trade is closed. You have paid two points of slippage.

When you get to work early the next day, you check our quote for Wall Street. We are making 8665/8669. Although you have paid a bit of slippage, your Stop has fulfilled its purpose in taking you out of your trade before your losses became unwieldy and without you having to constantly monitor the market.

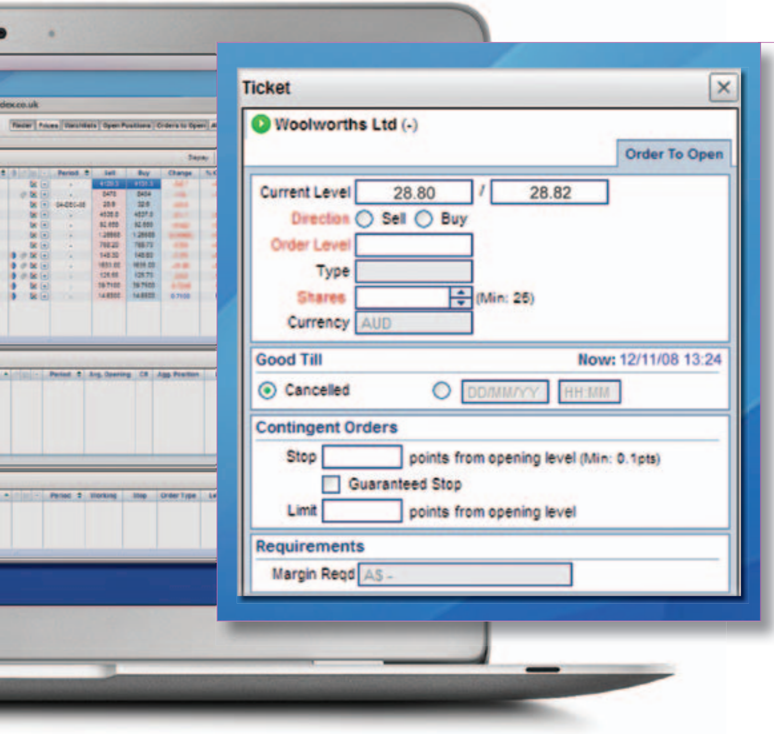
You opened your long position at 8771 and closed at 8698, meaning a loss of 73 points. One contract means $10 per index point. A 73-point losing trade therefore equals a loss of 73 x $10 = $730. Had you not placed a Stop on your position, however, you would be facing a running loss of far greater than this.

Example: using a Stop order to open a new position



1 It is early November and after studying a three-month chart of Woolworths showing support at $27.00, you decide that if the share price clearly breaks below $27.00 that it is likely to continue on moving further downwards.

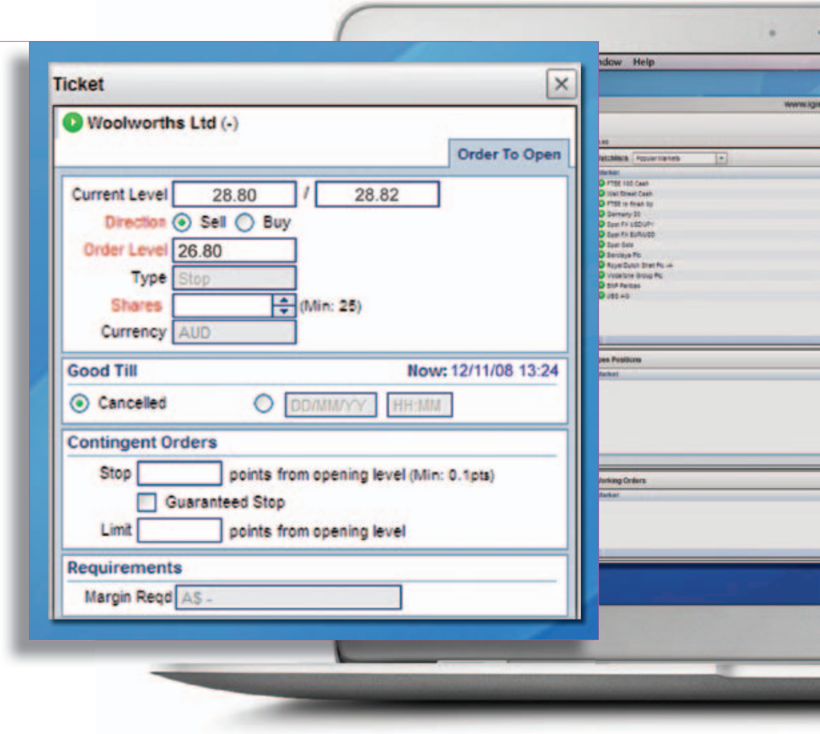
You therefore decide to place a Stop Order at $26.80, selling Woolworths. After navigating to Woolworths you can open the order screen by selecting 'Order to Open' from the drop down menu.

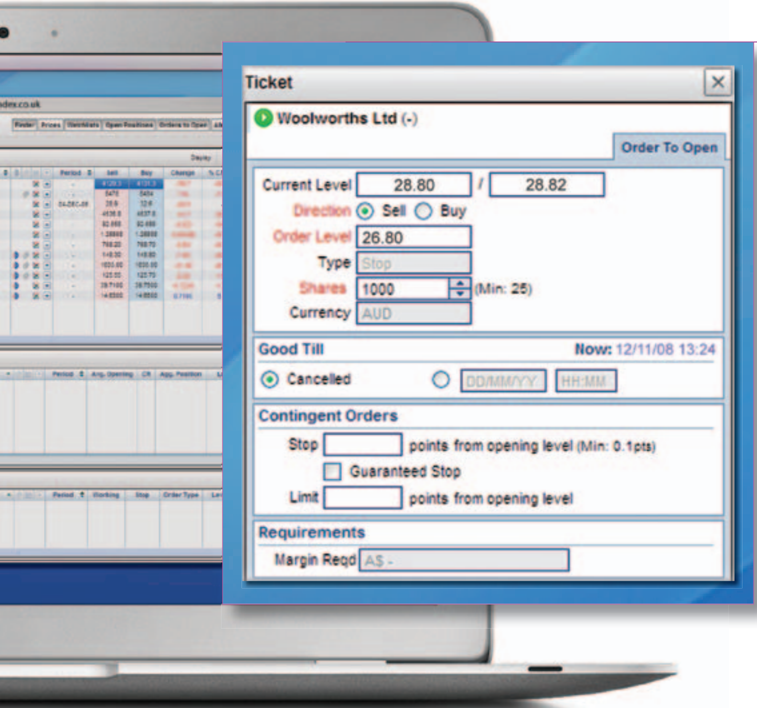


2 After clicking on 'Order to Open', an order screen opens, and populates with the current level of Woolworths.

Example: using a Stop order to open a new position (continued)

3 You next type in the order level, i.e. 26.80. You select the direction of the order as 'Sell'. Note that as soon as you do so, the 'Type' field changes to 'Stop'. The text is greyed out: whether your order is a Stop or a Limit is automatically driven by whether you are buying or selling and the level that you leave. With the current price higher than $26.80 this dictates that your order is a Stop ($26.80 is a less favourable price to sell than the current price). If you selected 'Buy', the order type would automatically change to 'Limit'.





4 You also enter your order size of 1000 shares in the 'Shares' box.

Example: using a Stop order to open a new position
(continued)

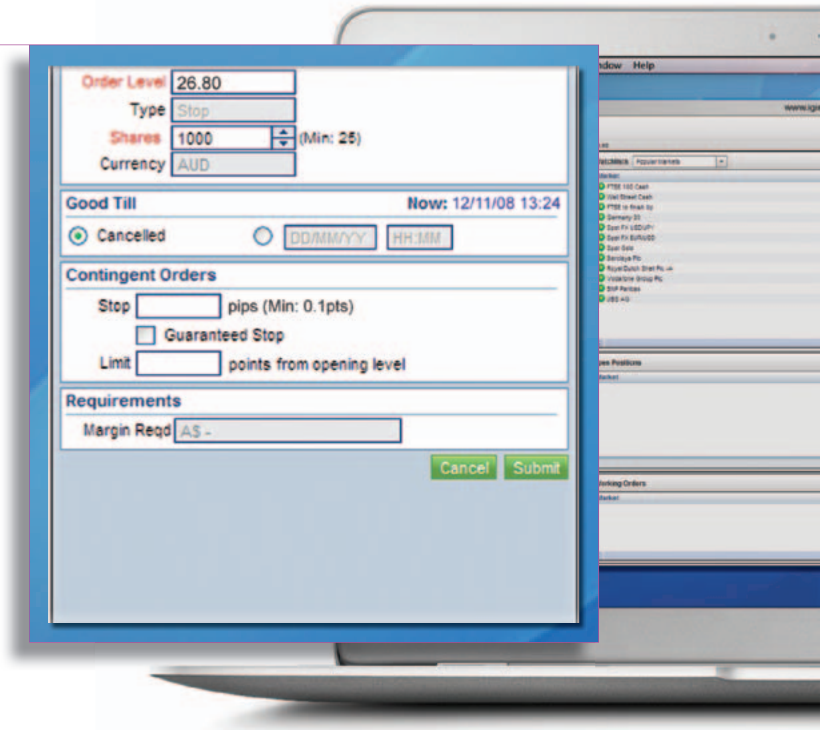
5 The bottom half of the screen is used to specify the final necessary detail of the order, namely its duration. This is defaulted to 'Good Till Cancelled', as shown.

