TRADING INSIGHT

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Firms look high and low for new clients

INSIDE There is everything to play for in the upcoming UK general election

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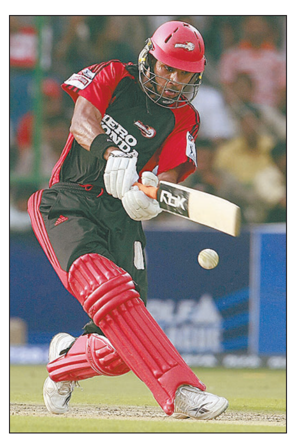

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Providers are targeting a broader clientele

They have been trying to widen their appeal, says **Matthew Vincent**

From small-time punters on the horses to a premium jetmiles programme for high rollers, firms want to widen their customers' horizons

Whether your idea of speculation is £1 each-way on the Prix de l'Arc de Triomphe horse race, or taking a private jet to the Longchamps hippodrome to punt €10,000 on the Pari Mutuel, spread betting firms want to broaden your horizons.

Having spent years promoting their trading platforms to a finite group of financial services workers, they are reaching out to first timers – and high rollers.

In 2009, an Investment Trends report showed that only 83,000 UK traders had tried spread betting, with another 18,000 using contracts for difference (CFDs) and that account openings were often the result of clients switching firms.

Three in 10 traders said they had changed providers at least once – suggesting that firms were "churning" rather than increasing their customer base. However, in the past three months, services have been aimed at new traders, at the top and bottom ends of the scale.

WorldSpreads joined forces with Ladbrokes in February to offer financial spread bets to the 4.5m customers on the bookie's database.

In what WorldSpreads describes "one of the UK's biggest spread betting partnerships to date", customers more familiar with fetlocks than the Footsie will be given the opportunity to bet on indices, shares, currencies, commodities and interest rates.

Conor Foley, chief executive of WorldSpreads, believes the link-up could double new trader numbers. "Our best guess is that there are 250,000 accounts spread out among UK firms, but with huge overlap – we know that clients have accounts with several firms," he explains.

"My best guess is that the industry is growing at 10 per cent a year in terms of new accounts into the market, and the likes of Ladbrokes have potential to double that – if we get the offering right to broad-based interests."

Mr Foley argues that the key to broadening appeal is to speak to the man in the street, rather than the gent in Threadneedle Street. "Historically, the product appealed to people familiar with City-type jargon, but everyone is interested in whether FTSE is going up or down, and in the fortunes of M&S and other high street brands. Every man in the street will have an opinion on how those companies are performing. They are reluctant to get involved because of the terminology and the market mechanics."

> 'Customers more familiar with fetlocks than the Footsie will be given the opportunity to bet on indices'

To help demystify financial markets, and manage risk, WorldSpreads is simplifying the presentation of its trading platform, and encouraging Ladbrokes' customers to start with demo accounts. "It's an attempt at making it easy to dip your toe in the water, to go from stage to stage with limited risk," says Mr Foley.

Spreadex is also aiming to strip spread bets of their City of London image – by trading them in the city of Liverpool.

A few weeks ago, the firm opened an office to serve the north-west, staffed by two senior traders who will take phone calls and personal visits from would-be spread-betting clients. "We were keen to show that anyone with an interest in the financial markets can make use of this form of trading," says Andy MacKenzie, marketing manager.

First-time customers using Spreadex's platform at ShortsandLongs.com can place trades with a minimum stake size of 10p a point during March, and take advantage of "weekly spread specials", when the spreads quoted for certain bets will be halved.

For example, in the first week of March, the spreads on Light Crude oil bets were cut from 6 points to 3.

ETX Capital is taking a similar approach – reducing the minimum bet sizes for a number of products. "It's to allow new customers to try our services without risking too much capital," says Manoj Ladwa, senior trader.

In addition, from March 1, new customers will be given a "£250 safety net" for their first 10 business days of trading. "If any net losses are incurred during that period, they will be refunded up to £250," explains Mr Ladwa. "We believe this offers a better experience of trading than using a demo account."

Barclays Barxdirect trading platforms now provide a range of features to cater for both new-to-market traders and sophisticated traders alike. One of the new risk management tools for spread bet and CFD traders is Auto Close-out.

