TRADING INSIGHT

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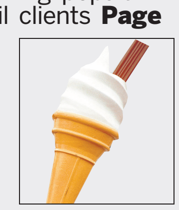

Android takes up the running as clients go mobile

Agenda

Companies are developing apps as traders desert their desktops, says Matthew Vincent

An Android mobile phone in Milton Keynes can now rival a computer screen in EC3 for trading foreign exchange, contracts for difference and financial spread bets, according to the latest customer activity data from retail derivatives providers. Volumes of trades being made on smart phones and mobile devices are continuing to rise, and prompting the development of apps for the latest generation of such devices.

IG Index, which this week is scheduled to launch an app for phones using Google's Android operating system, reports 25 per cent of its clients now trade on a mobile device as well as a PC. Much of the initial growth in these mobile volumes was driven by the popularity of Apple's iPhone. However, Tim Hughes, managing director of IG Index, believes booming sales of Android phones will see more trades migrate to these devices.

"Before the iPhone was launched, we did have mobile trading platforms available for Nokia, BlackBerry and other smart phones – and these had been available for a number of years," he recalls. "But since our iPhone launch, mobile trading volumes have more than doubled and now about 10 per cent of trades across all platforms come from an iPhone. It was only last summer we launched the iPhone App for spread betting clients and the response has been phenomenal. We are expecting a similar impact for the Android app."

Forex.com, the online currency trading platform operated by Gain Capital Holdings, has experienced a similar shift. A quarter of its retail customers now trade on mobile phones – and they make 51 per cent more trades on both mobiles and desktop PCs, compared with when they trade on desktops alone. Again, the growth has been rapid. "Forex.com's mobile trading volume increased 418 per cent in Q1 2011 compared with the same period last year," says Samantha Roady, chief marketing officer at Gain Capital. Having launched its Android app just two months ago, Forex.com believes just as many trades will now be executed via Google powered handsets.

At specialist UK spread betting providers, mobile trading is confined to a small but growing minority.

"Currently, mobile trades still account for less than 10 per cent Capital Spreads' trading volumes but the number is growing quickly – and the launch of the iPhone and Android apps is fairly recent," reports Angus Campbell, head of sales at the betting firm. "That said, the number of Android app downloads has been impressive as, between the beginning of April and the beginning of June, we've seen a rise of over 200 per cent."

Barclays Stockbrokers says about 8 per cent of total trades booked on its contracts for difference (CFDs)/financial spread trading platform now come via its iPhone app. "We have seen a healthy pick-up in client trading activity with hundreds of them now trading through this channel," says head of product Paul Inkster, who notes the iPhone app was launched only at the start of the year.

> 'Time is money and our iPad app makes it quicker for customers'

Apps for the iPad have quickly followed. In March, InterTrader.com claimed to have produced the first dedicated financial spread betting app for Apple's tablet, with a design that makes use of the hardware's larger screen and ability to render high-resolution graphics.

Shai Heffetz, head of financial spread betting and CFDs at InterTrader explains: "We work from the premise that 'time is money' and our iPad app makes it easier and quicker for customers to react to breaking news and events when on the move."

Hold the phone: as mobile data processing capabilities improve, so will the trading tools available Alamy

But it is the potential reach and power of Android devices on which many trading providers are focusing. Figures from research firm Gartner show Android-powered mobile devices accounted for 36 per cent of worldwide smartphone sales in the first quarter, up from 9 per cent from a year ago, making it the top-selling mobile operating system. "The iPhone remains the most popular, but Android is fast catching up," says Mr Campbell at Capital Spreads.

IG Index used to provide an optimised log-in page for Android users who accessed its trading platform via mobile phone web browsers. Its new Android app will enable users to share in the range of functionality that iPhone users currently enjoy, such as Reuters news, automatically updating charts, and at-a-touch execution of trades, stop losses and limit orders.

Forex.com is on the second version of its Android app, which is available in three languages – English, Russian and Japanese – and features more charting tools, extra research content and a "Learn" section.

As mobile data processing capabilities improve, so will the trading tools available to retail clients, providers say. Last month, IG issued the latest version of its iPhone trading app incorporating direct market access (DMA), or Level 2, functionality. Previously, IG Markets clients had been able to trade only on an over-the-counter (OTC) basis or directly into the market from a PC. With its latest innovation, clients gain this same functionality on an iPhone. So, via a mobile handset, traders can get details of the precise number of shares being offered into, or requested from, the market at any given time, allowing them to gauge liquidity and where any significant buy or sell orders may be lurking. They can then use the app to place orders directly on to the London Stock Exchange's order book while on the move.

As a result of these mobile facilities, the location and character of retail traders is starting to change. "Looking more closely at the client base, we see that 56 per cent of clients trading on the iPhone live outside the Greater London area, and do not necessarily fit the general profile of the traditional London-based CFD/financial spreads trader," says Mr Inkster. "These clients are also, generally speaking, depositing more cash – with the average cash on deposit for non-London based clients being about 63 per cent higher than the average for clients residing in London. We have also seen a healthy proportion of clients trading further north, with the Midlands, Newcastle and Scotland all featuring heavily as areas where active clients reside."

Capital Spreads sees a more even split. Mr Campbell says almost half of the client base is located outside London and the south east. "A good indication that our clients are not the traditional City of London user base is that the majority of them have a salary of up to £35,000, so way below the average for City remuneration," he says.

When Spreadex, the financial and sports spread betting firm, profiled a million of the visits to its online platform, it found 420,000 originated in central London, but Manchester, Birmingham, Glasgow, Leeds, Edinburgh, Sheffield and Bristol accounted for seven of the top 10 spread-betting locations. Traders from Milton Keynes appeared the most dedicated overall, spending 17 minutes online per visit.

Spreadex marketing communications manager Andy MacKenzie says: "More people are realising you can trade from home and don't need to be at a hedge fund or a stockbrokers to try and make money from financial market movements."

