TRADING INSIGHT

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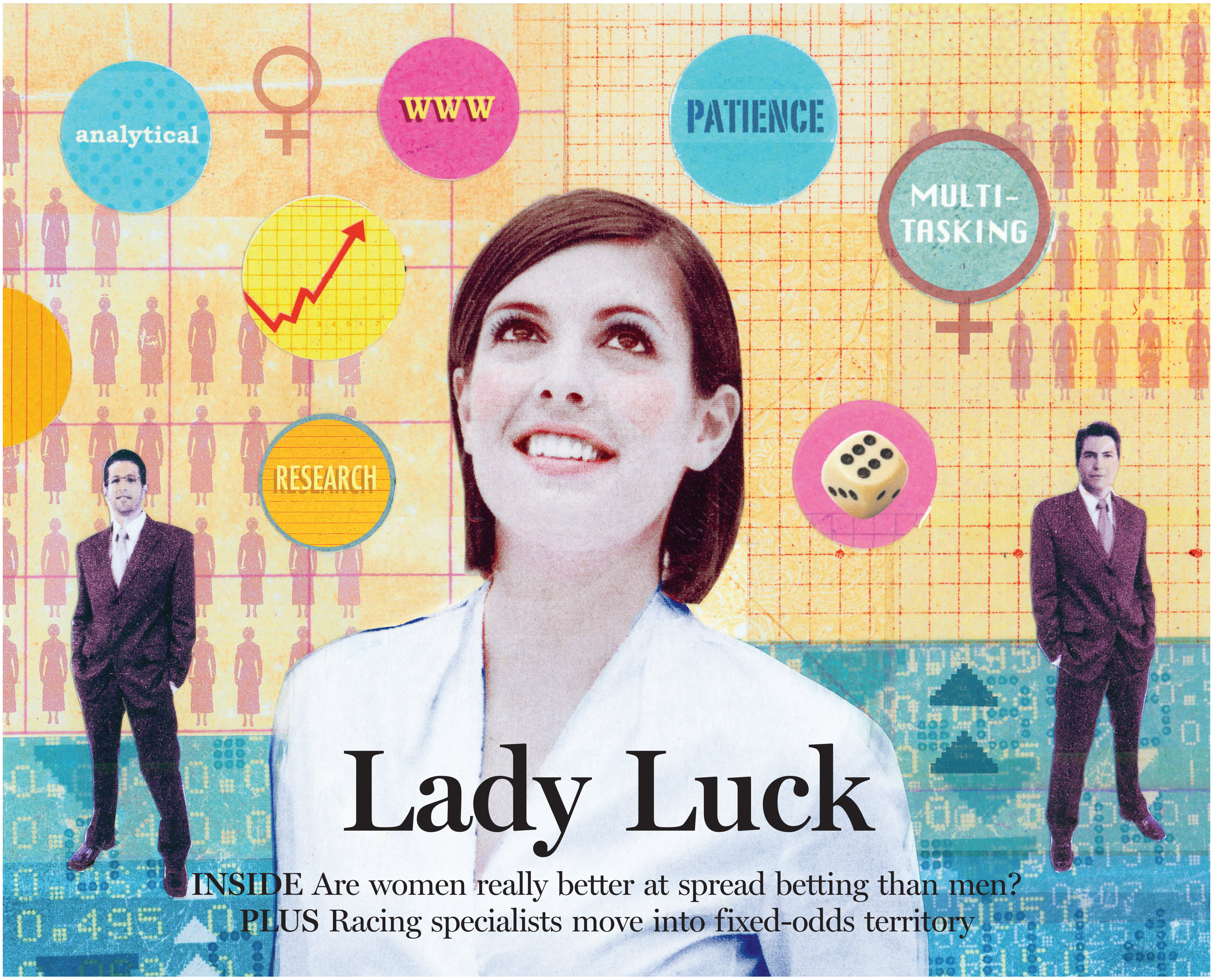

Lady Luck

INSIDE Are women really better at spread betting than men?

PLUS Racing specialists move into fixed-odds territory

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Cautious approach: women are deemed to be more careful in their attitudes to research, risk and profit seeking
Dreamstime

Boys lose out to spread betting sisterhood

A growing number of women now take part in higher-risk trades, and they are outperforming men, writes **Lucy Warwick-Ching**

Financial spread betting and contract for difference (CFD) trading is a man's world no longer.

While women used to be under-represented in this arena, their numbers have been steadily increasing in recent years.

"Online trading platforms have reduced the barriers to entry into financial spread betting and this has meant that one of the fastest growing areas in this area is that of the female client," says Alistair McCaig, senior trader at WorldSpreads.

He adds: "With online trading there is no 'old boy's network' to worry about and female clients do not need to worry about prejudice."

Anyone taking a position in the markets, whether in stocks, commodities or foreign exchange, can do so at the click of a mouse.

"There are no gender barriers," says Sandy Jadeja, chief technical analyst at City Index. "Just over 12 years ago, the attendees at our seminars were 100 per cent male. Now that has dropped to about 70 per cent."

The ratio of male to female spread betters is still heavily weighted in favour of male traders but it seems female spread betters are actually outperforming their male counterparts. According to research from IG Index, on average, female traders win twice as much or lose half as much as their male counterparts.

Why is this, and can it really be that women are better spread betters than men? Some say it is the ability to accept when they are wrong and need to ask questions that gives women an edge over men in financial spread betting and CFD trading.

"It is recognised that successful trading is as much about psychology as inspired stock picking, and it seems that the emotions may be where women have the upper hand," says Tim Hughes, managing director at IG Index.