"It means if the market moves against the client, we may close all or any open positions automatically to help protect the client from incurring further losses," explains Barclays Stockbrokers' head of investments Barbara-Ann King.

But partner offers and risk management tools are not only being directed at small-stakes customers. They are also being used to attract sophisticated investors willing to trade tens of thousands of pounds.

While WorldSpreads was partnering with Ladbrokes, IG Group was launching the first co-branded financial spread betting and CFD service via a UK broker, though a deal with Hargreaves Lansdown.

Philip Adler, managing director of IG Markets UK, says it will offer "experienced investors, who understand the risks of margin trading, access to a range of markets including currencies, commodities, stock market indices, individual shares and sectors".

Active traders with IG Group are also being given access to an Auto-chartist tool, which scans charts of foreign exchange rates and equity prices looking for "head and shoulders" patterns – to indicate short selling opportunities in falling markets.

In addition, IG and ETX are now able to offer price data from "dark pools of liquidity" – trading platforms that allow large blocks of shares to be traded without prices being revealed publicly until the trades are completed.

ProSpreads, a specialist firm for the "professional/high-net-worth market" has gone one better, offering a trading platform that makes use of Direct Market Access (DMA) functionality. DMA allows traders to see all prices being offered in a market, to place their trades directly on an underlying exchange, and to execute them in a fraction of a second.

So, when spread betting, traders know they can buy and sell when they need to – "even when the market is moving at lightning speeds" – eliminating the risk of being re-quoted a worse price.

Simon Brown, chief executive of ProSpreads, says the service is attracting a new breed of professional trader. "DMA is a key differentiator for a spread betting platform for the sophisticated, high net worth trader, as opposed to the usual punter," he says.

"These traders take higher stakes with the intention of making serious money – our clients bet on average £25 a point, as opposed to the £1-£5 position of a typical spread better."

Other platforms are also going upmarket. Simon Denham, head of Capital Spreads, launched one last month, with "a generous nod to the more professional trader". It is a suite of trading tools and technical aids designed to attract clients.

Meanwhile, City Index is hoping to compete for sophisticated day-trading clients on price. Its new Day Trades service has cut margin requirements by 50 per cent, and spreads by 20 per cent, for intra-day bets on the leading 20 London-listed shares. Some high-rolling traders are even being offered help to spend their winnings.

Saxo Bank's Premium spread betting account is only available to traders who deposit £60,000 or more – and, as well as trading advice, it offers "lifestyle enhancing benefits".

These include membership of Saxo Bank's Liquid Club, which provides a 24-hour concierge service that can arrange "unique leisure opportunities", as well as invitations to member-only events.

Spreadex's Jetmiles programme aims even higher. Clients placing the highest value financial or sports spread bets will earn points that can be used to buy air time in the world's fastest civilian aircraft: the Cessna Citation X jet.

Once they have enough points, clients can book flights to airfields where commercial aircraft cannot normally land, at any time of their choosing.

"Whether it's flying to Paris within 45 minutes on a business trip or taking the family on a summer holiday to the Mediterranean, the scheme has fantastic appeal to those who take their spread betting seriously," explains Mr MacKenzie of Spreadex. "A number of our customers who are close to qualifying for flight time just two months into the first six-month qualifying period!"

Heads, shoulders, tops and lows

Technical Analysis

Faith in charts is on the rise, says **Tanya Powley**

Stock markets have rallied strongly, with the FTSE 100 index rising 19 per cent in the calendar year, and up 46 per cent since March 2009.

But, with many analysts expecting the rally to stall in mid-2010, as bank stocks are held back by new regulatory requirements and the sluggish economic recovery weighs on corporate earnings, more traders are using technical analysis indicators that can help call the top of the market.

Joshua Raymond of City Index says: "An increasing number of clients are turning to technical analysis to help spot trends and trading opportunities."

Technical analysis tools can also help traders find ways to make money if stock markets trade sideways, which is probable, says David Jones, chief market strategist at IG Index.

One of the main reasons retail traders like technical analysis is because it is something they can easily understand and practise themselves, experts say. "Technical analysis focuses on pure price action, reducing the role that emotions sometimes play in clouding a spread better's judgment when trading," says Mr Raymond.