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Gold's future hangs in the balance

Precious metals

Traders need to think further ahead than the next few months, says Lucy Warwick-Ching

Is gold losing its glister? That is the question at the forefront of traders' minds after faltering economic growth in May contributed to the biggest mining company sell-off for two years. But, while a fall in the price of gold negatively affects those invested directly in the physical metal, traders can play the price falls to their advantage.

"Precious metals have been particularly popular over recent months, with gold and silver attracting a lot of investor attention," says Paul Inkster, head of product at Barclays Stockbrokers. "This has been due to their price strength but in recent weeks silver especially has suffered a sharp pullback."

He says the commodity markets have always appealed to retail execution-only investors who have confidence using those markets for hedging or speculation as part of their short-term investment strategy and also deploy them as a diversification tool in a mid to long-term strategy.

There are various ways that investors can gain investment exposure to these commodities. One way is to invest in companies closely linked to the metals, such as mining firms, or to invest in a managed fund focused on natural resources. But one of the most direct ways is either to buy an exchange traded commodity (ETC), which is designed to closely track the underlying price of the metal, or to spread bet on the metal's price.

There are two main methods of spread betting on gold. Long-term traders tend to place bets on futures contracts, which have a set expiration date. Those looking to take a short-term view usually place bets on gold's rolling spot price. One benefit of spreadbetting on gold is the ability to deal at just about any time of the day, as it is a 24-hour market.

Many spread betting firms calculate gold trades at 0.1 basis points per US dollar, which means that for every dollar you move you would either make or lose 10 times your stake. So if you buy £5 worth of points and gold moves up \$2, you would make £100 (£5 x 2 x 10). With gold, most firms permit gearing of up to 20 times the initial stake. The flipside of leverage is that potential losses are also not limited to your stake.

The big concern for traders is gold's future performance. Alastair McCaig, market analyst at World-Spreads, gives four reasons for why he believes the price of gold will continue to rise. The first is quantitative easing (QE), the process of printing US dollars, which he says has diminished the currency's intrinsic value and pushed up the value of dollar-denominated goods.

"By definition everything priced in dollars rises in value and gold is quoted in dollars, as are most commodities," he says.

He also adds that "turmoil boosts gold. Be it European sovereign debt or Middle Eastern instability, in troubled times, gold has historically been seen as a safe store of wealth. This is because gold does not fade away, disintegrate or degrade."

Third, Asian respect for gold is a key the driving force. "Do not discount the attitudes of the Chinese, Japanese and especially Indians to gold," he says. "These countries do huge business with America so their profits are tightly dependent on the value of the dollar. They see gold as the perfect hedge against its devaluation. When the dollar devalues, the value of their gold increases." Finally, Mr McCraig adds, traders like gold because they are familiar with it.

Some experts say gold has become unlinked from other precious metals, possibly to its benefit. Simon Brown, managing director at ProSpreads, says: "Silver has stolen the spotlight in the past few weeks with a dramatic increase in trading margins catalysing a cataclysmic liquidating exercise, precipitating a 30 per cent drop in its price since the beginning of this month.

"That would normally suggest a sector downgrade driving other precious metals lower, but for those who fail to find a haven investment in uncertain times, then maybe silver positions will be rolled into gold."

Silver and other precious metals have also attracted interest

But traders in gold need to think further ahead than the next few months. "Precious metals are being driven by a whole host of factors: low interest rates, high inflation, sovereign debt crises and a weak dollar," says Simon Denham, chief executive of London Capital Group. "Inflation is high but probably not going much higher, interest rates are possibly on the cusp of turning and the dollar is struggling to hit new lows. Added to this is the fact the US may be about to turn off the printing presses and calling a halt to QE."

Kathleen Brookes, research director at Forex.com, adds that on a longer-term basis the attraction of gold is only good if you have confidence people will want to buy it in future. "It yields nothing and isn't widely used [by industry], so its rise in the past 10 months is mostly based on investor sentiment, and we all know how capricious that can be."

Share launches improve but are no one-way bet

Ivan Glasenberg, chief executive of Glencore, at the company's listing in Hong Kong last month Getty

IPOs

Spread betters who spot the direction of stock movements can reap rewards, says **Tanya Powley**

The recent initial public offerings of Glencore, the world's largest commodities trader, and LinkedIn, the business focused social network, look set to end the trend of difficult. and in some cases failed, flotations on the big stock exchanges.

The multibillion-dollar listing of Glencore last month is the largest IPO in London and the third largest in Europe, raising around $10bn. Meanwhile, LinkedIn's Wall Street debut has seen a rush of other social media companies looking to list in the coming months.

These launches are expected to improve confidence in IPOs, which has suffered since the credit crisis and was hit more after a number of companies pulled listings. While IPOs can provide an opportunity for spread betters, experts say recent listings have shown the difficulty in trading this market.

"New IPOs can be risky and are by no means a certain one-way bet," says Joshua Raymond, market strategist at City Index. He says recent listings have shown how volatile IPOs can be and that timing can be everything.

Spread betters that pick the right direction in an early trade can be rewarded handsomely, however. For example, traders that betted shares in Super Group, the fashion retailer and owner of the Super Dry brand, would continue to surge after its IPO last March could have gained a profit.

The group launched at a price of 502p in March 2010 but by February this year share prices hit a high of 1898p, rallying some 278 per cent in the space of just 11 months trading as a publicly listed company.

However, Super Group's example also shows the volatility of IPOs, says Mr Raymond. Its share price has since fallen by some 45 per cent after its February highs.

A similar case occurred with LinkedIn's listing last month. The shares listed at $45, traded as high as $121 before settling back at $94 by the close, says David Jones of IG Index.

"While there were clear profit opportunities to be had, the first trades for the share in the physical market appear to have been around the $90 level and timing becomes critical," says Mr Jones.

"The first trade was at 100 per cent premium to the IPO price. Only the brave or foolish would think it had further to run. As the price ticks higher, if you move into the market too late, by the end of the day you could be nursing a loss."

Mr Jones points out that much has been written on IPOs and the propensity for shares to show an overreaction, followed by a mean reversion. Therefore some of the best opportunities for a spread better in an IPO could be to try and pick the top of the overreaction and go short from there.