He says the adage of running profits and cutting losses acquires a new dimension when viewed from the point of view of ego.

"A cliché it may be, but men hate to be wrong," says Mr Hughes. "Does this reluctance to concede when wrong make men more likely to run losses? There is a school of thought that the female psyche is better disposed to accept being wrong, realise small losses and move on. Ultimately, this behaviour is crucial to successful trading."

James Hughes, market analyst at CMC Markets, agrees: "Female traders, contrary to popular belief, are also far better at extracting the emotional side of trading from their decision making.

"When it comes to taking profits or accepting losses, female traders are far more likely to walk away rather than trying to squeeze every pip out of a trade or blindly hope for a position to come back in their favour."

The idea behind this is that when a trade goes wrong, some men – and of course some women – believe it is better to ignore the trade rather than be proved wrong by taking the loss, in the vain hope the market will swing round and prove that they were right in the first place.

Others believe the difference in performance between men and women is linked to research techniques. Men and women differ in that men tend to "learn by doing". While there is nothing necessarily wrong with this approach, it could disadvantage them when compared with the fairer sex, say experts.

Mr Hughes says: "Perhaps a little more time spent reading about the basics, viewing seminars and researching trading and common pitfalls – which is undoubtedly the best way to approach trading – is something that women are more likely to do than men."

Barbara-Ann King, head of investments at Barclays Stockbrokers, supports this view. "Financial education, lifestyle and psychology are key differentiators between men and women and their attitudes to investing," she says. "Women possess many of the characteristics of a good investor in natural abundance.

"They can multi-task, they are diligent about research, they are often more prepared to take a longer-term view and tend to have high levels of composure, a fantastic characteristic if you are to ride out markets and secure the best possible returns."

Perhaps another reason is that female spread betters approach their betting and CFD trades with greater caution than their male counterparts. "Testosterone levels in men are a big factor in causing booms and busts within financial markets," says Simon Denham, head of Capital Spreads.

"Testosterone levels are lower in female traders and this is reflected in the fact that they are more likely to get out of a market that is overpriced quicker, thus avoiding the eventual bust.

"We see that women are more patient in terms of seeking a profit over the longer term instead of making large, short-term bets."

He says these attributes are very useful when it comes to using a leveraged product such as spread betting. Since profits and losses can be magnified using small initial cash outlays, discipline is paramount in order to avoid your cash balance suffering a boom or bust.

But whether or not such hypotheses offer adequate explanation is hard to say, admits Mr Hughes. "Both are based in sweeping generalisations – and there are many and notable exceptions to the 'norm' – but there does seem to be a material difference in the trading success of women when compared with men."

> 'There does seem to be a material difference in the trading success of women compared with men'

Philip Brown, chief executive of ProSpreads argues the flip side is "women can be too disciplined, in that they are generally not inherent risk-takers, unlike men, and you have to take some risk to reap a profit".

In terms of what traders will bet their money on, this also differs between the sexes. The chart (*see right*) shows the percentages of the three most popular asset classes as apportioned along the sexual divide.

Across all asset classes, women held positions open for 20 per cent less time than men, but when looking at spread bets in only forex and indices, female clients held their positions open 54 per cent longer.

Many in the industry believe spread betting companies will become more female focused.

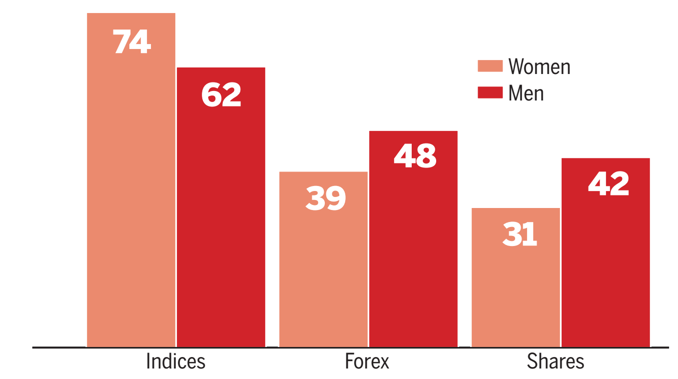
"I expect spread betting companies to start providing more gender-neutral advertising and additional tools to service the naturally analytical female approach to speculating on financial markets," says Mr Brown.

The idea that traders are men in their 50s with a financial services background is being dispelled.

Sandy Jadeja at City Index says: "Our aim is to open the sector up further, so our education seminars are made up of half men and half women, with both parties then continuing to trade afterwards," he says.

"In this era of accessibility and openness we are confident that women traders are here – and here to stay."

Spread betting by asset classes



Source: WorldSpreads

Investors are attracted by the tax-free status of bets

Fire sale: BP's volatile share price after the Deepwater Horizon disaster attracted spread betters AP

Share price indices

The non-levying of stamp duty and capital gains adds to the appeal, says **Lucy Warwick-Ching**

The decision by the government to raise capital gains tax (CGT) to 28 per cent this year has given a strong boost to spread betting on individual company shares.

Spread betting companies such as WorldSpreads and City Index are reporting a 20 per cent rise in the volumes of bets on shares since Alistair Darling, the former chancellor, raised CGT from 18 per cent in March. This is because spread betting does not attract CGT.

"The lack of taxation has always been a selling point for the spread betting industry, and with the added government boost to CGT this has meant another big push by the spread betting firms," says James Hughes, market analyst at CMC Markets.