City Index regularly runs beginner and advanced technical analysis workshops at its offices in the City of London. Mr Raymond says that most of these workshops are quickly sold out and it plans to expand them to incorporate multiple areas of technical analysis.

In January, IG Index launched Autochartist, an automated technical analysis package that scans the markets in real time looking for opportunities that a trader might otherwise miss because of the time needed to monitor so many markets and individual shares.

The package is free and available to IG Index clients direct from the trading platform. It has proved popular, registering more than 6,500 log-ons during January.

> 'Technical analysis focuses on pure price action, reducing the role that emotions play'

"The best way of describing it is as an automated pattern recognition tool that monitors various markets on your behalf and can flag up when certain criteria are met," says Mr Jones.

Traders will often look for patterns to try to forecast where the market will go next. They can set up Autochartist simply to scan the markets for patterns such as double tops, double bottoms, heads and shoulders, and so on.

A double top is when a market rallies to the same or similar level a couple of times and fails to break through. Some traders believe this is a sign that the market is running out of steam and they should sell, says Jones.

A double bottom is when the market drops to a same or similar level a couple of times and does not fall any further, a pattern that many view as a buy signal.

For the more active traders, these scans can be working on very short-term charts, watching the markets during the day. For those with a slightly longer-term horizon, the application can look at a longer-term chart once a day to highlight any opportunities.

"It would be wrong to view Autochartist as a magic wand that will find an endless number of guaranteed profitable trades," says Mr Jones. "But it is definitely an effective way of tracking a number of markets without having to be sat in front of the screen around the clock."

GFT offers its clients a fully-integrated charting package that includes technical analysis tools such as Fibonacci, Gann and Andrews' Pitchfork. It also offers access to DiNapoli D-Levels, which helps eliminate subjectivity when identifying Fibonacci support and resistance levels.

GFT clients can also access Foresight-A.I, a market-timing indicator that forecasts the times when daily highs and lows may be reached, and the Autochartist tool.

Technical analysis is a vast subject – there are hundreds of tools and methods that traders can use.

Beginners tend to focus on foundation tools such as support and resistance levels, momentum and moving averages.

Support and resistance levels are among the most common. These are price points that the market consistently hits and then reverses direction. Support usually refers to points that the price drops to before rising, while resistance refers to points that the price rises to before dropping.

Some traders choose to focus on specific areas such as Elliot Waves – a technical analysis technique that believes stock markets follow a pattern of five waves up and three waves down.

City Index's Mr Raymond says there are enough technical analysis tools to keep a trader "occupied for a lifetime".

He says: "This is why technical analysis can be such a good fit for spread betting and contracts for difference traders, as they have more than 15,000 markets available to trade, and multiple tools to use, which means that there are always trading opportunities out there to find."

Eyes down: traders in London study their screens Getty

Success in the market often comes down to taking the long view

Strategy

Those prepared to wait can benefit, says **Tanya Powley**

Spread betting is not just about sitting in front of a screen for 12 hours a day – experts say medium-term trading can be more profitable and cost-effective.

"It is a common misconception that spread betting – and trading in general – has to be all about jumping in and out 30 times a day, snatching a few points profit from trading the FTSE," says David Jones, chief market strategist at IG Index. Not so, he says, spread betting can be used to run trades for days, weeks and even months.

> 'The best traders will often spend more time deciding where to place exit points compared with time spent on whether to buy or sell in the first place'

Most professional traders' portfolios use both long and short-term trading strategies, but the longer-term approach is often the one that generates the greatest returns, according to Simon Brown, head of ProSpreads.

"Less seasoned speculators are often seen setting tight stop-loss levels, which leaves little room for error on timing, and even if they get the direction right on most trades, a mistimed entry point combined with a tight stop-loss may well spoil the party," explains Brown.

Paul Inkster, head of product at Barclays Stockbrokers, says longer-term traders are more easily able to trade in a disciplined manner. They are less likely to be "distracted" by the intraday movements and vagaries of a day's trading, he says.

But risk management is crucial, experts say. When trading for the longer term, stop losses need to be set wider than for a short-term position.