However, this will not always be the case, as seen with Glencore. The trader's debut as a public company has been criticised as lacklustre so far, trading below the IPO price of 530p.

According to WorldSpreads, the majority of clients who traded Glencore on day one, May 19, bought positions but as the low trade on that day was 530p, they found themselves slightly on the wrong side.

But Glencore remains one of the top five traded equities on the WorldSpreads platform today, says Alastair McCaig, market analyst at the spread better.

> 'One will most likely be basing research on fundamentals, which may not be everyone's expertise'

Craig Inglis, product manager at CMC Markets, says short-term rises and falls in both directions are not uncommon. "No IPO is guaranteed success, even if it is listed on the FTSE 100, a sharp move lower in the stock or commodities markets in general would result in Glencore drifting in sympathy," says Mr Inglis.

Experts also say it can be difficult to trade recent IPOs as there is no historic price performance to measure or analyse. Mr Raymond says: "This means that one will most likely be basing research on fundamentals, which may not necessarily be everyone's expertise."

Spread betting providers say that in spite of the hype over recent IPOs, interest from traders has largely been limited. This has seen the opportunities for grey market trading, the possibility to make pre-float spread bets, dwindle. But spread betting providers may offer grey markets again depending on demand for future large IPOs.

Women and minorities remain rare

Investor base

Providers must work harder to widen their appeal, says **Elaine Moore**

In 2006 a study by Cass Business School, part of London's City University, estimated that if spread betting was more heavily advertised to women, the elderly and members of ethnic minorities, then by 2011 the number of people with an account could reach 1m.

With the hindsight of five years it appears the advice went largely unheeded.

The profile of the average spread better remains white, male, middle-aged and professional.

Although IG Index says that 3,000 people open an account with them each month, spread betting is still not a mainstream activity.

The Investment Trends survey at the end of last year reported there were about 83,000 active traders in the industry.

"I don't think that the firms have failed, they just haven't tried," says Chris Brady, dean of BPP Business School, and co-author of the original report.

"It's interesting because the research we did showed that women, ethnic minorities and older people were all prepared to bet but no spread betting company had looked into any clever marketing to attract them. And they still haven't. The marketing around now isn't so different from what it was around 10 years ago."

In order to appeal to broader markets, the report suggested providers should offer a pared-down version of their products and try out a new kind of advertising.

But websites of the largest spread betting firms in the UK are still mostly serious affairs boasting charts and graphs. There is little of the party atmosphere on show from competing online poker sites, where women make up a higher proportion of customers.

Prof Brady's report claimed that the number of retired spread betters was also likely to increase, thanks in no small part to the demographics of Britain's ageing population. From a 5 per cent share it could rise considerably if older people were targeted. They have the time, money and skills to become serious spread betters, he said.

"We were all assuming they [over 50s] would have grown but the per cent hasn't moved. Of course, due to the growth of spread betting the absolute numbers will have increased for both over 50s and women but it is still clearly a 25-45 year-old and male-dominated environment," says David Jones, chief market strategist at IG Group.

The same goes for women. In 2006 women accounted for about 10 per cent of the industry. Half a decade on and although the overall number of women with a spreadbetting account has increased, their proportional representation remains just 10 per cent.

There is evidence to suggest that women enjoy researching trades and are in fact better performers on average than their male counterparts, but they have not become a mainstay of the industry.

Neither have the country's ethnic minorities.

The reason for this, according to Prof Brady, is largely down to advertising.

In order to shift its profile away from a complex, high-risk and high-end product the industry would require an increase in providers, which has occurred, and a more populace-friendly advertising campaign, which has not.

Many of those who work in the spreadbetting industry still believe it will become more female-focused, but when this will occur is unclear.

Mr Jones says that although only about 8 per cent of clients are women, approximately 15 per cent of those considering opening a spreadbetting account are women. This, he suggests, means that the number of female traders should increase over time.

But the alternative suggestion is that women are initially interested but are put off by the actualities.

"I don't know what it would take to attract more women – and it is a shame they don't bet more, because the figures show that they have a more disciplined approach in general than men," says Mr Jones.

Joshua Raymond, market strategist at City Index, says that over the past decade City Index has seen a very strong correlation in the growth of new accounts from women traders to bull and bear markets.

Between 2001 and 2007 the firm saw an increase of 124 per cent, year-on-year, of new women traders.

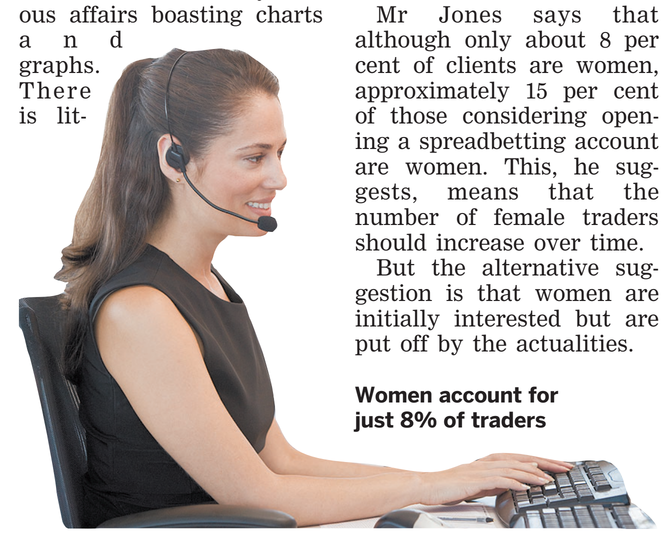
But from 2007 until early 2009 this fell by 71 per cent.

"This appears to indicate that despite the fact you can make money from bear markets by spread betting, by going short or selling prices, women appear to be more risk-averse then men, and this may be why we saw a fall in the amount of new women traders between 2007 and March 2009, a time when the FTSE 100 lost 48 per cent."

Since March, the company has seen an upturn in female clients, increasing at a similar rate to before the global financial crisis started.