The rise in CGT hit short-term traders particularly hard, making it much more expensive to buy and sell shares often. "Seventy per cent of our spread betting trades are open and closed in a day," says Conor Foley, chief executive at WorldSpreads. "This kind of trading just wouldn't be profitable for an ordinary share trader. Spread betting as a vehicle for short-term trading is unbeatable now the government has raised CGT."

The lack of CGT on spread bets is not the only tax that buyers of these products avoid, say experts. Angus Campbell, head of sales at Capital Spreads, says the non-levying of stamp duty on spread bets is also an important factor in where they decide where to put their money. "Of course tax laws are subject to change, but for now investors can take advantage of buying shares without having to stump up 0.5 per cent," says Mr Campbell. "The reason being is that they are buying a derivative of the stock, so they don't actually own it. Of course, this also means that if you buy HSBC's shares in a spread bet you won't be able to turn up at the annual meeting."

So what companies have been the most popular for spread betters in recent months?

Mr Campbell says clients often like to trade stocks following news releases. "We tend to see activity in individual stocks that have just announced their results or there has been a news story about," he says. "The days leading up to company's result will usually prompt a rise in trading volumes as traders scour analyst and press forecasts about how the business is performing."

Economic data which is explicitly linked to a company's operations is also a catalyst for trading. For instance, increased oil futures might lead to buying of BP stock.

"BP has been the most popular stock this year," says Giles Watts, head of equities at City Index. "But it was not merely the downward move in BP's share price that attracted spread betters looking for a potential bargain, it was the extreme volatility that attracted them. [BP] remains top of the activity list; being a household name, and a component of so many people's pensions, interest has remained high as investors watch to see the long-term recovery of a wounded giant."

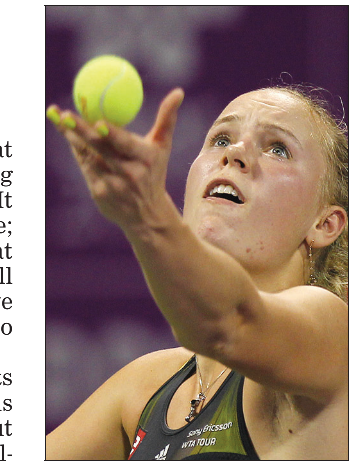
Others say that when it comes to what has been popular among clients it tends to vary depending on which particular sector is moving at the time. David Jones, chief market strategist at IG Group, says in recent months some large and mid-cap mining companies have seen strong moves up.

"The likes of Hochschild Mining and Fresnillo have been popular among clients who look for momentum trades – jumping on board an established trend and looking to ride it further," says Mr Jones. "But there is often a lot of volatility within mining stocks as they can be very news dependent on, for example, updates on drilling progress."

He adds that larger miners such as Rio Tinto and BHP Billiton are something of a proxy for the strength of the economic recovery. "So they can experience sometimes vicious moves in both directions in reaction to news concerning economic growth out of regions such as China and the USA," Mr Jones says. He adds that some clients choose to stay away from this area and focus on less volatile shares. There have been good gains here in recent months and popular ones include FTSE 100 entrant Weir Group, which has shown impressive gains in the past couple of years and even managed a 40 per cent gain in the past three months. Luxury goods business Burberry has also delivered some positive trading updates recently and seems to have shrugged off the malaise surrounding much of the retail area to rise by 20 per cent in the past three months.

For individuals keen to jump in and out of the market, spread betting can be a cheaper option than other traditional investment vehicles. "For wealthy professional individuals, spread betting makes even more sense; in general these people are more profitable and are therefore prone to higher CGT on trades," says Simon Brown, chief executive of ProSpreads.

Tennis: volatility is the name of the game



No. 1: Caroline Wozniacki

Australian Open

Big names attract money but the best index bets may be ranked lower, says **Huw Richards**

The Australian Open tennis tournament – which next year takes place from January 17-30 – may have a time-honoured place as one of the game's Grand Slam events, but its date makes it an oddity.

As Rob Blakeley, tennis trader for Sporting Index, says: "You have a season that runs for 11 months and one of the four big tournaments starts 17 days in."

Some players blossom under such circumstances – France's Jo-Wilfried Tsonga (2008) and Cypriot Marcos Baghdatis (2006) erupted from the game's middle ranks to reach the final – while others shrivel in the Melbourne heat.

World number three Novak Djokovic of Serbia may have beaten Tsonga in 2008, but Mr Blakeley suspects he may not be at his best in this contest: "It has been clear on a couple of occasions, he really doesn't like the heat, and he'll have had less rest than other contenders because of the Davis Cup (December 3-5)."

> 'We had one client who couldn't believe that it could go on . . . He lost heavily'

Ian Massie, tennis trader at Spreadex, says: "Tennis isn't a natural for spread betting in the way that cricket and snooker are, with all their numbers."

But it does have a playing landscape boasting two features that invariably boost spread markets – a strong British contender and a compelling rivalry.

Mr Blakeley says: "When I started, the question you asked before tournaments was 'Will Sampras win again?' Then it was 'Will Federer win again?' Now you've got Federer v Nadal, one of the greatest rivalries the game has seen, with Andy Murray and Djokovic as serious challengers."

Murray has been "huge for spread betting" says Mr Blakeley. His value is evident in Sporting Index's markets for the Australian Open, in which he features not only on the 60-point tournament index (winner 60, finalist 40, semi-finalist 20, quarter-finalist 10, last sixteen 5), quoted at the time of writing at 17-20, but in trades specific to himself using the number of games he will contest in the tournament (143-9), the sets he will play (14.7-15.8) and the aces he will serve (71-75).

What he does not do is attract the "patriotic pound" seen in other sports, notably football.