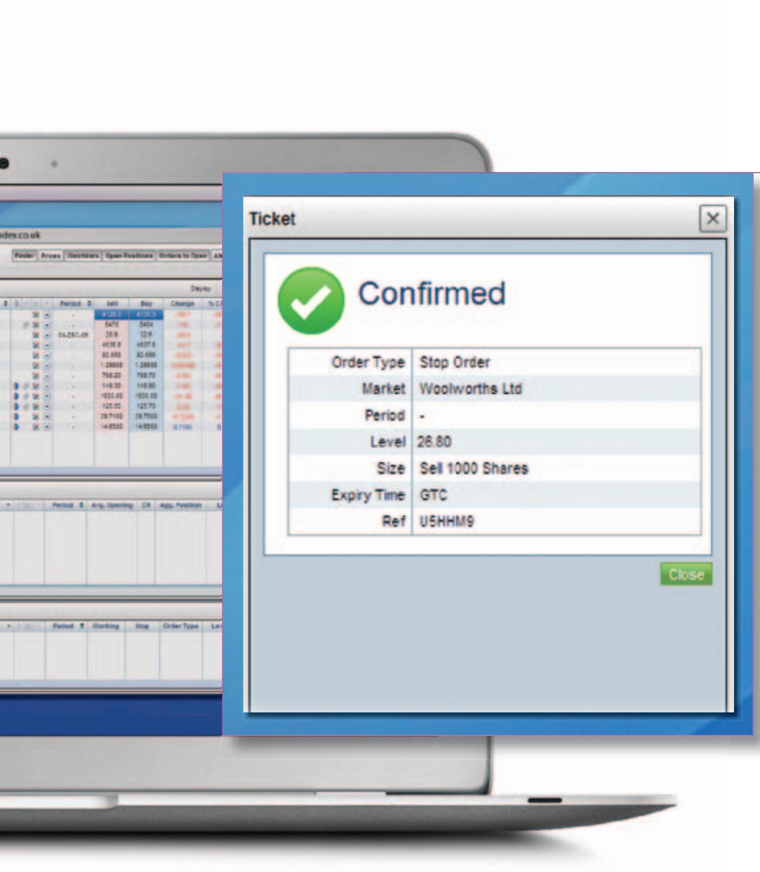
If you wanted to work the order good till a specified time, you would need to click in the 'DD/MM/YY' and 'HH:MM' boxes and enter, respectively, the date and time (in the specified format) that you would like the order to expire. The current date and 'system' time is displayed next to 'Now' (this is specified in 'system' time as our dealing 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 screenshot, you do have the option of attaching contingent orders. You choose not to use this (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'.





6 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 sell 1000 shares of Woolworths at $26.80.

Over the next few days, Woolworths continues to range-trade between $27.00 and $34.00.

A few days after you leave the order, the price falls out of its recent range, falling below $26.80. Your Stop is activated and you open a deal at the current market price. This time, steady market conditions allow your Stop to be filled without slippage, despite your Stop being non-guaranteed: your deal is opened at $26.80. Over the next few days, the share drops substantially, justifying your trading decision.

Limited Risk protection

As illustrated in the examples above, Stop orders are subject to slippage whereby your trade 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 trade 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 CFD jargon, 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 always be executed at your level and to never allow any slippage to occur.

Guaranteed Stops are always attached orders, and are always attached on the opening of the trade. The Stop and the trade can therefore be viewed as one package. Consequently, you cannot cancel the Stop on a Limited Risk trade (a Stop is cancelled as soon as you close the trade to which it is attached, however).

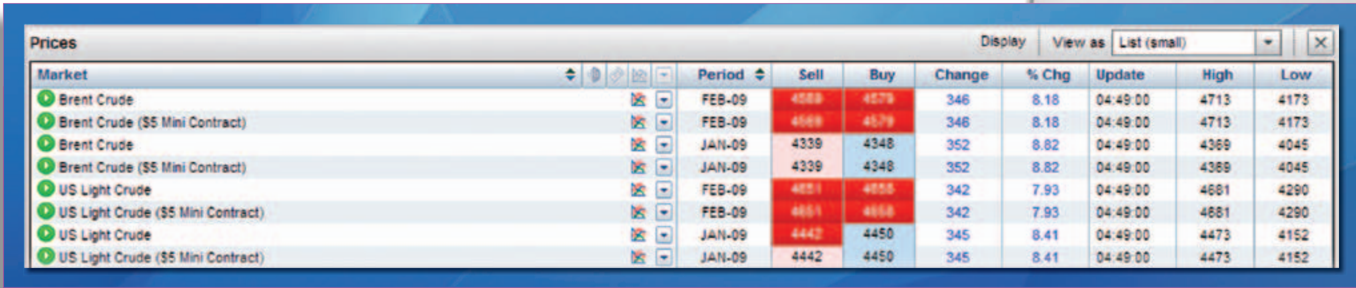
Guaranteed Stops clearly offer better protection than a normal Stop, and for this reason there is an extra cost, akin to an insurance premium, for that extra security.

For CFD trades where we charge a commission (namely shares) the premium is charged as an additional one-off commission on the opening leg of the trade.

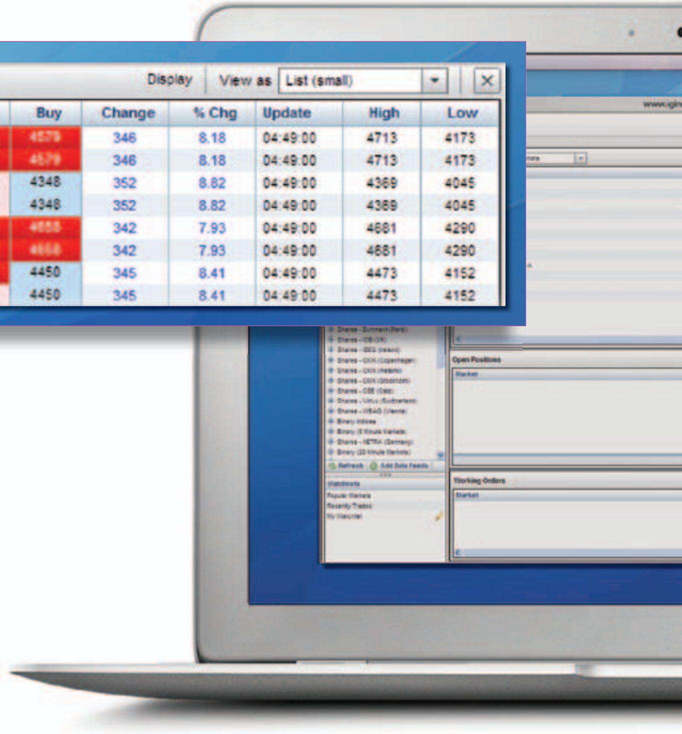
For CFD trades where we do not charge a commission, but simply quote a dealing spread, the premium is charged as additional points of spread that are added on to the offer (if you are 'buying') or subtracted from the bid (if you are 'selling') when you open a deal.

Let's take a look at an example.

Example: going long of US Light Crude Oil with Limited Risk protection



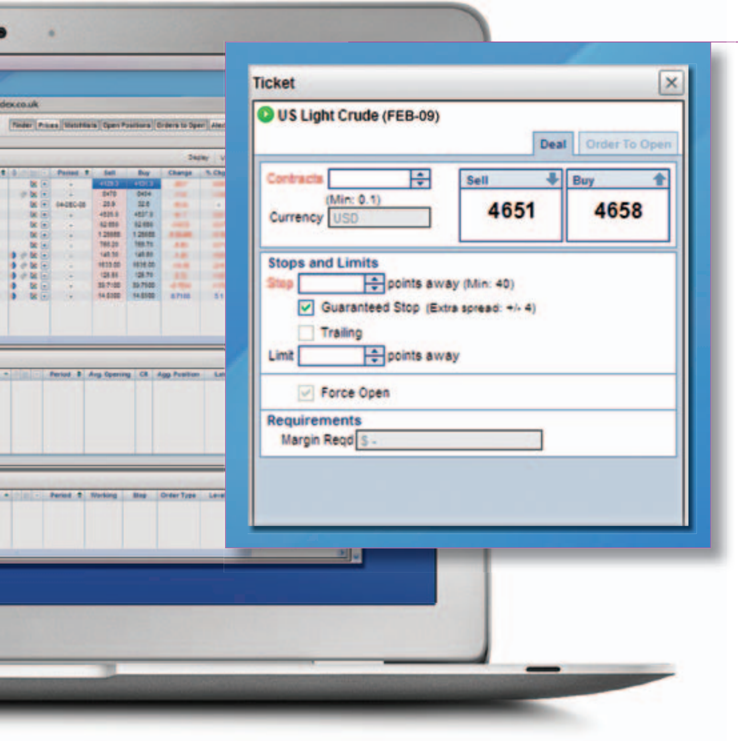
Market	Period	Sell	Buy	Change	% Chg	Update	High	Low
Brent Crude	FEB-09	4569	4579	346	8.18	04:49:00	4713	4173
Brent Crude ($5 Mini Contract)	FEB-09	4569	4579	346	8.18	04:49:00	4713	4173
Brent Crude	JAN-09	4339	4348	352	8.82	04:49:00	4369	4045
Brent Crude ($5 Mini Contract)	JAN-09	4339	4348	352	8.82	04:49:00	4369	4045
US Light Crude	FEB-09	4651	4658	342	7.93	04:49:00	4681	4290
US Light Crude ($5 Mini Contract)	FEB-09	4651	4658	342	7.93	04:49:00	4681	4290
US Light Crude	JAN-09	4442	4450	345	8.41	04:49:00	4473	4152
US Light Crude ($5 Mini Contract)	JAN-09	4442	4450	345	8.41	04:49:00	4473	4152



1 With ongoing instability in the Middle East, you consider the oil price to be capable of going higher than the current price which is around $46/barrel. At the same time, you are well aware that you are dealing with a market that has exhibited plenty of volatility for an extended period. With this in mind, you resolve to take a long position and are happy to pay the few extra points of spread in return for the added safety that it will afford you.