It could, he says, indicate women are more strategic in their planning than men.

But even if companies do start to attract the interest of new groups, retaining them is another matter.



Women account for just 8% of traders

Technology key to catching fixers

Anti-corruption

Sports bodies are working with the industry to deter cheats, reports **Sean Smith**

Another quarter, another betting scandal. This time a Fifa football referee has been accused of wrongdoing after suspicious betting in an international friendly between Nigeria and Argentina this month.

The international football association is investigating after it was alerted to a huge swing in odds for a fifth goal towards the end of the game, with the score at 4-0 to Nigeria. Five minutes of added time went up on the fourth official's board, but the referee added more time and awarded a disputed penalty to Argentina.

The most pointed aspect of the incident was not the decision by a referee, Ibrahim Chaibou, already under investigation by football's world governing body for a match in which a "fake" international team was fielded. It was the fact that the net which has been cast across the betting industry to catch suspicious betting patterns seems to be working.

Unlike many previous betting scandals, Fifa would probably have been monitoring the betting activity in real-time thanks to technology it shares with betting companies.

Immediately after the match, Fifa said: "This match between Nigeria and Argentina was one that we had an active interest in, and forms part of a wider ongoing Fifa investigation."

One of those pieces of technology, Betmon, was developed by Betfair, and used by more than 40 sports organisations globally to track suspicious betting patterns. The software allows real-time access to see online betting activity in each sport, letting sporting authorities to monitor bets on specific events.

Betfair has been at the heart of the fight against illegal online betting since it signed its first memorandum of understanding with a sporting authority in 2003. The company guards the details behind its betting integrity system intensely, but the Financial Times understands the system uses a combination of vigilance by trained analysts, tip-offs from customers, an electronic warning system, forensic computing and a network of sports authorities that can access Betmon remotely.

> 'The problems are coming from inside sports – players and officials linked to that particular sport'

From this, Betfair and the sporting authorities can identify wrongdoing in cases like that of jockey Dean McKeown who was banned from riding for four and a half years in 2008.

He was banned after an investigation into suspicious betting practices found the jockey had conspired to lose races. He has since tried to lift the ban with a High Court appeal but this failed.

Betfair is not alone in looking to a mixture of technology and collaboration. Since 2008, many European bookmakers have signed up to the European Sports Security Association (ESSA), which monitors irregular betting patterns across the continent and reports suspect activities to the appropriate authorities.

"From the bookies' point of view, they are trying to protect themselves from anything suspicious. But a lot of the problems are coming from inside sports – players and officials linked to that particular sport," Khalid Ali, secretary-general of the ESSA says.

"The main reason is that there has never been a major focus on tackling corruption in these sports," he adds.

Bureaucracy continues to be a stumbling block in clearing up match and game fixing, both at sporting authority and governmental level.

One betting industry insider told the FT: "The biggest concern is that betting companies are getting very little feedback from sporting authorities.

"They find suspicious betting patterns, they hand over the evidence, and that is often the last time they hear about it."

In the UK, which as one of the biggest consumers of gambling with the most relaxed gambling laws in the world and is at the forefront of combating wrongdoing, the government set up a Sports Betting Integrity Panel to monitor progress made in eradicating illegal gambling and to push for changes. It is expected to issue a report at the end of this month, but since its last report in 2009 the online betting world has grown, and continues to move towards becoming bigger than all other forms of taking bets, including high street stores and telephone bets.

Last year, for example, William Hill recorded revenue online of £251.5m, just under a quarter of all revenue across the business. Net revenue in online sports betting grew 95 per cent year-on-year.

The next test will be the Olympics in London, which has already been raised as a concern by Jacques Rogge, president of the International Olympic Committee, a sporting organisation that has been at the front of highlighting the problem of illegal betting.

"We had monitoring in Vancouver [2010] and in Beijing [2008] and there was no sign of illegal betting in either of those Games. But it would be naive to say this could not happen at the London Olympics. Of course, I am worried it could happen. We have to be ready," Mr Rogge said recently.

A friendly between Nigeria and Argentina sparked a probe into a referee's behaviour

Getty

Uefa Financial rule changes threaten to put clubs out of their leagues

As the transfer window opens for another season, clubs at the top of the biggest leagues in Europe are counting their pennies because, by the end of the 2011-12 season, they must balance the books if they want to play in Europe.

Under Uefa's club licensing and fair play rules a team is not allowed to record a deficit of more than €45m (£40.1m) a season for the next two years. After that they must break even or face a ban from all Uefa competitions. Losing a place in the Champions League through financial laxity could cost a club upwards of £50m, a devastating sanction.

Based on their most recent published accounts, Manchester United, Barcelona, Chelsea, Liverpool and Manchester City are among the European elite that would fall foul of the regulations. However, unlike their English rivals, Spanish teams Barcelona and Real Madrid are unlikely to have problems balancing the books. *El Clásico* has a number of fiscal advantages over Premier League counterparts. First, the pair can negotiate TV rights individually rather than as a packaged league. This has cost other clubs in Spain, but has helped Real Madrid and Barcelona overtake Man United to become the two largest clubs in the world by turnover. Last year Real Madrid generated £72.7m more revenue than Manchester United.

Spanish clubs also do not need to pay their players as much. Players there pay about 22 per cent tax on earnings, rather than about 50 per cent in the UK.

Italian clubs will have difficulties with the rules. In general, the Italian football business model has been based around one generous benefactor per club and clubs such as AC Milan will no longer be in a position to compete on the European stage.

Juventus, however, are an exception. Ironically, it was a corruption scandal in 2006 that has helped them comply with the changes. That scandal led to relegation and a complete overhaul of the club that leaves them in profit.

Big spending benefactors are a concern in England, too. Since Roman Abramovich bought Chelsea in June 2003, the club's net spend on transfers has been £388.2m. In this period, Chelsea have consistently posted a multimillion pound loss in their annual accounts – ranging from £44.4m to £140m – which has been paid off by Mr Abramovich.