The British punters who form the bulk of the spread clientele are noticeably wont to bet against Britain's best male player in several generations. Mr Massie says on balance punters nearly always look to back Federer and Nadal. "It seems that punters cannot get enough of them."

While the big names attract most money, the best index bets may be further down the ranks. Where fixed odds focus attention on potential winners, the spread better can take an interest in players who are unlikely to win the tournament but who might figure in the later stages.

Mr Blakeley points to Mardy Fish (0.5-2) and Mikhail Youzhny (3-5) as good bets to repay, while Extrabet trader Chris Camp reckons Gael Monfils (3-5) could be a decent outside punt.

Mr Blakeley reckons the men's market is more popular than the women's by a factor of three to one.

Prospects for the women's singles were further disordered when Serena Williams withdrew at the end of November. Much depends on how the market regards world number one Caroline Wozniacki.

Mr Blakeley thinks that, unlike some predecessors who have imploded, she will in time fully justify her rating, but cheerfully admits that he believed the same of Ana Ivanovic, now ranked 17th.

For index value he points to the excellent record Maria Sharapova, ranked 18th, has in Melbourne.

In the past Sharapova has also been favoured by another tendency of tennis punters: "We noticed that the attractive women tended to attract more buyers," says Extrabet's Mr Camp, who adds that "the market has now become a little more sophisticated".

The doubles game has for some time been neglected, but Sporting Index will be running a limited range of markets during the Australian Open.

Markets specialising in qualifying rounds are also lively, with those on the number of points and games in a particular match the most popular. Here, the sport's abiding strength – of never being over until the final point is clinched – fits spreads well: "Every point counts. It can be 5-0 in the last set and you can still be looking for the loser to squeeze out a couple more points," says Mr Blakeley.

The potential of the points and games market for triumph and disaster was definitively illustrated by Nicolas Mahut and John Isner's 138-game set at Wimbledon last year. Mr Blakeley says: "The spread on points for the whole match started at 220 to 228. In the end there were 980. For games it had been about 40, and they played 173. We had one client who couldn't believe it could go on, and went on selling. He lost heavily."

Mr Massie tells of a clients who sold cross courts, a market in which the winner's games are multiplied by the loser's, so a 6-4 set works out at 24. Selling at 40 "he ended up losing £14,000", Mr Massie says. It could have been worse; crosscourts are capped at 400. Paying out at the full score of 4,760 would have meant losses close to £190,000.

As with spread markets on other sports, tennis punters love volatility. But as the 400 cap acknowledges, there are limits.

Bet with an emphasis on a winning margin is now a firm favourite

Horseracing

Huw Richards considers how companies are developing different kinds of wagers in an arena dominated by fixed odds

Betting has its place in most sports and for some, such as cricket, it has had a vital role in shaping their early development. But for most it remains an add-on, supplementary in importance to the game itself.

Not so with horseracing. This, more than anything, is the activity we think of when betting on sport is mentioned – the sport for which betting is no mere add-on, but its raison d'être. And for almost all of racing's history it has been fixed odds, based on the concept of backing the winner, that has predominated. "Fixed odds, and the mentality that goes with it, still dominates," says Jeremy Scott, sports spokesman for spread betting company Extrabet, which offers fixed odds and binary bets alongside spread markets.

Extrabet has been followed into fixed odds by Spreadex: "We have all the information and systems that you need to offer fixed odds, so it makes sense to do so," says Chris Bradley, its racing trader. It leaves Sporting Index, the largest sports spread firm, as the only one wholly concentrated on spreads.

Even so, spread betting on horse racing is a substantial business: "We're a long way behind football, which towers over everything else, but still solidly second," says Robin Fairweather, Sporting Index's racing specialist. He has been around since the company's early days and can testify to the extent to which it has grown, along with the spread business as a whole: "When I arrived 12 years ago I was one of six employees, doing all the racing by myself. Now there are 190 of us, with a racing staff of 12."

With every meeting in Britain and Ireland fully covered, there is enough work to keep all of them occupied. One of the biggest days of the year is Boxing Day. Mr Fairweather says: "It's massive, there are 11 meetings and a lot of business. We need everybody in, which is quite a challenge on Boxing Day."

Another challenge, the one that has defined racing spreads since the concept was devised, is finding ways to offer what the fixed odds model cannot. Mr Bradley points out: "Before the betting exchanges came along, spreads were the only way in which you could bet against a horse, as well as backing it." If you simply want to back a horse to win, fixed odds is probably still your chosen method. But if you want a market on the extent of that victory, spreads offer more choice. Mr Fairweather says: "In fixed odds you win if your horse finishes first, and it doesn't make any difference whether it does so by a neck or by 20 lengths. Spreads offer markets in which that makes a difference."

Cantering home: Kauto Star, second from left, being ridden by jockey Ruby Walsh during last year's King George VI Chase PA

Distances are the key currency of racing spreads, offered both on individual races and across entire cards of seven or eight events across a day at a meeting. A further spread speciality is the "match", which is based on the distance between two finishers in a race.

Such markets are capped, a protection for both punters and the companies, with a limit of 15 lengths in National Hunt races and 12 on the flat. That limits the losses on both side, when you get something like Kauto Star's 36-length spread-eagling of the field in the King George VI Chase, the biggest single Boxing Day race, last year.

As that cap differential indicates, there is greater volatility – the feature that spread punters routinely seek out – in National Hunt. Mr Fairweather says: "Fences make a real difference. You might have two horses neck and neck coming to the last and a likely difference between first and second of no more than a length or two. Then one of them falls and there's suddenly a winning margin of 20 lengths."