Mr Jones says this is important in order to give the market time to move around without "knocking" investors out of their trades on a short-term burst of volatility.

Mr Brown agrees. "The best traders will often spend more time than the average speculator deciding where to place their exit points compared with the time spent on whether to buy or sell in the first place."

Experts say that investors need to decide what style of trading suits them best. David Morrison, spread betting market strategist at GFT, says short-term traders tend to rely on technical analysis, while medium- and long-term traders will focus on fundamentals, using technical analysis to identify entry and exit levels on a trade.

Mr Morrison says: "I think it's important to know which style of trading suits you best. Most of us can't spend all day in front of a screen, and many of us wouldn't enjoy the stress of day trading."

Running trades over longer periods requires a different approach – traders will often use quarterly contracts instead of rolling daily bets in order to control the cost of financing.

Quarterly contracts are likely to be more cost-effective for trades that may run for months. These have the financing already built into the price quoted, which will usually reduce the overall charge even further.

But IG Index's Mr Jones says that, because of low interest rates, it is cost-effective these days for medium-term traders to use rolling daily bets.

IG Index bases its finance charge on an annual calculation of Libor – the rate at which banks lend to each other – plus 2.5 per cent.

For example, a trader may believe Marks and Spencer shares will rise over the next two weeks. The daily spread bet price is 330 to buy and he decides to buy at £1 a point, equating to £330 worth of shares.

Retail therapy: It's not all about instant gratification Bloomberg

The spread bet is rolled over into the next day and a finance charge applies. At the time of writing, Libor was 0.63 per cent, which makes for an annual financing charge of just over 3 per cent for IG Index clients. This means that every day the position is left open on M&S, it will cost the trader 0.009 per cent a day – about 3p a day.

"With no commission and stamp duty to pay, this does illustrate that spread betting does not have to just about very short-term trades," says Jones.

But adopting a longer-term approach is not always suitable, experts warn.

Joshua Raymond of City Index says the strategy may not work if a market has no up or down trend at all and is moving sideways.

"If the market is trending sideways, a medium-term strategy could leave you with little to show for your efforts, as there will not be the amount of movement needed to meet your profit target," he explains.

In a sideways market, spread betters are likely to prefer to range-trade on the short term between support and resistance levels, which could give them more points to gain.

There are other benefits to short-term trading. A disciplined short-term trader can react quickly to new opportunities, says Barclays' Mr Inkster.

Longer-term traders will also miss out on products aimed for day traders. City Index recently launched a product called Day Trades, which is designed to reduce the costs that a normal day trader may accumulate.

Its Day Trade markets have 50 per cent cheaper margins and 20 per cent reduced spreads than their corresponding rolling and future contracts.

"As day traders usually trade many times a day, a cheaper spread can significantly lower their costs, while a lower margin will also make their initial capital outlay more efficient," says Mr Raymond.

Gold comes with a silver lining

Precious metals

Lucy Warwick-Ching has a glint in her eye

The demand for gold was strong throughout 2009, but now another precious metal is catching people's attention: silver.

Recent price movements have prompted traders and spread betters to take note, with the metal poised to exceed its 28-year high of $21 an ounce that was reached almost two years ago, according to Commerzbank,

The price of gold and silver tend to move in the same direction, so if gold is up, then the price of silver is also likely to rise and the same applies when one or the other is down.

"If you needed proof that all that glisters is not gold, then the historic performance of silver should suffice," says Lisa Baum at Cantor Index.

She adds: "It has often been seen that when gold bounces, silver bounces even further, and – as the yellow metal remains above $1,000 an ounce – it is worth keeping an eye on silver."

But, rather like the FTSE and the Dow Jones, which often move in tandem, the ratio between the two can change from one extreme to the other. It is these extremes that allow investors to make money by betting on the spreads.

Joshua Raymond, market strategist at City Index says silver has proved extremely volatile over the past two years. "Prices reached a 28-year high at $21.24 in March 2008, before plunging 60 per cent to $8.42 just eight months later," he says. "Towards the end of 2009, silver had another run at the $20 mark reaching a high of $19.43,

'It has often been seen that when gold bounces, silver bounces even further'

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which is a rally of 130 per cent from the previous November low."