Last year, 11 clubs had a wage bill that was more than 75 per cent of turnover, while two clubs – Manchester City, bankrolled by Sheikh Mansour bin Zayed Al Nahyan of Abu Dhabi, and Blackburn Rovers – actually spent more on players' wages than they earned.

And salaries remain on an upward spiral. Deloitte's last Annual Review of Football Finance showed that in the 2009-10 season Premier League revenues increased by 2 per cent to £2.03bn, and are expected to breach £2.2bn in 2010-11, but total wage costs rose 5 per cent, or £64m, to £1.4bn, accounting for an average of 68 per cent of revenues, a rise of 1 per cent from 2009-10.

Clubs looking to find ways to trim their losses under the financial fair play rules do have get-out clauses. Expenditure such as youth development, stadium infrastructure and community development is excluded, as is depreciation on tangible fixed assets. In the case of Chelsea, for instance, analysts estimate about £10.2m a year is spent on a youth set-up, while another £9.1m can be set aside for depreciation on tangible fixed assets.

As the rules take three seasons to kick in, the betting markets for next year's Champions League have a familiar feel. Winners Barcelona are strong 2/1 favourites behind Real Madrid (5/1), while the four English clubs – Man Utd (7/1), Man City (12/1), Arsenal (9/1) and Chelsea (20/1) – take up the next four places.

Barcelona player Lionel Messi

Observers say eliminating Osama bin Laden was a big plus for US President Barack Obama's chances of re-election, strengthening him on national security issues AP

Tempo of election race quickens

US political indices

Obama is riding high but a lot can happen before election day, writes **Huw Richards**

The exact date for the start of the 2012 US presidential election is a matter for some debate, with plausible candidates varying from the moment when polls closed in 2008 to the one early next year when the Iowa caucus initiates the formal part of proceedings.

But whether one considers the race virtual or real, with more than 16 months still to go to polling day there is no doubt the tempo has quickened in recent weeks. "We've seen a real uptick in interest," says Carl Wolfenden, who sets politics markets for Ireland-based predictions firm Intrade. That also means more observers and players of the US political process starting to pay serious attention to Intrade, whose markets have gained a formidable reputation for getting results right – calling all 50 states correctly in 2004 and 48 of them (with the happy coincidence that the two that just missed had exactly the same number of electoral votes, and fell one on each side, so that the Electoral College result was bang on).

Meanwhile, on the British side of the Irish Sea, spread betting company Sporting Index has launched its own 2012 markets.

One opinion is universally shared. There is very little chance of another election like 2008, a once-in-a-lifetime epic with no incumbent candidates, two wild party nomination races and a historic final outcome: "Pretty much the perfect storm," as Mr Wolfenden says.

Two questions predominate, Mr Wolfenden says: "They are who gets the Republican nomination, and whether it is a Republican or Obama who wins in 2012."

Most serious observers reckoned that eliminating Osama bin Laden was a big plus for President Barack Obama's chances, strengthening him on the national security issues on which Republicans are likely to attack. Sporting Index's politics specialist Zak Taylor, who modelled prices on its 25-point index and launched it this month, says: "Mr Obama would have been at 16 to 17.5 a few months ago, now he is at 18.5-20, a pretty substantial lead. His polling numbers are good and his approval ratings are back to where they were when he was elected."

Intrade runs on 100 point indices – paying at 100 when an event happens, zero if it does not. Mr Wolfenden describes an intriguing trajectory for Mr Obama's numbers post-Osama: "He was running fairly steadily at 58-60, then there was a spike that took him as high as 69.9, but it came down again quickly and he was trading just above 60 in the first week in June."

> 'Barack Obama's polling numbers are good and his approval ratings are back to where they were when he was elected'

That return to the status quo ante is, he suggests, a reflection of underlying worries: "There are still concerns about the economy and unemployment, and a lot can happen between now and the election."

At the same time Mr Obama, rather like Bill Clinton in 1996, appears to have the advantage of an unimpressive crop of possible opponents. Evidence of Republican weakness was the bubble around Donald Trump before he declared he was not running. "We had a lot of interest in Trump and he got as high as 9.1 per cent on our Republican nominee market," says Mr Wolfenden.

Trump shares with 2008 vice-presidential nominee Sarah Palin the advantages of celebrity. Mr Wolfenden has no doubt Ms Palin's capacity for getting noticed and polarising opinion is good for business.

"She's brilliant for us – we've traded three times as much on her as we have on Mitt Romney, even though he is the favourite," he says.

Ms Palin was trading at 7 per cent for the Republican nomination at the time of writing, although Wolfenden expects her to rise a few points if she chooses to run, a decision that in itself inspired enough interest among Intrade clients to be worth a market of its own.

Romney (29 per cent) has led the field for some time, but he is not very popular with the Republican rightwing.

As Mr Taylor points out: "He introduced healthcare legislation quite like the Obama scheme when he was governor of Massachusetts."

Next in line is Minnesota governor Tim Pawlenty, of whom Mr Wolfenden says: "He's a solid candidate, but he seems to be unlucky – he was due to make a major speech on the day Osama was shot, and that isn't the first time that sort of thing has happened to him."

Traders can look forward to more than a year of mounting interest, but a rather slower burn on British politics, where the next election may not be until 2015. That is a date of particular interest to Sporting Index, which has an index on the date of the next general election, paying out 50 points for 2015, 30 for 2014, 20 for 2013, 10 for 2012 and 5 for 2011.

Mr Taylor explains: "We have done big business on this.

"A lot of people bought at 25 to 28, we saw repeat buys as big as £100 at 28 to 29. It is still going up, and people are still buying at 32, although we are now at last seeing sellers."

The ring brings punters feast or famine

Boxing

Interest is high for Haye vs Klitschko heavyweight bout, says **Huw Richards**

Suitably for a sport that often deals in extremes of emotion and experience, boxing's contribution to spreadbetting markets is a matter of feast or famine.

There is no regular programme of fixtures in the manner of football or cricket. Only a limited number of markets can be offered, and the biggest events are usually confined to the aficionado ghetto of Pay-Per-View television.