Traders have to reckon with a sophisticated subsection of punters from the sport with the most deeply-rooted betting culture, and imponderables such as one recent race cited by Mr Scott: "A six-horse race with three novices and two more that haven't run over fences before. How do you predict that? That's the challenge."

They must also factor in a range of variables. If one reason why Kauto Star won the King George so spectacularly last year was that he was an outstanding horse in his signature event, this was his fourth consecutive victory in it, another was the riding style of jockey Ruby Walsh. Mr Fairweather says: "He'll always push hard, which increases margins of victory. By contrast [jockey] Tony McCoy tends to ease off once he is sure the race is won, so his distances tend to be shorter."

Match bets also take the punter away from the fixed odds focus on picking a winner. Mr Bradley says: "We'll generally choose two horses who are close to the top end of the betting and are reasonably closely matched, although there may be times when we choose two horse that start at 66 to 1 in the fixed odds market. The challenge is to decide which of the two will run better, and as a punter you may find yourself happy – and picking up winnings – even if your horse is well down the field, provided that it did better than the other one in the match."

Bears take to hedges around homes

Property

Making bets on house prices is not all plain sailing, says **Tanya Powley**

Homeowners hoping for a reprieve from further house price falls are likely to be disappointed over the next 12 months as property analysts point towards a continued downward pressure on prices.

UK house prices fell by 0.8 per cent in November, the fifth consecutive monthly decline in house prices and the largest monthly fall since January 2009, according to the latest Hometrack housing survey.

Meanwhile, recent data have shown that UK lending has dived in the past few months. According to the British Bankers' Association, the number of mortgages approved for house purchases in October fell to the lowest level in 19 months.

Economists have warned that the sliding number of mortgage approvals adds further weight to the view that house prices will fall next year. "In our view, the housing market has got little going for it at the moment, apart from low mortgage rates – and that is if you can get a mortgage," says Howard Archer of IHS Global Insight.

This bearish view has seen an increasing number of investors looking to hedge against property they own or even just to profit from a falling market by placing a spread bet on the Halifax house price index.

"Clients are bearish at the moment and whenever there is some data released – for example mortgage data, house price data or a Royal Institution of Chartered Surveyors' survey – we see a flurry of activity," says David Jones, chief market strategist at IG Index.

Mr Jones says he has seen the number of trades made on house prices increase from a year ago due to the housing market starting to look a "little vulnerable again".

IG Index is one of the few spread betting providers still to offer bets on property values. It bases its bets on average prices measured by Halifax's quarterly indices for the UK, with prices offered on the nearest four quarters. Bets are per £1,000 of value – called a point.

If you think house prices will fall over a certain timeframe you "sell" the house price index, with a view to "buying" it back at a lower price in the future. If you think average prices will rise, you do the opposite.

"It works the same as other markets – we make a two-way price which will update during the day and clients can buy or sell so many pounds per point depending on whether they are bullish or bearish," explains Mr Jones.

For example, IG Index's March 2011 house price index is trading at 157.7/160.2. This reflects an average house price of £157,700 to £160,200, a fall from the current average price of £164,919 (October 2010).

To make a profit traders have to predict accurately whether the fall in house prices will be more or less severe than that reflected in the spread. "When the official Halifax house price index is released the bet will settle," says Mr Jones.

However, many providers argue that traders are better off playing the peaks and troughs of house price fluctuations by buying and selling individual shares exposed to the housing market.

Michael Hewson, market analyst at CMC Markets, says it has no plans to offer spread betting on the housing market because there is no underlying instrument to price off, which makes it difficult for the firm to be transparent and set prices and spreads for clients.

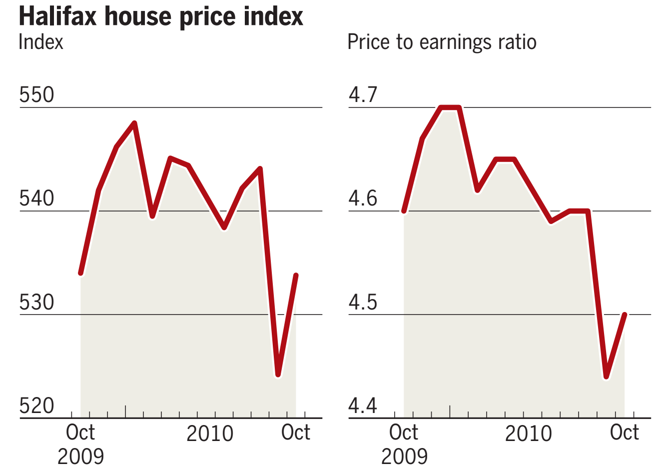
Tim Gort of GFT agrees and says there are a number of drawbacks to betting on house prices. "First, there are a number of different indices that cover the UK, including the Nationwide, Halifax and RICS. Each use different methodologies that can give contradictory views of the housing market, not to mention that sample sizes are relatively small, especially when activity is depressed," he explains.

There are other limitations with house price spread betting. Hedging an entire property is not cheap and often not an effective hedge for clients against their own property as they are betting on movements in the Halifax price index rather than on the value of their own home.

"National house price statistics offer such a broad figure that they are not an effective hedge for clients against their own property portfolios, particularly given that regional house prices are so varied," says Giles Watts of City Index. As a result, national house price indices are not the ideal basis for short-term speculators, adds Mr Gort.

Instead providers say housing stocks such as Barratt Developments, Persimmon and Taylor Wimpey, and construction companies including Balfour Beatty and Carillion have become popular with traders.