Navigating to the Crude section as shown, you are offered several Crude Oil contracts to deal on. You could choose to deal on the Brent Crude (an expiry CFD that settles against a futures contract that trades in the UK), but you have been following the price of the US Light Crude Oil price and so, naturally, it makes more sense to trade this contract. You decide to deal on the 'FEB-09' contract.

Clicking on the green button (or on the market name) opens a 'Ticket'.



2 Ticking the 'Guaranteed Stop' box means that the deal will have Limited Risk protection and that the Stop you place on the trade will be guaranteed.

When you tick the box, the additional spread that you will pay for Limited Risk is displayed (in this case it is four points). The bid/offer is showing as 4651/4658.

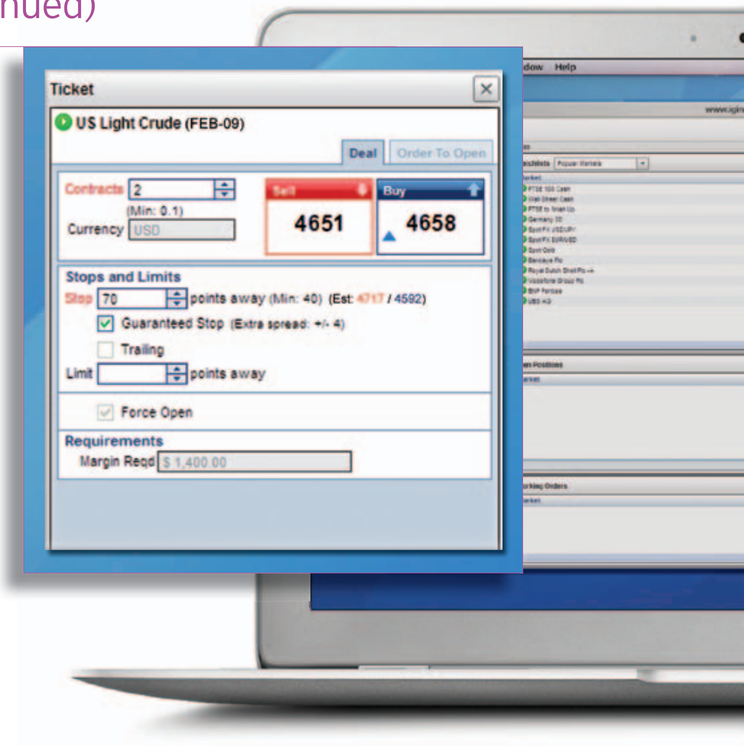
The Limited Risk premium is added to the offer because you are buying. You therefore deal at 4658 + 4 = 4662.
Had you been selling, the additional spread would have been subtracted from the bid.

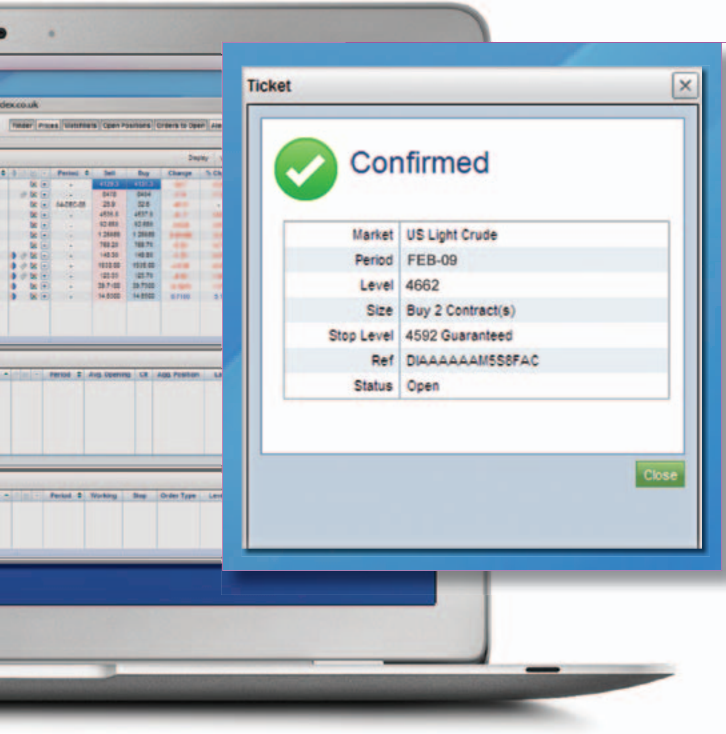
Example: going long of US Light Crude Oil with Limited Risk protection (continued)

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' 1000 shares of Paladin Resources when you have an open position long 1000 shares of Paladin Resources will leave you with no position). A Guaranteed Stop can only be placed on an opening trade, and so by selecting this option you are necessarily 'forcing' an open position.

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

You select 2 contracts as your size and 70 points as your Stop distance and click 'Buy'.





4 The price you deal at is 4658 plus the 4 points of spread = 4662. Your Stop is placed 70 points away at 4592. The Stop is guaranteed: no matter what the market does, you cannot be stopped out at a level worse than your Limited Risk Stop. One contract is US$10 for every cent/barrel change in price (in other words, US$10 per point movement of our quote). Your maximum possible loss is therefore restricted to US$1400 (70 points x 2 contracts x $10/point).

After you open your position, the US Energy Department reports rising crude oil supplies and the price of crude drops sharply, falling to a low of 4450. Your trade is closed at your Stop level of 4592. You have lost $1400, but the Guaranteed Stop has saved you from a far greater loss.

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.

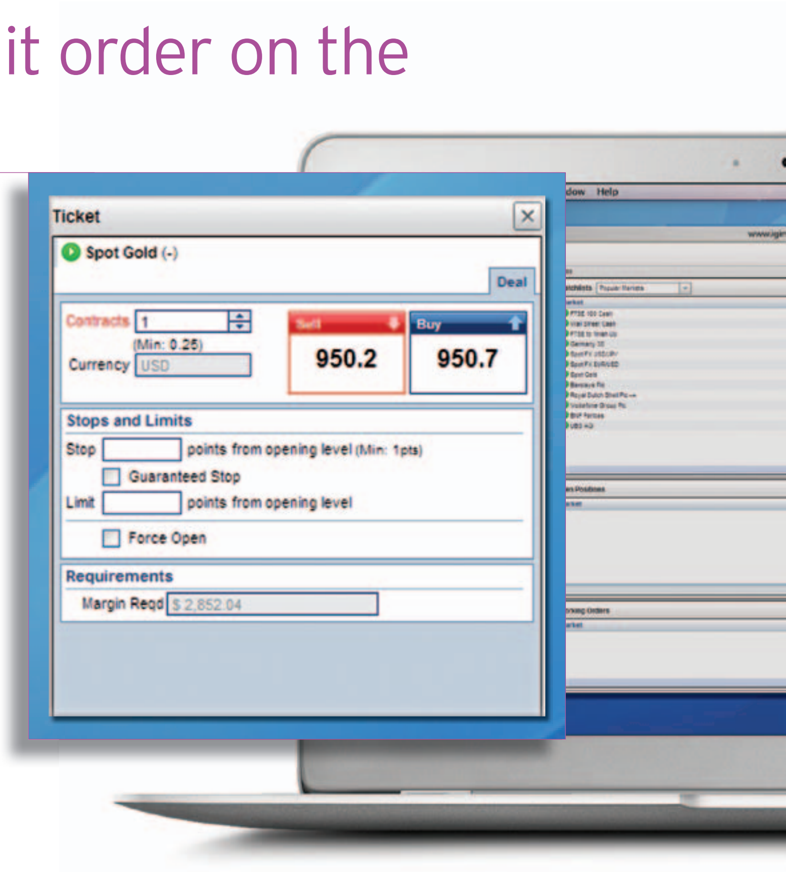
The requirements for a Limit to be filled can be slightly more stringent, however. This is because we require there to be sufficient size in any equivalent underlying market to allow us to hedge our exposure if needed. So for a Limit order to be filled, the bid or offer of our quote does need to be 'good 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.