But as Jeremy Scott, sports spokesman for Extrabet.com, points out: "What it does do really well is the one-off event that creates a lot of interest." Not much this year will come bigger than the heavyweight title fight between Britain's David Haye and Vladimir Klitschko of Ukraine in Hamburg on July 2.

Each is recognised as a world champion – Haye by the World Boxing Association, Klitschko by the World Boxing Organisation and the International Boxing Federation.

Such proliferation is common in a world of multiple sanctioning bodies. But while both will carry belts into the ring, most fans will see Haye as a challenger, seeking to displace Klitschko as the world's top heavyweight, a de facto standing given substance by possession of the title awarded by Ring magazine, and to break the stranglehold he and older brother Vitali have exerted on the division since the retirement of Lennox Lewis in 2004.

It also helps that Haye has the glamour that excites spread punters in every sport. Adam Bignell, boxing trader for Sporting Index, says: "He's British, he's exciting to watch, he's good-looking and he seems like a nice guy."

And the event will excite the other driver of spread action – publicity. Mr Scott says: "The good thing from our point of view is that the hype will look after itself. It will be all over Sky, you'll have the weigh-in and all the preliminaries and while it does not help that it will be on PPV, we find that people who are willing to spend £15 to see an event on television are often keen to have a bet on it as well."

Markets focus on boxing's relatively small number of clearly definable elements – the winner, the method of their victory and the length of the fight. Until recently bets could only be laid pre-fight, but Sporting Index has recently added in-running markets. It means Haye vs Klitchsko will be tough and tense for Mr Bignell as he adjusts markets round-by-round: "The challenge is working out how the judges are seeing it," he says.

Punters can back a fighter on a 25-point index to win by a particular method (Haye on points traded at 1-2.5 at the time of writing) or on a 100-point index to win in a particular round (Haye in the fifth, 6-8). These all have followers, but given the spread better's love of volatility, it is hardly surprising that the most popular markets are on the minutes the fight lasts (anything from one to 36 for a 12-round fight) and the 10 plus three, with 10 points for the winner plus three points for every round before the end of the 12th that the fight finishes. So if Klitschko wins on points he pays out at 10, while Haye is -10. A Haye win in the first would pay out 46 points to him, with -46 to Klitschko, so huge volatility is possible. Klitschko was favoured by 2.5 to 5.5 on Spreadex at the time of writing.

Haye vs Klitschko also offers real uncertainty. Chris Loud, boxing trader for Spreadex, says: "They have contrasting styles and you can make a case for either of them. Klitschko is favourite but not by a huge margin."

As Mr Bignell points out, Klitschko has an established, formidably efficient modus operandi: "He's got the best jab in the business. He hides behind it and doesn't get hit very often."

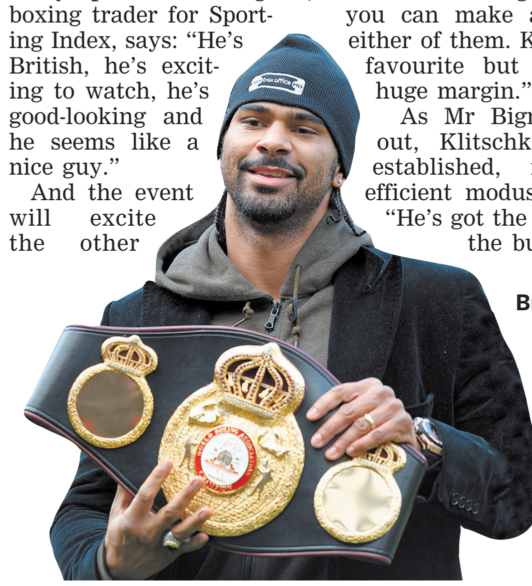
The challenge for Haye is, as Mr Bignell adds, easy to explain and hard to do: "He has to get inside the jab. That's tough, but not impossible. The last two men to beat him, Corrie Sanders and Lamon Brewster, were similar in style to Haye, but Haye is much quicker."

And he will also need to beat the giant Ukrainian inside the distance: "He won't get a points decision over Klitschko in Hamburg if it goes 12 rounds."

For a market that trades on charisma and still misses Ricky Hatton, the Mancunian welterweight who last fought in May 2009, the bad news is that Haye plans to retire by the end of the year.

In his absence Mr Bignell rates Carl Froch, who recently raised his profile by reaching the final of Showtime's Super Six super middleweight tournament – where he will fight unbeaten American Andre Ward – as best for business.

Former Olympic champion Amir Khan has yet to make the same impact, but Mr Bignell reckons his next fight, against Zab Judah for two of the welterweight world titles, will do serious business: "It's in Las Vegas, which adds to the hype and it is a unification fight, which increases interest. Khan is popular when he is fighting world-class opponents. It is against some of the others that his popularity seems to suffer."



British boxer David Haye Getty

Doubts cast on strength of dollar bounce

US currency

Tanya Powley asks whether the greenback's recent popularity can last

The dollar has experienced a small rebound in recent months as concerns over the European debt crisis and a volatile commodity market drove investors into haven asset classes.

Worries about the US running a double-digit fiscal deficit, the inability of the US Congress to agree on a budget, and a possible federal government shut down saw the currency fall to 16-month lows against the euro and pound in April.

Concerns about the euro, following bail-out talks with Greece and Portugal, have increased the dollar's popularity as a defensive short-term investment, according to Neil Looker, chief foreign exchange dealer at City Index.

George Davis, managing director at RBC Capital Markets, believes the dollar's short-term corrective move will unfold over the next two months. The recent increase in margin requirements for silver and crude oil that has flushed out some speculative long positions in commodity markets is also likely to be a factor in bolstering the greenback, says Mr Davis.

"We believe this correction may have further to run over the short term," says Mr Davis. "The negative correlation between commodities and the US dollar indicates that this may present the scope for additional short-term gains in the US dollar."

According to Simon Brown, managing director at ProSpreads, traders have generally made short bets on the US dollar and he says there are no signs this is about to change.