Halifax house price index



Source: Thomson Reuters Datastream

Traders have to be on the ball for January transfers

Football

The effects of midseason player swaps may lead to a vibrant market this season, writes **Sean Smith**

As the Premier League transfer window closed at the end of August – after a quiet summer in terms of activity – market watchers were again forecasting a slow month when the buying and selling period reopens in January.

The top two clubs, Manchester United and Chelsea, said that they would not be spending money; Tottenham Hotspur and Manchester City, fourth and fifth last season, have spent large sums on rebuilding their squads, while Arsenal and Liverpool have issues in the boardroom.

But the expectation of a quiet month may turn out to be wrong as reasons for the Premier League's biggest clubs to buy or sell players mount.

The Premier League's total spend in the summer of 2010 fell 22 per cent compared with the previous year to £350m. Last year's January window saw just £30m spent by Premier League clubs, the lowest amount since the inception of the winter transfer period in 2003.

These quiet transfer periods were in contrast to the preceding seasons when the two transfer windows became the focus of intense activity in Premier League boardrooms.

This heightened activity was replicated in football trading markets as punters tried to gauge the significance of player migrations. Betting on the effect of invested money on teams can be an attractive market to betters, not least because they have half a season's worth of form to go on. In 2009, a recession-busting £175m was spent in January.

"Historically, the January window has had a big impact on spread markets. It is as busy as late July [before the start of the season]," says Jeremy Scott of Extrabet.

Unexpected results, injuries and poor form mean that 2010-11 is shaping up as one of the closest title races in recent memory. As a result those early season predictions of a quiet transfer period may now turn out to be wrong.

Manchester United is searching for a replacement for goalkeeper Edwin Van der Sar, who will retire at the end of the season. The club may also enter the market to provide cover for ageing players.

Liverpool's new owners have promised to make additions to their playing staff, while Arsenal and champions Chelsea are chasing some big names.

Conversely, Manchester City – after spending £500m since the arrival of new owner Sheikh Mansour bin Zayed al Nahyan of Abu Dhabi in 2008 – may seek to trim their wage bill to qualify for Europe under Uefa's fiscal rules.

A fire sale of some of their recent expensive purchases could have a significant effect on the squads of fellow Premier League clubs.

Meanwhile, Spurs have qualified for the knockout stage of the Champions League, which usually precedes spending in the market. Also at the bottom of the Premier League, struggling West Ham have promised to spend in an effort to get out of trouble, while Birmingham City potentially have millions to spend thanks to owner Carson Yeung, the Hong Kong-based businessman.

"Relegation markets will definitely change significantly as and when clubs spend money," says Andy Lulham, head of sports at Betfair.

Market activity has already increased; the new owners at Liverpool have brought about a steady dip in their price to finish in the top four this season – from as high as 16/1 when their future was uncertain, to as low as 4/1 as their form returned and promises of new players being bought in during January have been made.

Mr Lulham adds: "Punters are being a lot more sophisticated and looking further forward. Because it is so close it only takes a couple of wins to climb up the table."

As match day odds prove tricky to decipher, football traders have started to see some significant movement in some key long-term markets.

"With a lot of rumours flying about, certain teams can be traded heavily. Last year Man City dropped 5-6 points without even kicking a ball," says Mr Scott.

"Our traders have to be on the ball not to get caught out by big transfers."

Bribe scandals threaten punters on beautiful game

Corruption probe

A trial in Germany has turned a bright spotlight on a spate of match fixing, says **Sean Smith**

The numbers are enough to make anyone steer clear of betting on football results: 270 matches in two years; nine countries involved; $2m in alleged bribes to players, officials and referees; $14m thought to have been deposited in winnings, $1.48m of it seized by police; more than 250 suspected and 50 arrested; and four, who all deny wrongdoing, currently being prosecuted in the biggest match-fixing trial yet to be staged.

But perhaps the most worrying aspect for football punters, who have long known about match-fixing in Asia and South America, is that the ongoing trial, which began in October, is in Bochum, Germany and that the nine countries involved are in Europe.

This has not been lost on bookmakers, who have set up an organisation, the European Sports Security Association (ESSA), to monitor, educate and combat what has quickly become the biggest threat to the integrity of sport in Europe.

While cricket hit the headlines in the summer, after allegations in The News of the World of Pakistan cricketers accepting bribes, football remains one of sport's biggest concern. "Match fixing is the biggest threat to football – ahead of racism, doping and violence – because it eats right at the heart of the game," Uefa, the governing body of the European game, told the Financial Times. "If you go to a game and the outcome of the game is already known, then the whole point of going is not valid any more."

While the Bochum trial is a direct result of Uefa monitoring, concerns have been raised about the effectiveness of the system in place as more and more cases of match fixing emerge.

To some extent the football governing body in Europe has its hands tied because it can only prosecute sporting misdemeanours and must hand over what evidence it has to the relevant country's association, which – with 53 member states – is a regulatory nightmare.

Last month Uefa handed over evidence of fixed matches in Bulgaria to the country's footballing authority, while at the same time informing Greece of 15 top-flight matches under suspicion. Uefa president Michel Platini has long lobbied for a single body to be formed in Europe to combat the problem.

"What we need is an agency that operates across borders, an international sport police," Mr Platini said recently. "Interpol contacted us recently to offer us a working group. That's a start."

Meanwhile the match fixing allegations keep coming. Uefa and German police said recently that once Bochum's state court has reached a decision there will be more match-fixing trials.

One of the biggest problems in Europe is that match fixing is seen as an Asian import, but it too has its roots locally.