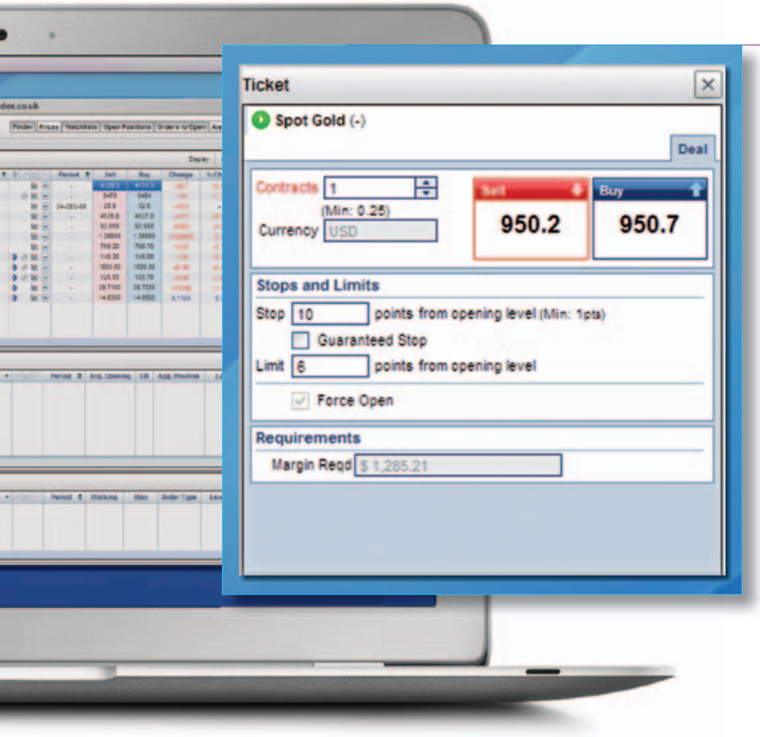
Limit orders can never be filled at a level worse than your order level (with the exception of Limit orders that are instructions to open trades with Limited Risk protection. In the case of CFD trades where the Limited Risk premium is charged as a spread, such trades will be filled at your order level plus the additional spread that is charged for the benefit of a Guaranteed Stop).

Example: attaching a Limit order on the opening of a trade

1 You decide to buy one contact of Spot Gold using our CFD trading service. You navigate to the instrument on our PureDeal platform and open a 'Ticket'.

You enter 1 into the 'Contracts' field.





2 In the middle section of the 'Ticket' there are 'Stop' and 'Limit' fields. The values you enter into these fields determine how far away your orders are placed relative to **where your position is opened**.

Entering any value into either of these boxes automatically ticks the 'Force Open' box. A Stop or Limit can only be attached to a bet that is to open, and so by selecting either of these options you are necessarily 'forcing' an open position.

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.

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).

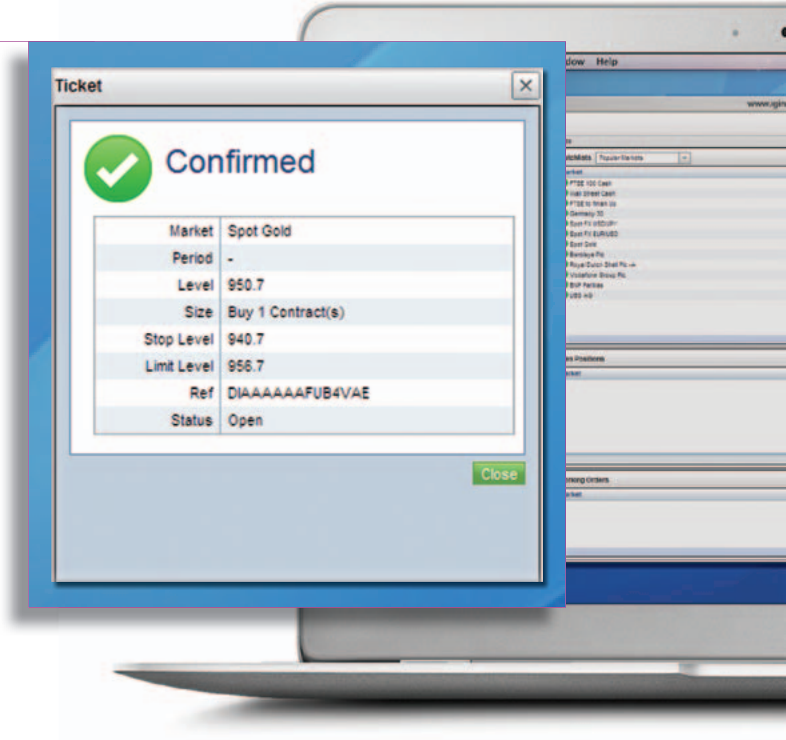
You then click 'Buy'.

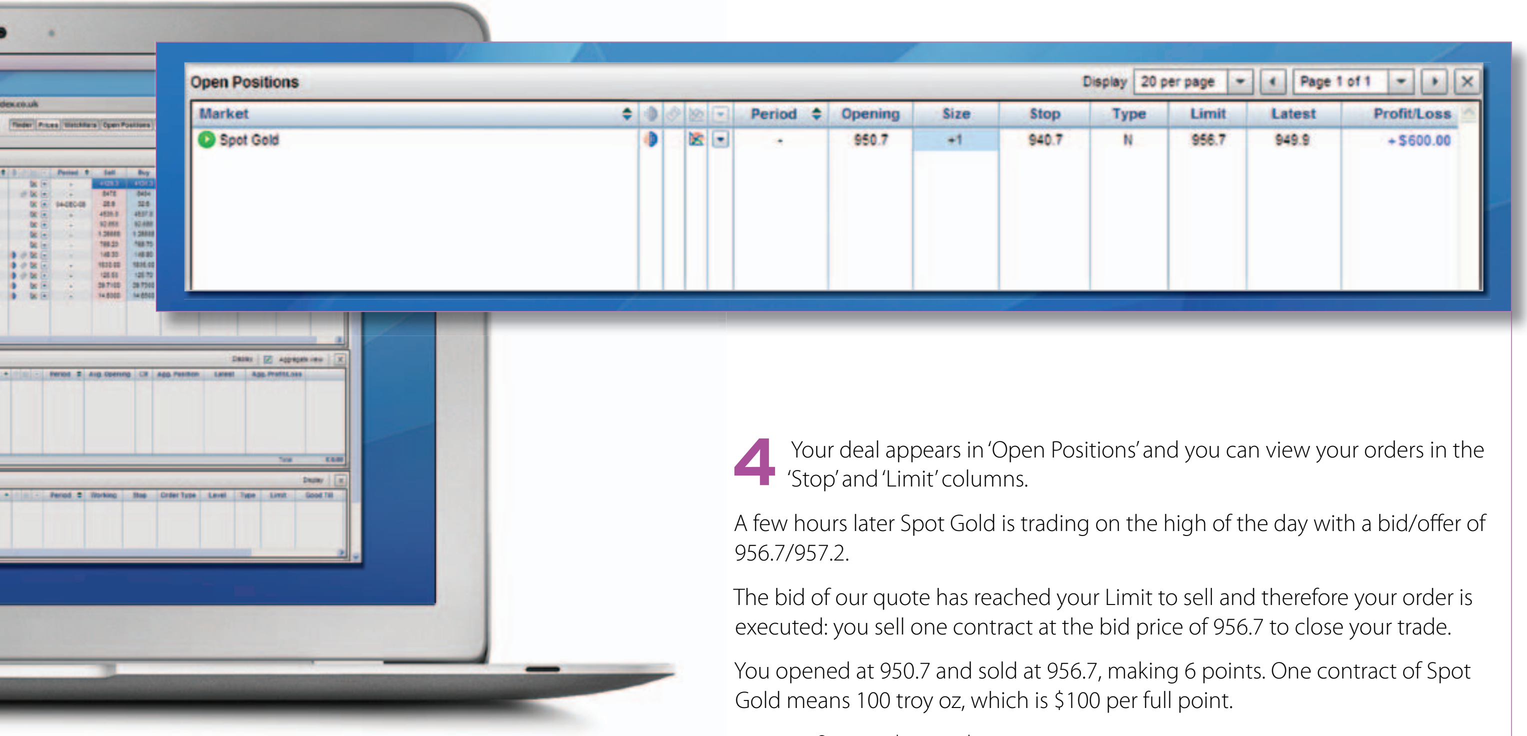
Example: attaching a Limit order on the opening of a trade (continued)

3 You receive an acceptance message summarising the deal you have placed:

You have bought one contract of Spot Gold at 950.7 with a Stop at 940.7 (i.e. 10 points away from where you opened, as requested) and a Limit at 956.7 (i.e. 6 points away from the opening).

The Limit is an instruction to 'sell' one contract of Spot Gold, in order to close your trade, should the bid of our quote reach 956.7 (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).





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

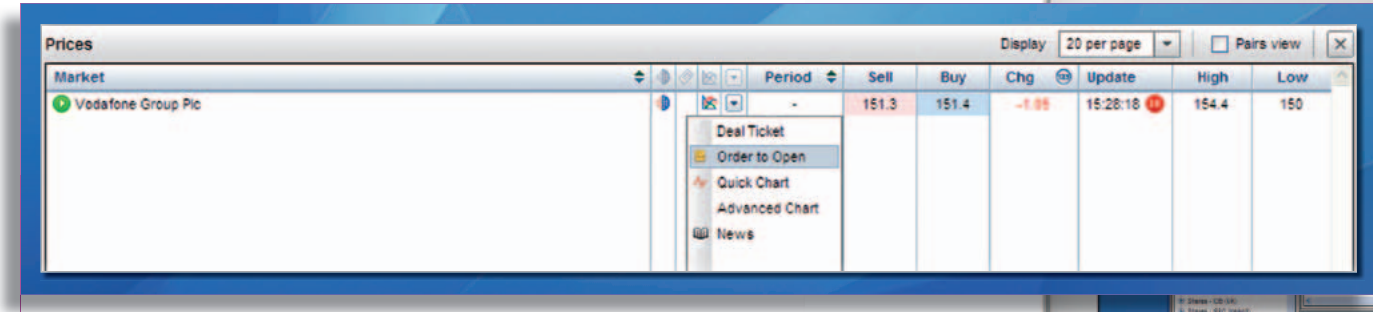
A few hours later Spot Gold is trading on the high of the day with a bid/offer of 956.7/957.2.