He says that had spread betters bought silver at its 2008 low at £1 a point and sold a year later, they could have made £2,202 profit. Of course, had they short-sold silver without a guaranteed stop-loss then they could also have realised a hefty loss.

Experts say that a lot of the recent movement in price is linked to the strength of the US dollar. "If you compare a chart of the dollar index and silver, or in fact most dollar-based commodities, you will see an inverse ratio," says Mr Raymond. "This is due to the rising strength of the US dollar making it more expensive for those who do not hold dollars to buy commodities, thereby putting pressure on prices."

Mr Raymond says a number of spread betters have used this correlation, and the volatility of commodities, such as gold and silver, as trading opportunities.

For example, when the markets consolidate, spread betters diversify their portfolio to the typical safe haven plays, such as the US dollar. However, when they have a bigger appetite for risk, they tend to diversify their trades into gold and silver, hoping to catch the upward trend.

George Xydas, director of international operations at FxPro points out that people can bet on silver either through spread betting or contracts for difference (CFDs).

"An investor has to deposit a margin requirement and then can take the exposure that he or she prefers," he says.

IG Index offers spot and future bets. Spot bets are like the cash price and are typically used for short-term views. Futures are more suited to trade longer-term views. Whichever you go for, the mechanics are the same.

Tim Hughes at IG index gives an example. He says investors can bet on each cent movement, so if silver is trading at $16.25 an ounce, investors can bet £1 a point and win or lose £1 for every cent that the price changes.

So, with the IG Index May silver price currently at 1617-1620 (implying a price of approximately $16.19 an ounce), someone who thinks the slide will continue can sell at £5 a point to open a trade.

That means a gain of £5 for every cent that the silver price falls below 1617 and a loss of £5 for every cent the price goes above this level. If a week later, the price has fallen to 1569-1572 and the investor decides to take profits and buy back at 1572 there would be a gain of £225.

The big question on investor's minds at present is how silver will perform in 2010.

Paul Inkster, head of product at Barclays Stockbrokers, says there is the obvious supply/demand effect on price. "As is also the case with gold, these two precious metals are used by investors as a hedge against the general economic performance in the world at a given time," he says.

"These other factors include inflation levels in the US, the performance of other popular commodities including gold or crude oil, the global political, economic and social situation, and the current strength of the US dollar"

A week is a long time in betting markets

Politics

There is everything to play for in the UK election, says **Huw Richards**

It's like a World Cup Final with England in it!" enthuses Zak Taylor, Sporting Index politics trader, in his attempt to explain the potential value of the UK general election to spread betting firms. He was not around in 1966 and nor were spread companies.

Both events will occur within a few weeks of each other this year. And while England's progress in the World Cup remains a matter of wishful thinking, it is a certainty that the election will occur by June 3 – and will mean big business for the spread firms.

The same companies offer markets on both. Politics has limited appeal for the financial spread companies, leaving it largely in the hands of the sports firms. For most of the time it exists at the margin of their concerns, but election time shifts it right to the centre.

It also brings in a different type of punter. "We get people who only bet on politics," says Mr Taylor, who adds that election night also appeals to a more core clientele – City traders.

Elections illustrate some of the strengths of spreads as a betting medium. Fixed-odds markets and binary markets thrive on uncertainty and the close finish. Spreads, by offering the chance to bet on the mass of detail associated with elections, mean there are worthwhile markets even when there is only limited doubt about the outcome.

"How much interest is there in backing the Conservatives at fixed odds of 10-to-one on," asks Chris Shillington at Extrabet.

But even before opinion polls in late February and early March suggested that a Conservative majority was far from certain, there was plenty of interest in the long-running markets on the number of seats each party will win.

That developing doubt over the Conservatives can be tracked by the progress of this market. More than a year of solid progress has halted and reversed.

"They were running at 354 to 360 seats at one point, but have slid back more than 20 seats, a big swing in this market," says Mr Taylor.

He says there is "more focus on the opposition as we get closer to the election, with voters asking if they really want the Conservatives to run the country".

What once looked likely to be a solid majority has now slid close to hung parliament territory – Extrabet's spread of 328 to 333 on March 3 points to a majority of between 6 and 16.