As early as 1915, Liverpool and Manchester United players met in a pub before a match and agreed the score would finish 2-0. Seven players were banned for life after a player not participating in the scam told the Football Association. Some 50 years later, in 1964, eight players were jailed for fixing a number of matches they bet on. They were caught after a tip-off.

Sports governing bodies have often found themselves playing catch-up with the fixers. But all this changed in 2005 with the confession and subsequent conviction of German referee Robert Hoyzer.

Mr Hoyzer was accused in German tabloids of suspicious decision-making. When the authorities investigated he came clean and implicated a million-euro operation run by a Croatian organised-crime syndicate. European bookmakers responded with ESSA, while Uefa began investing heavily in monitoring – spending €9m ($11.7m) last year – and tasting success with the arrests and trial in Bochum.

But Europe still needs more cohesion in its fight against match fixing, according to Khalid Ali, secretary-general of ESSA. "We'd like to see a one-stop shop where we can pass information to one person who will oversee operations. There has to be closer co-operation within the countries. Some countries in Europe are well-regulated, others not so much."

ESSA now runs education sessions with athletes and sportsmen and women to warn them of the fall-out of trying to fix match results.

"We aim to educate players by giving them a code of conduct for betting. At the end of the day the only people who can influence a game are those involved."

Uefa sees help from the European Union as mandatory to stopping the influx of fixing. "As far as a European police force is concerned, Uefa will continue to lobby for help from the EU to monitor these things," Uefa says.

"Some of these issues have to be taken out of sport," Mr Ali adds.

'We need . . . an agency that operates across borders, an international sport police'

Michel Platini
Uefa president

Bookmakers Shock results boost high street names

High street bookmakers have enjoyed a rapid reversal of fortunes this year as third-quarter earnings rose across the board by as much as 20 per cent.

This was thanks in part to the number of draws in top-flight football this season, a stark contrast to the situation this time last year.

In the same period in 2009 many bookmakers were forced to issue profit warnings after just four draws in the first 66 Premier League games, as well as predictable results from heavily backed clubs. Statistically 25 per cent of football matches end in a draw. William Hill lost £7m in online trading directly from the dearth of draws, but it got off lightly compared with Ladbrokes, which reported a 58 per cent decline in profits and was forced to launch a heavily discounted cash call for £275m in October 2009.

This year, however, it has been business as usual for the bookies.

"Q3 last year saw a historically low number of draws," says Ciaran O'Brien of Ladbrokes. "This year the situation has improved markedly, with not only a wealth of draws but plenty of shock results."

Sean Smith

Indices add to fans' reasons for cheering

Premier League

The FA Cup offers a rare opportunity for markets across a large number of matches, writes **Huw Richards**

When the new year comes the FA Cup third round will not be far behind and, while it falls this season on the second weekend in January, its appeal is unlikely to be lessened.

Most of the charm for the spread betting community is the sheer number of matches it offers. The Premier League may be almost unmatched as a generator of income, but cannot by virtue of its size generate more than 10 simultaneous matches. The third round, is, as Sporting Index football trader Anthony Gray points out, "32 matches, including four live on television".

Even though the demands of TV are also wont to reduce that number to something in the upper 20s, it still offers a rare opportunity to offer markets across a large number of matches. Dave Sayer, head of football at Extrabet, looks forward to doing plenty of business on the total number of goals scored. He says: "There are complications like postponements or matches being shifted for TV, but it is still a great market. It means people watching Jeff Stelling and his team on Sky can have an interest in every match and every goal."

Or, of course, booing if they have chosen to sell rather than buy goals. Football punters have traditionally liked to buy rather than sell outcomes, but Andrew Wallington, sports room manager at Spreadex, says: "They have become a little bit more savvy in recent years."

The spread companies will also be rolling out their competition indices. Mr Gray will be pricing a 100 point index ranging from 100 for the competition winners down to 10 points for teams who make it to the fourth round. While speaking before individual quotes were fixed, he was able to confirm the less than surprising news that Chelsea, who will be seeking their fourth FA Cup in five seasons and the first hat-trick of victories since Blackburn Rovers in the 1880s, will head the market.

> Companies will also be offering the same range of in-running markets as they would for Premiership matches.

"I'd expect them to start at 44 to 47," he says – meaning that they would need to reach the semi-final (50 points) for backers to show a profit and the final (75 for the losers) to produce substantial gains.

That markets do not move the same way as those on leagues reflects the inherent unpredictability of cup competitions: "You might say that, given their strength and recent record, Chelsea are bound to make at least the semi-final and that they're an obvious buy. But they could end up being drawn at Manchester United in the fourth round and suddenly looking a lot less attractive."

That fate has already overtaken Liverpool in round three, with a drastic effect on their price: "They are likely to open at a lower price than Everton, which you would not expect under almost any other circumstances," says Mr Gray.

The randomness of the draw and the tendency of some teams to put out weakened teams also affect betting patterns: "Punters who go with the big teams in the Premiership tend to be against them in the Cup. On the indexes they're likelier to look for somebody who will start at a low price and show a profit by getting through a couple of rounds," says Mr Wallington.

Companies will also be offering the same range of in-running markets as they would for Premiership matches. The vital consideration here is television's choice of live matches. "We'd expect to see most business on the live games, with just a trickle on the other ones," says Mr Sayer.

Several matches can, though, be guaranteed to attract the sort of media attention that generates business – aside from Manchester Utd v Liverpool, there are the historical resonances of Arsenal v Leeds, Manchester City facing former manager Sven-Goran Eriksson at Leicester and Newcastle's potential banana-skin at Stevenage.