'The US dollar may have had some respite from its prolonged slide against other major league currencies'

"The US dollar may have had some respite from its prolonged slide against other major league currencies, but there is doubt as to whether its recent bounce in value is of the dead cat variety," says Mr Brown.

With medium to long-term dollar trends still downward, experts say there is little concrete evidence of a bullish reversal beginning. Despite the "torrid state of European finances, there is little to suggest spread betters are going to start backing the dollar over the longer term", argues David Jones, chief market strategist at IG Index.

He adds the fundamentals around the US economy give little reason to believe the market is going to see a return to dollar strength in the medium term.

Mr Davis agrees and points out that should US economic data point toward a soft spot or moderation in the recovery in future, and/or there is a lack of a resolution on the US budget problems, the dollar could be subject to downward pressure. This was highlighted on June 7 when the dollar dropped to a one-month low due to fears over the strength of the US recovery following weaker than expected jobs data.

Mr Jones says there are many fundamentals that threaten further dollar strength, ranging from how the US government decides to navigate its way out of the huge deficit to foreign appetite for dollar debt.

Alastair McCaig, market analyst with World Spreads, says several countries have sold some dollar reserves and used the money to buy gold in the past six months. He says Mexico bought 100 tonnes of gold while Russia sold some of its reserves.

Kathleen Brooks, research director at Forex.com says that, with an election in the US next year, she does not believe a divided congress will be able to agree on a sustainable long-term solution to the debt crisis. "That holds the key to a dollar rebound in my opinion," she says. She adds that while the euro remains vulnerable, it is trying to deal with its debt issues and change the unsustainable fiscal ways of the peripheral nations.

"This is a huge task and it seems to have fallen off the rails as the first bail-out given to Athens has not solved any of Greece's problems," says Ms Brooks. "But essentially Greece is a manageable economy, the US's gargantuan debt is not. Who could bail it out without devaluing the dollar?"

Mr McCaig says the dollar has benefited more from worries over problems in Europe than from any intrinsic increase in its value. He says the situation will become more transparent as attention turns from European sovereign debt to the enormous deficit levels of many US states.

For Mr Jones, the first step for longer term improvement in the dollar depends on congress agreeing to a lifting of the debt limit and big spending cuts. He adds: "But a sharp increase in tax revenues ... is likely to be critical if the dollar wants to find lasting support, [and] in turn remaining the reserve currency of choice."

Experts extol virtues of diversified portfolios

Spread betting

Investors advised to hedge their bets, reports **Lucy Warwick-Ching**

Eggs in one basket: if you invest in ice-cream, it could pay to also sell umbrellas on the side Alamy

Professional traders have always specialised in single asset classes; becoming either a bond trader, a commodities traders or a forex trader – and amateur traders are told to follow the same strategy. But experts warn that this approach is not sensible for individuals who are risking their own "book".

Instead of just trading the FTSE or commodities, they argue there is a case for treating a spread betting or Contracts for Difference (CFD) account like an investment portfolio and diversifying.

"It can be risky putting all of your eggs in one basket. If you pick the right market movement then there can be high rewards. But the issue is when that asset class or sector goes against your prediction; you could accumulate big losses fairly quickly," says Joshua Raymond, market strategist at City Index. "This is why some of the best traders in the world always look to diversify their portfolios, taking in a range of asset classes to help diversify their trading risk. There is no difference whether you are physically investing in the market or spread betting and CFD trading."

Experts say the way to look at a spread betting account is that it is your own personal hedge fund. You can trade a variety of markets in both directions using leverage, but you should still pay attention to some basic risk-management principles. Rather than simply buying everything in one sector, investors should look instead to gain exposure to a range of things that are not interlinked. The aim is to have investments that are not strongly positively correlated or are maybe even negatively correlated, so you can hedge against losses elsewhere.

Mr Raymond at City Index gives the example of investing in a ice-cream stand. "If you invest in a van, then the van is likely to make most money when the sun is shining. However, should it rain, revenues are likely to be down as consumers are unlikely to want to buy ice-creams when they are drenched in rain," says Mr Raymond. "A typical hedge against this would be to diversify your investment and invest in an umbrella company.

"That way, when it rains, any losses made in the ice-cream van are likely to be offset by the umbrella manufacturer."

The same can be said for trading the financial markets, where there are natural hedges. Here, Mr Raymond gives the example of the price of the US dollar and dollar-denominated commodities. "There has been a fairly strong inverse correlation between the price of crude oil, copper and other dollar-denominated commodities to the price of the US dollar index. This is because the more expensive the dollar is, the more costly it becomes for non-holders of dollars to buy these commodities, and vice versa," he says. "Therefore, should you have a large long position in, say, crude oil, it can be hedged effectively by going long US dollars, as any fall in crude is likely to be picked up by dollar gains."

But while there are many good reasons for diversifying a portfolio or trade, some experts also warn against diversifying too much. Simon Brown, managing director at Prospreads, says: "The reason that most spread betters limit their portfolio to a couple of products is that if you watch a product day in, day out you get a feel for how it trades, how it moves, even how it breathes. So whether you follow charts or fundamentals, the longer you trade a product the more you spot its idiosyncratic behaviour."

He says this is often what brings on "gut feeling"; that moment when you know something is going to happen. "Gut feeling is something that traders probably should not ignore but often only comes with experience of focusing on a particular product for a long time."

And Alastair McCaig, market analyst at WorldSpreads, recommends that investors stick with what they know. "The more balls you have in the air the more chance you'll eventually drop one," he warns. "Those who trade equities have their own corresponding expertise, sources and insights into sectors and companies. It is when traders divide their time between two highly specialised areas that they risk losing their focus and eroding their edge."

One of the biggest mistakes that customers make in spread betting or CFD trading is to tackle new markets with no experience. Ryan O'Doherty, product manager at CMC Markets says. "Should customers broaden their horizons in regards to their investments? Absolutely, but best advice when trading new asset classes is to do extensive research first and learn about technical analysis, especially if looking at indices, commodities and foreign exchange."