This has created something of the uncertainty that stimulates the markets offered by Intrade, a Dublin-based predictions company. "No party to have an overall majority" was trading as a 38.1 per cent chance at the time of writing.

Markets on Labour, correspondingly up from their low point to trade in the mid 230s and the Liberal Democrats, inching up into the late 50s, are always in demand.

Those on the smaller parties are an election-time speciality. Mr Taylor expects interest in the Greens, reckoned to have decent shots at winning their first ever seats in Brighton and Norwich – and the Scottish Nationalists.

'If the Tories win, we are likely to be asked to run a market on the colour of David Cameron's tie'

For this seeking bigger, more volatile numbers, the size of the turnout is always a popular – if slightly hair-raising – market.

Mr Taylor says: "It's always tricky. Will it be high, with people determined to kick the government out, or a low, because they're fed up with all politicians after the expenses and other scandals?"

Potentially more volatile and harder to tip is the popular market on the smallest individual majority. There was one election where at 6am, with most seats declared, the smallest majority was 1,500 and we stood to lose £500,000. Then a really close one came in and we were OK, but it was scary for a while."

Vote for us! David Cameron, Gordon Brown and Nick Clegg are eager to please

Sporting Index, which reckons to have the broadest ever range of markets, will be offering 25:10:0 indexes, making who comes second an important factor, as it is in their 321 market which adds up the first, second and third places achieved by each party – on 150 of the most interesting constituencies.

They will be suspended a little before polling closes to avoid the risk of insider dealing, but most markets – after a short freeze just after 10pm to allow odds-makers to digest the first exit polls – will continue to trade as results are declared.

The results may trigger interest in fresh markets.

Mr Shillington says: "If the Conservatives win, we are likely to be asked to run a market on the colour of David Cameron's tie when he goes to the Palace – as we always do on the Chancellor's tie on budget day."

A Labour defeat will stimulate interest in Sporting Index's 25-point index on the next party leader, currently headed by David Miliband at 6 to 7.5.

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A game of two halves – plus added injury time

Soccer

There is increased interest in the extra minutes at the end of a contest, explains **Huw Richards**

Notification of stoppage time has rapidly become established as one of football's rituals. The 45th minute since the referee whistled to start the second half ticks over and the fourth official emerges from the sidelines brandishing an electronic board to tell spectators how many minutes of stoppage time remain to play.

A one or a two on the display will bring a roar of relief from fans of the team that is leading. If it is four, five or six, the cheering from the losing fans will speak of renewed hope on their part.

Also watching with concern, and anxious to see as small a number as possible on the board, are the odds-setters from spread betting companies.

Anthony Gray, football trader for Sporting Index, explains: "Late goals are nearly always bad for us."

Numerous markets will be moved by a late goal, none more than those which operate on an individual player's goal minutes. A 90th-minute goal from a frequently-backed player such as Wayne Rooney or John Terry can lead to a big pay-out.

Football punters in general have an ingrained preference for buying rather than selling, backing more goals rather than fewer.

As Mr Gray says: "We want the English teams to progress in the Champions League, because that always brings in more business. But we prefer to do that with nil-nils and one-nils rather than bigger scores, because they can be costly for us."

Hence the disappointment felt by many odds-makers when AC Milan took an early lead against Manchester United in the first leg of their tie.

"When the team seen as the underdog takes an early lead, it tends to produce a response and you often end up with quite a few goals," says Mr Gray. Sure enough, United struck back to win 3-2.

Goals become more frequent towards the end of each half, with players at once more tired and anxious and increasingly purposeful. Extra minutes of injury time may be particularly fruitful.

This explains the concern of the spread betting companies at the increasing frequency with which the number held up at the end of 90 minutes is five or six.

"Last season the average amount of injury time in a Premier League match was 6.01 minutes. This season so far it is 7.97, with most of the increase in the second half. That means more goals," says Mr Gray.

This year has also seen an increase in high-scoring Premier League matches, shifting Sporting Index's Going for Goals index, which awards points for teams scoring four or more. It was not only as a Wigan fan that Mr Gray regretted their 9-1 defeat at Spurs this season.

Fans' responses to the extension of the Champions League second round, involving 16 clubs, so as to take place over four weeks rather than the previous two have been mixed, but the spread companies are pleased with it.