Other matches serve to illustrate the advantages of spread markets. Mr Sayer says: "There are games which are seen as mismatches, and because of that you'll get nothing worth having on fixed odds. But you can buy the stronger team's supremacy and enjoy yourself if the goals start going in."

Markets based on goal times also move a little differently in the Cup, says Mr Gray: "You often get a lot of late goals, which is potentially very expensive. My sense is that the average FA Cup goal comes a little later than in the Premiership."

A further dimension is provided by the possibility of extra time and penalties. Many markets close after 90 minutes, but the spread companies will also offer trades on extra time and penalties. Mr Gray says: "We do get quite a bit of interest in them before matches, even though if there is no extra time or penalties, they are settled at 0."

This means it is likely the punter will lose, without ever seeing the market open, but what can happen when – for instance – a match goes to penalties shows why they have appeal.

"The spread on the number of penalties scored will probably be something like 1 to 1.1. If it closes at 0, you lose, but not heavily. If you do get a penalty competition, the average score is something like 7 to 7.5 and you win a lot. That's the sort of bet that appeals to a lot of people," says Mr Wallington.

Come the later stages of the competition, Mr Gray will find his personal footballing preferences conflicting with his business priorities.

"As a Wigan fan I'm delighted when you get teams from outside the big four doing well, but that sometimes isn't great for business," he says, recalling a quiet afternoon when Cardiff played Barnsley in the 2008 semi-final.

It's all a game: Liverpool's Fernando Torres, right, faces a tackle from Manchester United's Jonny Evans at Old Trafford in September

John Powell

Trading Insight

Risk techniques can help cut losses

Strategy

Taking the emotion out of investments could boost your profits, writes **Elaine Moore**

When Cyrus Kerawala first began to make financial bets his tastes were eclectic. Among his interests were commodities in the Hang Seng index, which covers the largest companies of the Hong Kong stock market.

But the volatility proved to be too much for him. Now he uses spare time at the end of his working day as a surgeon to track just a couple of markets and has been more successful. "If you have another job and don't have endless time to look at the markets, it's an essential strategy," he says.

"Some of the best traders in the world incur losses," reassures Joshua Raymond at City Index. "This is a natural part of a trader's experience. The key is to learn from mistakes made."

Investor errors can almost all be traced back to a failure to put in place a detailed plan ahead of taking positions, say providers.

While losses may be impossible to avoid, it is possible to not make a bad situation worse. "The most important thing anyone interested in these sorts of investment needs to come to terms with is cutting their losses," says Angus Campbell, head of sales for London Capital Group. "All too often a client will run a large loss in the desperate hope the market will turn in their favour."

The way to avoid such a situation is to first establish how much money you are willing to lose, Mr Campbell says, and then imagine losing all of it in an instant. This should encourage discipline when real money is on the line.


Qantas A380s use Rolls-Royce engines

It also reduces the chances of clients risking their entire cash balance on one trade, a common mistake Mr Campbell likens to placing the last few chips on a roulette table in the hope red will come up.

Using a trading plan can take the emotion out of trade, so you are not distracted by current events, says Patrick Latchford at Interactive Investor: "Set reasonable goals and if you do take a position that does well then remember a lot of that is luck, not skill."

Financial betting, contracts for difference and other derivatives allow investors to take positions on market movements without having to purchase the underlying asset and they provide exposure for a fraction of the price.

Risk management plans can help clients choose more controlled positions, but tend to come at a price.

For a commission, covered warrants limit the amount of capital lost to the money put upfront. If the market moves against the client then the warrant can be left to expire. If it moves the right way then the client can take the profit, although this will be subject to capital gains tax.

Profits from contracts for difference are also subject to capital gains tax and commission. Spreads are based on the underlying share, with the commission on top.

Spread betting on the other hand does not incur a commission but may offer wider spreads, stacking the odds against the client. The product is leveraged, so losses can exceed money put down as capital.

To minimise loss, clients can use stop losses by telling their provider that should the spread reach a certain level they wish their position to be closed, so if prices move against them, their losses will be limited.

But there is no guarantee a position will close at the exact level required, especially if the market is moving rapidly. Instead the position will be closed at the best price possible. A guaranteed stop loss will fix on a specific price, but will cost more.

For example, if at the start of November a spread better had thought Rolls-Royce shares were set to rise and bought £10 per point at 650p, and wanted to set a 5 per cent risk allowance on the share price, he could have put a guaranteed stop loss at 617.5p, 5 per cent away from the buy price.

Qantas later grounded its Airbus A380 fleet citing problems with its Rolls-Royce engines.

By November 8, Rolls-Royce's shares had fallen to as low as 563p. But the stop loss would have closed the position when prices reached 617.5p, so minimising losses before the price fell further.

But stop losses can also be triggered when a price falls temporarily before recovering, locking a client out of any profits. If the market traded is subject to high levels of volatility, a stop loss placed too close to the spread is likely to close too early. Similarly there is little point spending money to employ a guaranteed stop loss in a stable market.

Phil Donovan is a spread better who moved from long-term positions and dividend income into spread bets when he saw market volatility rise. He refrains from stop losses after finding intraday movements triggered the stop before the share price rose again.

He occasionally uses trailing stop losses, which set a stop loss at a percentage of the market price rather than a fixed level, to lock in profits.

If the market moves in his favour the stop loss will move, if it moves against him it remains the same.

"I still make plenty of mistakes," he says. "But when I started I felt pressure to not miss the recovery and so would build up positions too hastily. Now I have a more relaxed attitude."