The conclusion of experts seems to be that it is sensible to diversify but only if you know the markets you are investing in.

Investors are beginning to spot the difference

Asset classes

CFDs are growing in popularity, reports **Lucy Warwick-Ching**

Contracts for difference (CFDs) are becoming popular with retail investors, with 40 per cent more traders using them in 2010 than the year before, and further growth of about 36 per cent expected this year, according to Investment Trends, the wealth research company.

With both CFDs and spread bets, investors can make money if they are right about movements in a share price, commodity or index. Both present prices as "bid" and "offer" and allow investors to go long or short, letting them make money from rising or falling markets. Traders either speculate on how the price will move, as in spread bets, or enter into a contract to buy at one price and sell at another, paying out the difference, with CFDs.

Simon Denham, chief executive at London Capital Group says: "The fundamental differences between CFDs and spread bets are often hard to quantify ... as most people interested in retail derivative trading focus on the tax-free element to spread bets to the detriment of other factors."

The main difference is CFDs are liable to capital gains tax at the investor's marginal tax rate after the annual allowance, currently £10,100, has been surpassed, while gains from spread bets are tax-free. "This remains one of the single most important factors behind spread betting's popularity over CFD trading among retail traders," says Joshua Raymond, market strategist at City Index.

This cuts both ways, however, as losses incurred through spread bets cannot be offset against future profits for tax purposes but CFD losses can.

Another difference is the way trades are placed. A spread better is betting a certain amount of money per point on any given market. CFD traders will trade a certain number of shares or lots, just as in conventional share trading.

Choosing between the two investments can be a matter of personal preference. Some clients prefer to pay the provider a little more for shares, for example, while others prefer to pay commission.

"In the main, the price that you trade at when using a spread bet or CFD are almost exactly the same as it makes no difference to your counterparty which instrument you trade," says Mr Denham.

"This is a slight variation in some markets, however, where the price of a spread bet will have all the cost included in the quote while a CFD may have a small commission fee applied. In the end, however, this represents pretty much the same cost for both."

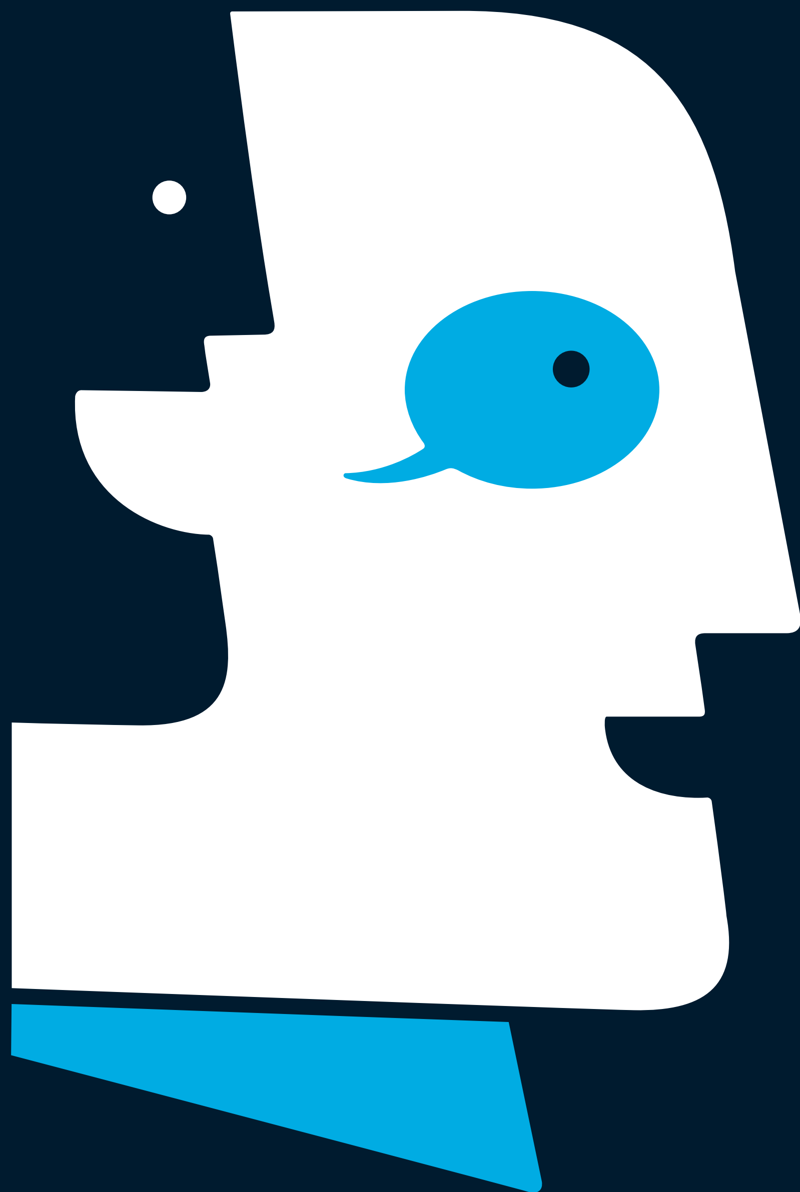
Investors keen to trade forex often opt for spread betting because trades are only monetised in the investor's base currency, while CFD trades are monetised in the base currency of the underlying market. As Mr Raymond points out: "For this reason, CFD trades can be subject to currency fluctuations."

He explains that if you are making $500 in a trade on Google, but the sterling rallies 5 per cent against the US dollar, then the amount of profit you have made when you transfer your winnings back into sterling would be worth less than when you started the trade.

'People who have experience of trading shares tend to find the concept of CFDs easier to pick up'

A factor that does affect people's choices is that CFDs, by pure definition, look a much more professional trading product. James Daly, investor centre representative at TD Waterhouse, says: "People who have substantial experience of trading shares tend to find the concept of CFDs easier to pick up than spread betting."

One option is for traders to open an account that allows them to trade both. Some providers allow investors to trade both products through the same platform so many clients trade both within their portfolio.



It’s your thought that counts

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