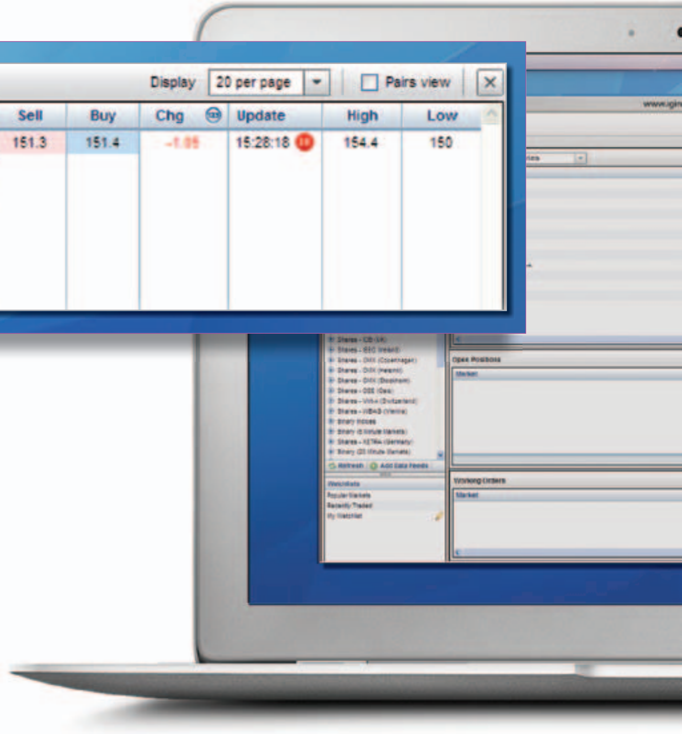
The bid of our quote has reached your Limit to sell and therefore your order is executed: you sell one contract at the bid price of 956.7 to close your trade.

You opened at 950.7 and sold at 956.7, making 6 points. One contract of Spot Gold means 100 troy oz, which is $100 per full point.

Your profit is 6 x $100 = $600.

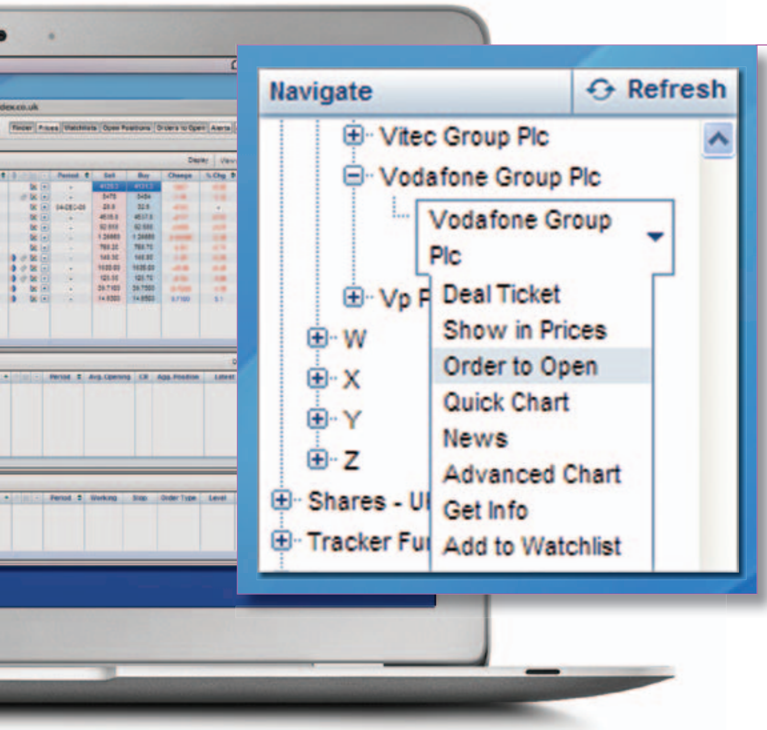
Example: leaving an unattached Limit order on Vodafone Group





1 You have been keeping an eye on the Vodafone share price, which is currently trading at around the 151p level, and have noticed a tendency for it to bounce off resistance around the 160p level. You therefore decide that there would be logic in going short at 160p.

The process for opening the order screen is the same as for the earlier example of creating an opening Stop order: after navigating to Vodafone in the 'Live Prices' section either click on the order or click on the instrument name and then select 'Order to Open' from the menu.

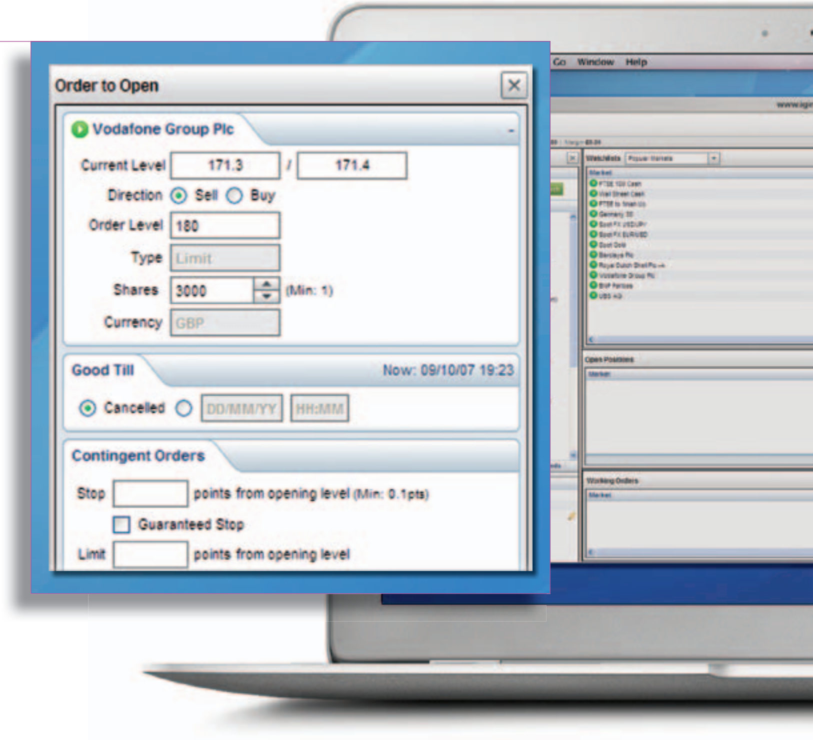


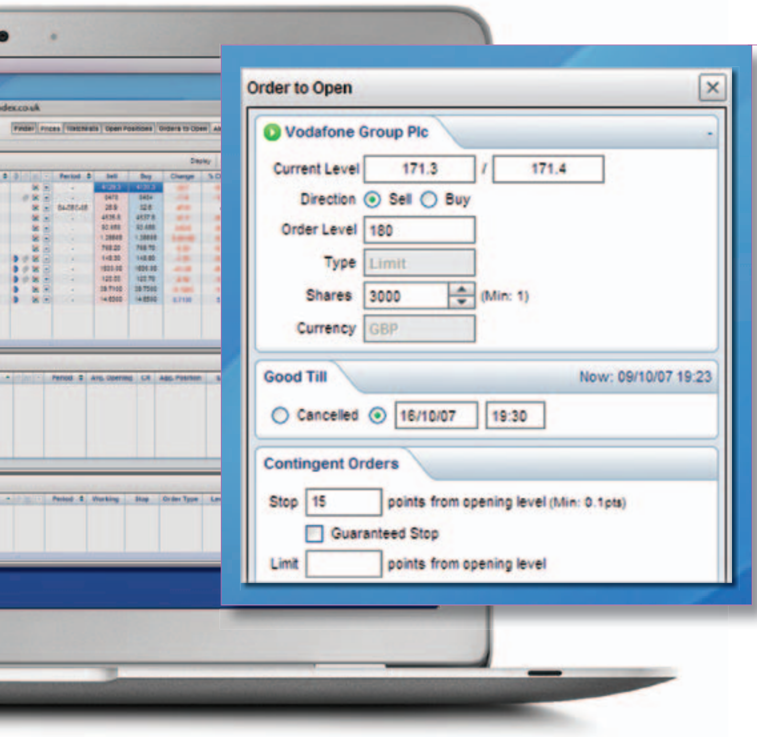
2 You can also select 'Order to Open' directly from the navigation tree by drilling down to the furthest level (i.e. so that you cannot expand folders any further) and then clicking on the market name as shown.

Example: leaving an unattached Limit order on Vodafone Group (continued)

3 The functionality works in the same way as for creating an unattached Stop order: the 'Current Level' is displayed in the top right hand corner of the window. Entering the order level of 180p and selecting 'Sell' automatically determines the order as being a Limit (selling at 180p is a more favourable level than the current price of 171.3/171.4). If you selected 'Buy' the order would change to being a Stop (because buying at 180p would be a worse level to buy at than the current price).

You enter your size, 3000 shares in this case. You next need to specify the duration of the order.





