

... I take my eye off the ball for a few days, and it costs me. I'm back where I started ...

I realise that's probably too close to be sensible in a volatile market – just 0.3¢! But I'm a bit paranoid about the leverage and the potentially bottomless pit of getting my call wrong.

The FX screen is like a '70s disco: all flashing red and blue lights moving around. All that's needed is a mirror ball. The FX market moves so exceptionally fast, I can see why most people leave it to the professionals.

## MONDAY September 12

After I turn off my computer on Friday, the chief economist at the European Central Bank resigns; the European market reacts as it does to anything with a hint of negativity about it and plunges. When I turn my computer back on, on Monday morning, my short position on European stocks is in profit to the tune of €13,000; I instantly close my position. To my astonishment my \$20,000 of equity now stands at \$36,240. Clearly I'm a genius.

After this initial moment of euphoria subsides (it is, after all, pretend money) I analyse why I've just acted as I have. My view that European markets are going to get worse is considered and, I think, well thought out. It's a reasonably long-term view. So why have I just closed my position barely two days after opening it? To preserve profits, sure. But if I believed in that position, why not let it run?

I realise I've brought some preconceptions to CFDs and am acting accordingly. I've read that most people who use CFDs have their positions open for only a couple of days, sometimes even hours, and so I'm behaving the same way. But the truth is, if you're using a CFD platform for hedging, there's no reason to do that.

The very next day, I will regret this. Greece defaults and European markets plunge. Pretty much every day for the rest of the week something utterly miserable happens in Europe, culminating with a rogue trader losing \$US2 billion of UBS's money at the end of the week. Had I stuck by my



convictions, I'd have made more than twice as much – but, then again, I'm still ahead.

What next? I'm not generally using the platform to buy stocks I hope will go up – it's easy enough to do that with my usual online broker. The novelty of a CFD is to trade things I can't normally trade. So next, I decide to take a look at oil.

This particular platform hosts a range of different oil contracts (Brent, US light), in a variety of amounts and durations. I've decided that if the world is in a mess, then demand for oil probably will decline, plus the Middle East seems to be a bit calmer, so I take a short position on US light crude. I think about doing something similar with other commodities but can't decide what I actually think and so, lacking an intelligent reason to trade, I don't.

Next day, I find that both my FX trade and oil trade moved too far against me and hit stop-losses. I lost a bit, but not too much, and am still well ahead overall. I've decided I like stop-losses. In CFDs, putting in a stop-loss also reduces the amount of margin you have to commit.

I've been having a think about gold. It's at

a record high and there's increasingly talk of a bubble. But I don't see any reason for a decline in the near future. So I go long the spot gold price. This, I promise myself, will be a trade that's longer in duration. I also go long the Aussie dollar against the US dollar, since it has retreated a bit lately and I can't really see why.

## FRIDAY September 16

Swamped by deadlines, I take my eye off the ball for a few days, and it costs me. Both my trades from Monday – long gold and long Aussie dollars – go against me and hit their stop-loss positions. Worse, I realise I've miscalculated the margin on the FX trade and lost twice as much as I thought I would, wiping out the gains on shorting the European sharemarkets. I'm back pretty much where I started.

It's an expensive mistake, except that it's not a real trade, and I'm reminded again just how important it is to try paper trading first. Next time, when trading with real money, I won't make the same miscalculation.

# No Material