4 In this case, you decide you'll work the order for a week. So rather than selecting 'Good Till Cancelled', you enter a specific time by selecting the radio button next to the time and date boxes and entering 16/10/07 and 19:30. If the order has not been filled by 19:30 on that date, 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.

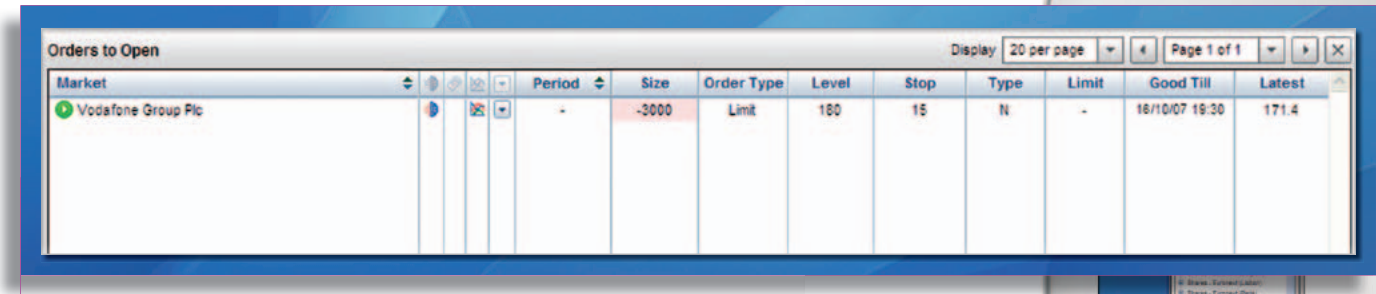
To do this, you simply need to enter a value in the 'Contingent Orders' section.

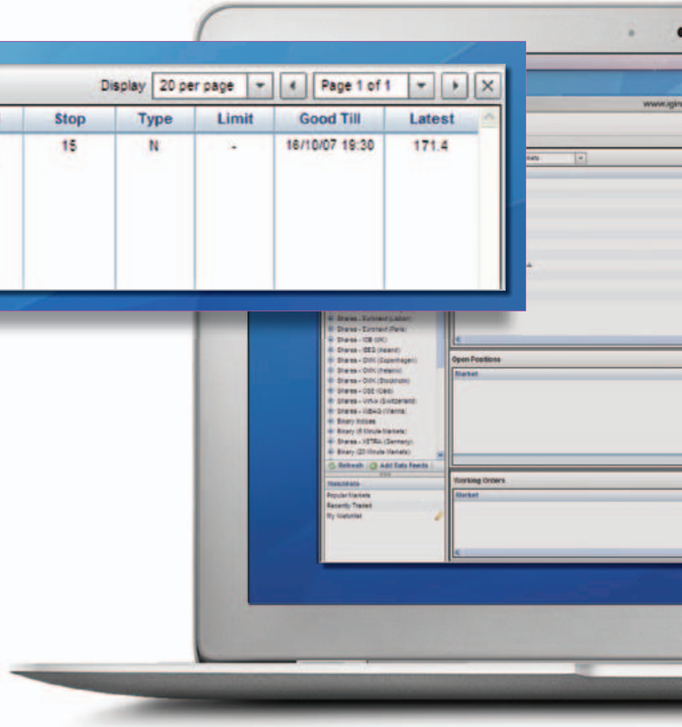
This sectional is optional: you can leave all fields in this section empty if you do not wish to attach a contingent order. If you tick the 'Guaranteed Stop' box, it is mandatory to include a contingent Stop distance (by definition, a Limited Risk trade has to have a Stop).

You enter a Stop distance of 15 points. If your Limit order is executed, the new position will have a non-guaranteed Stop attached to it 15 points away from the opening level of the trade.

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

Example: leaving an unattached Limit order on Vodafone Group (continued)





5 The share rises sharply over the next couple of days, trading at a high of 180.2 early in the LSE trading session.

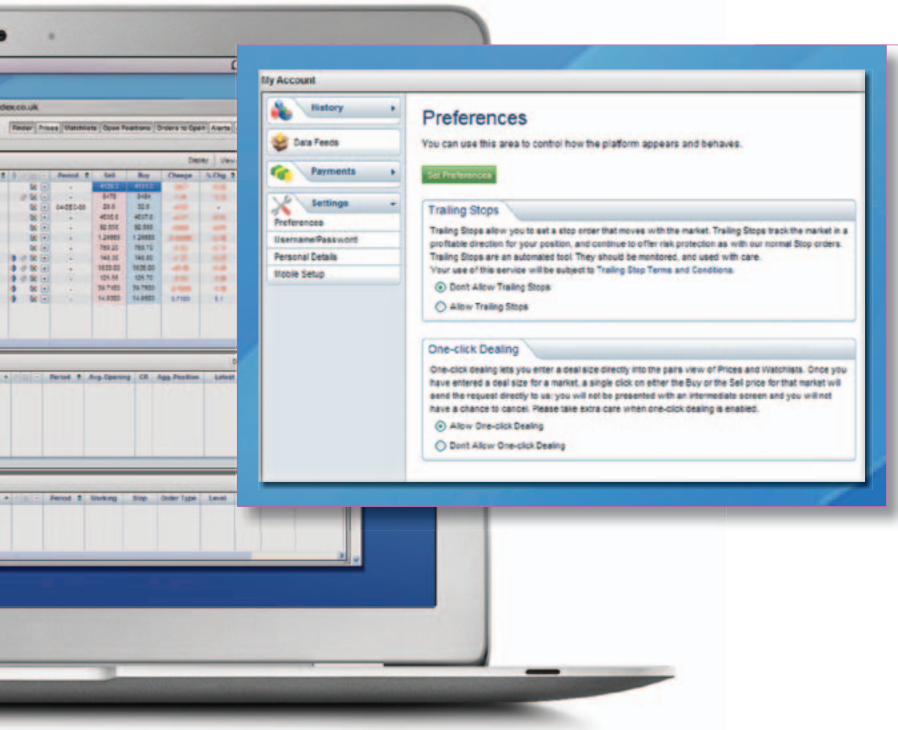
When our bid reaches 180p, your order is filled.

You sell 3000 shares at 180p to open a new position.

You can monitor the status of any orders that you are working by looking at the 'Open Positions' window (clicking on 'Orders to Open' at the top of the PureDeal screen toggles this window on and off).

Clicking on a position that appears within the 'Orders to Open' screen 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).

Trailing Stops



This is an advanced feature in PureDeal that 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.

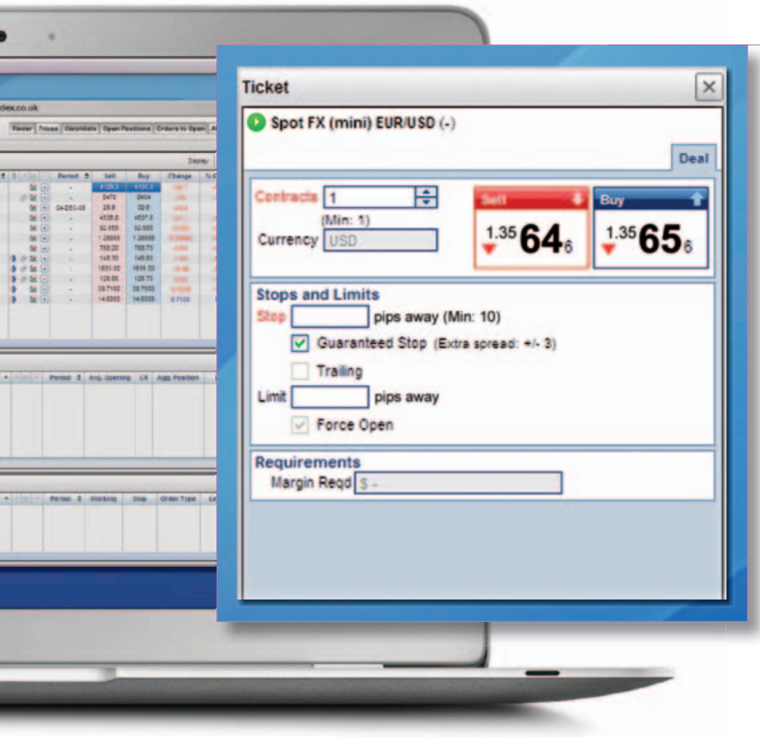
These Trailing Stops are always attached orders and are only available on non-guaranteed Stops.

As this is an advanced feature, 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 PureDeal.

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

Trailing Stops
(Continued)

Now there is a 'Trailing' checkbox that has been added to the 'Stops and Limits' section, just beneath the 'Guaranteed Stop' checkbox (Trailing Stops are not available on every market we offer; if a 'Trailing' checkbox doesn't appear even though you have set your preferences to allow Trailing Stops, it is likely that you are attempting to deal on a market for which we do not offer Trailing Stop functionality).



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

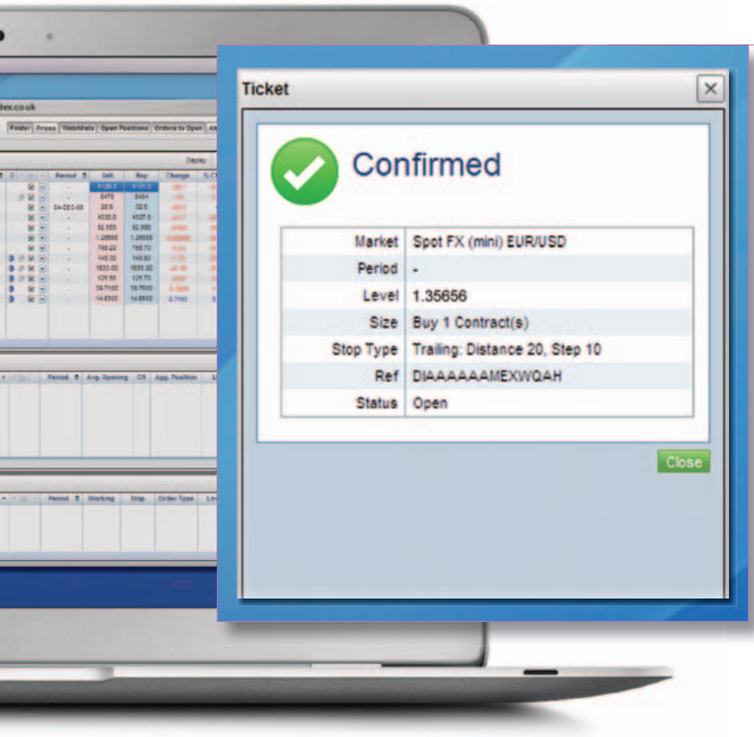
Example: attaching a Trailing Stop to a position

1 You decide to buy one mini contract of EUR/USD with a Stop placed 20 pips 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' 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.

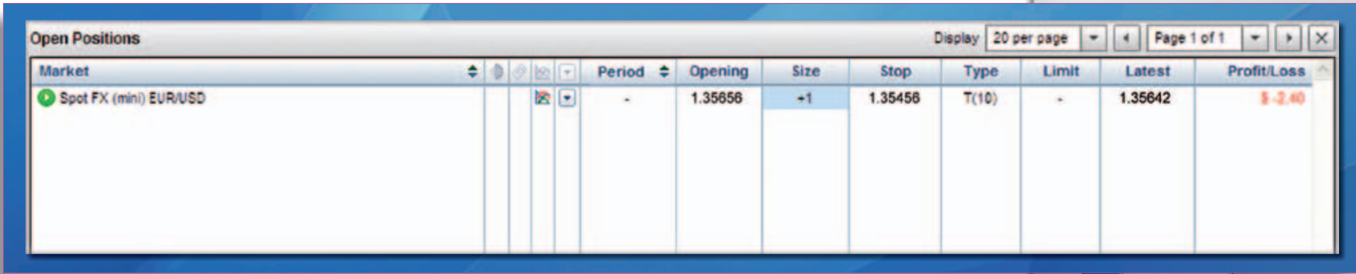
Consequently, ticking the 'Trailing' box causes another field to appear, in which you specify the 'Step' (the minimum value is indicated on the 'Ticket'; please note that the minimum Step may vary according to market conditions). You enter 10 points.

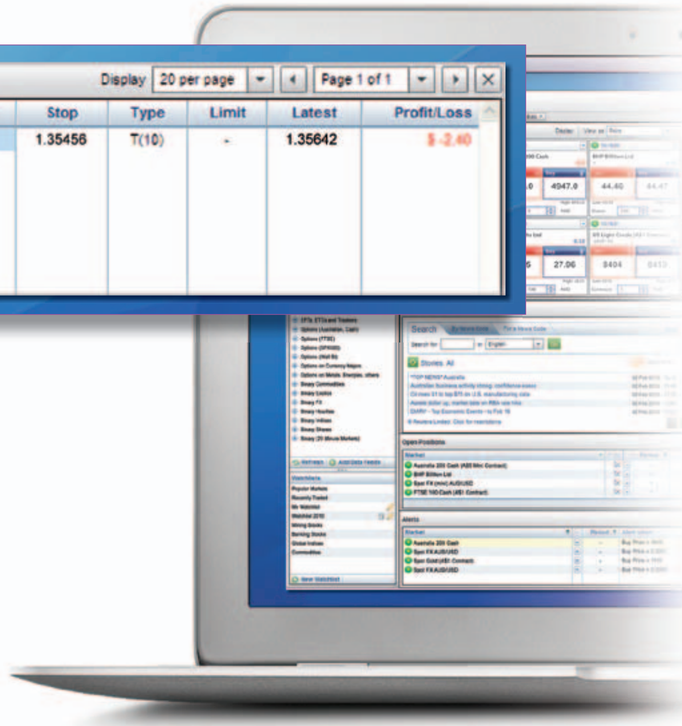
You have now stipulated the two required criteria of the Step (that governs when your Stop is adjusted) and the Distance (that defines how far away the Stop is placed each time an adjustment occurs following a market movement in your favour that satisfies the Step).



2 You click 'Buy' and receive a confirmation of all the details of the trade. You have bought one mini contract of EUR/USD at a rate of 1.35656, with a Trailing Stop with a Distance of 20 points and a Step of 10 points.

Example: attaching a Trailing Stop to a position
(continued)





3 Your trade appears in the 'Open Positions' window, where you can view the current Stop level: you opened your trade at 1.35656 and the Stop is placed 20 points (pips) lower, as specified, at 1.35456. 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).

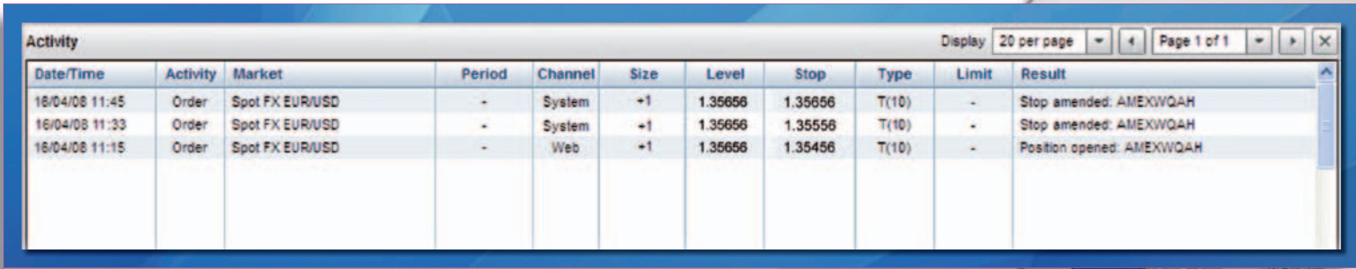
Straight after you open your deal, EUR/USD drops a touch to 1.35615/1.35625. Trailing Stops only follow market movements in your favour, so that your Stop level is not adjusted: it remains, for the time being, at the original level of 1.35456, maintaining your initial risk of 20 points (excluding any potential slippage).

4 A couple of minutes later, the rate moves up to 1.35680 /1.35690. Although the market has moved in your favour, your Stop level is still not adjusted, as the market bid is fewer than 2 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 1.35785/1.35795. As soon as the rate hits 1.35756 (your step of 10 points higher than your opening level of 1.35656), 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 1.35756 – 0.00200 = 1.35556. 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.

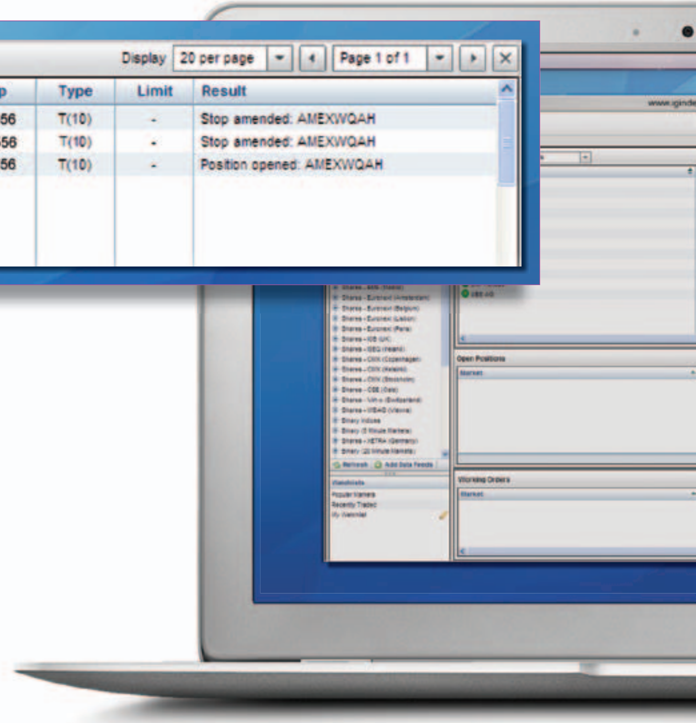
Over the next few minutes, the euro continues to strengthen against the dollar, eventually moving as high as 1.35893/1.35903. At this point your Stop has trailed the market up to 1.35656. The details of how the amendments have occurred can be viewed by clicking on the 'Activity' button at the top of the PureDeal screen. This launches a window which details the specifics of any trades or orders.

Example: attaching a Trailing Stop to a position (continued)

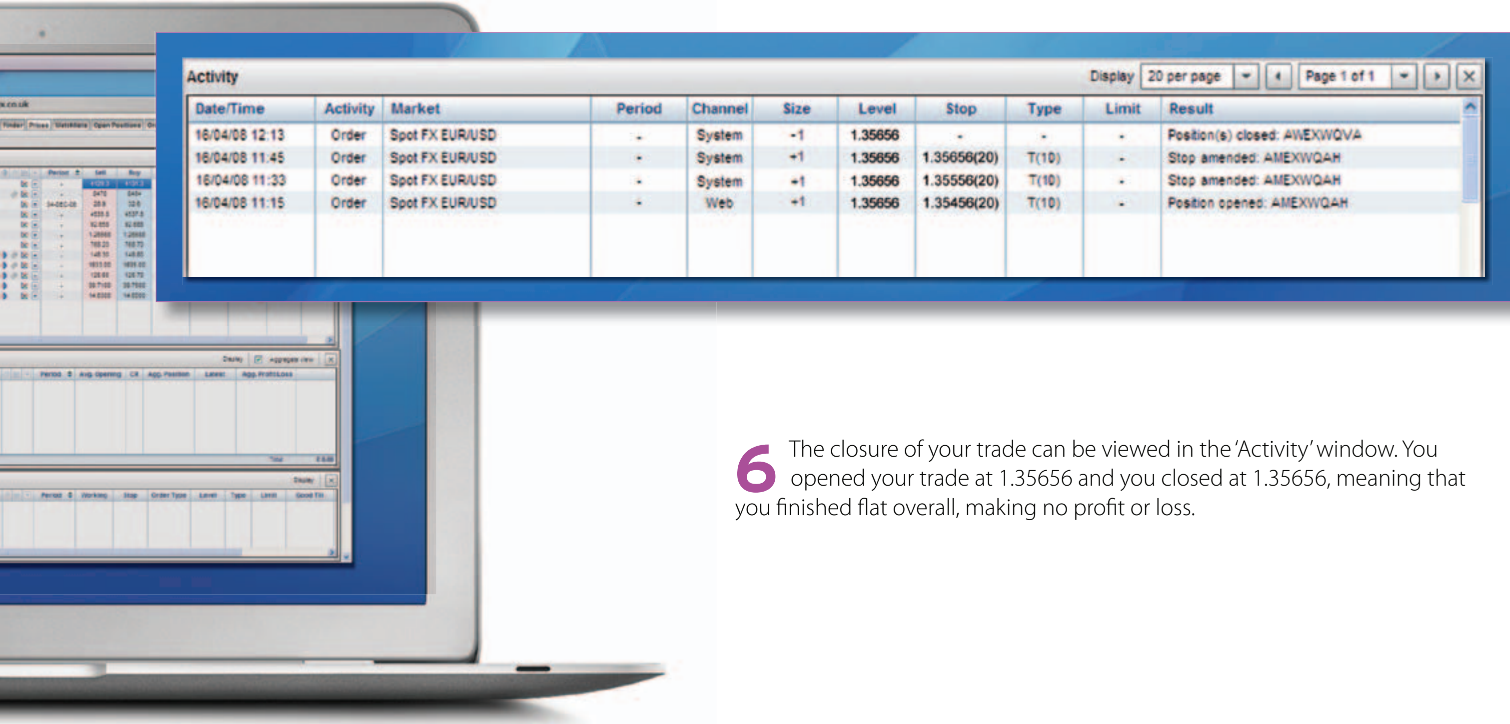


Activity — Display: 20 per page — Page 1 of 1

Date/Time	Activity	Market	Period	Channel	Size	Level	Stop	Type	Limit	Result
16/04/08 11:45	Order	Spot FX EUR/USD	-	System	+1	1.35656	1.35656	T(10)	-	Stop amended: AMEXWQAH
16/04/08 11:33	Order	Spot FX EUR/USD	-	System	+1	1.35656	1.35556	T(10)	-	Stop amended: AMEXWQAH
16/04/08 11:15	Order	Spot FX EUR/USD	-	Web	+1	1.35656	1.35456	T(10)	-	Position opened: AMEXWQAH



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 1.35656, the bid of the quote would need to move 1.35956 for your Stop to move higher again. The market starts to move lower, however, slipping down to 1.3556. Your Stop is hit and you deal at market, selling at 1.35656 (the market moves steadily enough for you to pay no slippage).



Activity

Display 20 per page | Page 1 of 1

Date/Time	Activity	Market	Period	Channel	Size	Level	Stop	Type	Limit	Result
16/04/08 12:13	Order	Spot FX EUR/USD	-	System	-1	1.35656	-	-	-	Position(s) closed: AWEXWQVA
16/04/08 11:45	Order	Spot FX EUR/USD	-	System	+1	1.35656	1.35656(20)	T(10)	-	Stop amended: AMEXWQAH
16/04/08 11:33	Order	Spot FX EUR/USD	-	System	+1	1.35656	1.35556(20)	T(10)	-	Stop amended: AMEXWQAH
16/04/08 11:15	Order	Spot FX EUR/USD	-	Web	+1	1.35656	1.35456(20)	T(10)	-	Position opened: AMEXWQAH

6 The closure of your trade can be viewed in the 'Activity' window. You opened your trade at 1.35656 and you closed at 1.35656, meaning that you finished flat overall, making no profit or loss.

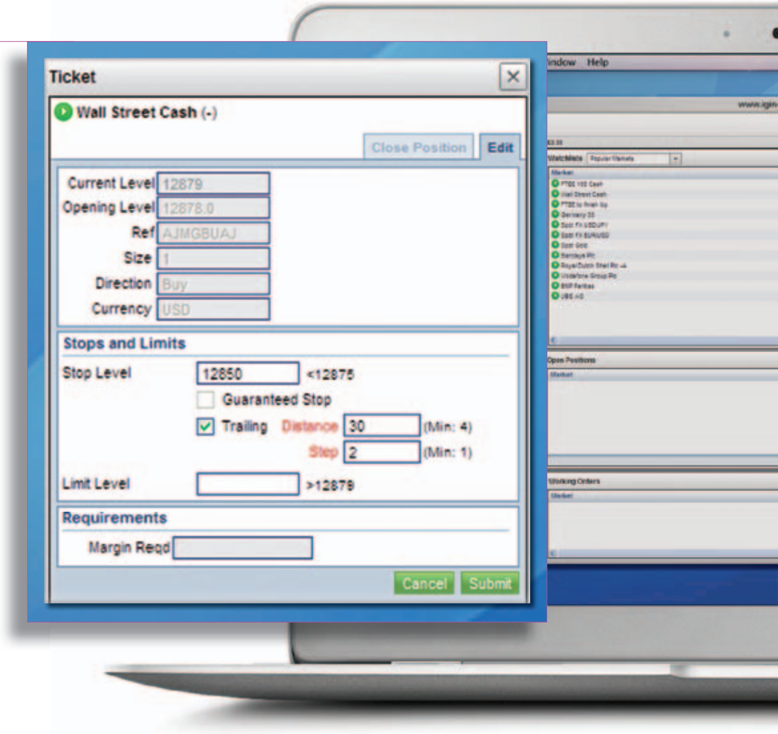
Adding a Trailing Stop to an existing position

Let's say that you have already opened a position, long one contract of Wall Street Cash at 12878, 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' checkbox.

You enter your initial Stop level, which you decide will be 12850. To set the Stop as a Trailing Stop, you tick the 'Trailing' box and then specify the two necessary criteria: in this case, you opt for a Distance of 30 points and a Step of just 2 points and then click 'Submit'.

The market moves in your favour, rising to 12880/12884. At this point, the market bid is 30 points above your Stop level. Your Stop is always maintained at least 30 points from the market though, as defined by your Distance, so that your Stop is not adjusted at this point. If the market makes subsequent gains, however, your Stop will be further from the market than your Distance: if the market moves as much as your Step, it will consequently be adjusted.




Activity

Display 20 per page | Page 1 of 2

Date/Time	Activity	Market	Period	Channel	Size	Level	Stop	Type	Limit	Result
01/05/08 18:29	Order	Wall Street Cash	-	System	-1	12888	-	-	-	Position(s) closed: AJMGBUAJ
01/05/08 18:26	S&L	Wall Street Cash	-	System	+1	12878	12886(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:26	S&L	Wall Street Cash	-	System	+1	12878	12886(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:24	S&L	Wall Street Cash	-	System	+1	12878	12884(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:10	S&L	Wall Street Cash	-	System	+1	12878	12882(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:09	S&L	Wall Street Cash	-	System	+1	12878	12880(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:06	S&L	Wall Street Cash	-	System	+1	12878	12878(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:06	S&L	Wall Street Cash	-	System	+1	12878	12876(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:01	S&L	Wall Street Cash	-	System	+1	12878	12874(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 18:00	S&L	Wall Street Cash	-	System	+1	12878	12872(30)	T(2)	-	Stop amended: AJMGBUAJ
01/05/08 17:59	S&L	Wall Street Cash	-	System	+1	12878	12870(30)	T(2)	-	Stop amended: AJMGBUAJ

Our Wall Street Cash price does move up further: when it reaches 12882/12886 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 12852. 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 2 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 12919/12923. The last adjustment to your Stop occurred when the rate was bid at 12918, placed 30 points lower at 12888. The market next drops drown to 12888/12892. Your Stop is hit and you sell at market, dealing at 12888 (paying no slippage in this circumstance). You opened your trade by buying at 12878, and closed by selling at 12888, meaning that you make 10 points. One contract is worth $10/point, so that your profit is 10 points x $10/point = $100.

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 dealing 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 Limited Risk Stop
- Be aware of slippage and when it may apply
- Know how to use Trailing Stops

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

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