Chris Shillington, trading spokeman for Extrabet, says: "It means more nights of good business for us. In the past you might have Manchester United and Chelsea playing on the same night. It was possible to bet on both games, but very few people did."

United have been attracting support on their 60-point Champions League index. They were quoted at 29-32 on Extrabet at the time of writing and, as Mr Shillington points out: "They'd have to go out in the quarter-final or earlier for you to lose on that, and their record suggests that isn't likely."

Sevilla, running at 23-26 – a point above Chelsea – were also picking up smart money.

Manchester United have also figured in what Mr Gray reckons the busiest night of the season so far, their League Cup semi-final second leg against Manchester City.

For all their propensity to accentuate the positive, football punters are also ready to bet on misfortune.

Ryan Gunn, a football trader at Spreadex, explains: "There is always more interest in our Premier League relegation index than in the likely champions at this stage of the season." Given the number of teams embroiled and the greater unpredictability of outcome, this is hardly surprising.

What did concern the spread companies was uncertainty as to whether Portsmouth, who bought themselves time by going into administration at the end of February, would finish the season.

Mr Gunn said during the period before they went into administration: "That's a real problem, with any number of markets affected." A number of those markets – such as that on Portsmouth's final points tally – had to be frozen.

> 'There is always more interest in our relegation index than in the likely champions at this stage of the season'

Safely stowed: Left, Wayne Rooney of Manchester United scores against AC Milan in their UEFA match. Below, Newcastle United players celebrate the opening goal against Watford

Mr Gunn reports that Burnley attracted quite a few buyers when manager Owen Coyle, seen as one of the reasons for their ascent to the top league, left for rivals Bolton.

Further down the scale, the combination of Newcastle's relegation and increased BBC television coverage has increased interest in the Championship.

Mr Shillington reports: "We had a lot of people expecting Newcastle to continue sliding and do much worse than they have done, and even now there is scepticism, with quite a lot of people selling them at 88 points for the season."

Similarly, Swansea's success – after the loss of manager Roberto Martinez and two key players followed by an important early-season injury made them look a good sell – has been good news for the spread firms.

"We're generally on Swansea's side," says Mr Gunn.

Increasing interest sparks movement

Carry trade

Expectations of rise in US rates is causing a shift in strategies, says **Ellen Kelleher**

Expectations that the Federal Reserve is likely to raise the benchmark US interest rate from 0.25 per cent within six months are prompting punters to scrap favoured long-short currency positions and adopt new ones.

In 2008 and the first half of 2009, investors took advantage of historically low US rates and the slumping greenback to borrow in dollars and buy a whole host of more attractive assets, purchases known as carry trades. These included assets ranging from Australian dollars and Asian equities to bonds.

If all went well, they could earn money three ways: the asset would offer a higher yield than US dollars, it would rise in price, and the dollar would fall, bringing a currency gain.

But these days, this particular strategy does not look as rewarding. The dollar is relatively strong against sterling and the euro and this quirk in interest rate differentials will disappear if the Fed tightens monetary policy, as expected, and increases borrowing costs.

So in response, enthusiasts are switching out of dollars and into alternative low-yielding currencies such as yen.

"The dollar is becoming less popular as the Fed starts to get more agressive," says Peter Rosenstreich, the main strategist with ACM, the currency trading platform. "By September of this year, the Fed will start raising rates and, as the yield [premuim offered by other currencies] disappears, people are less likely to put a carry trade on."

The disruption presents an advantage for spread betters wagering on currency pairs, however, as the added volatility improves chances to profit. "Lately, we have seen a surge in popularity in spread bets on the dollar, as the future of its status as a carry trade currency is thrown into doubt," reports Lisa Baum at Cantor Index.

Speculating on currency movements involves buying or selling one currency against another in the expectation that the exchange rate will change in your favour. Sterling bets are particularly popular with UK clients, as investors often have an affinity for their home currency. The most popular longer-term currency positions tend to be in dollar-sterling, euro-dollar and dollar-yen.

"For every day that you hold a position, your brokerage firm will look at which currency you are long on, and will pay you interest on your money, and they will also look at which currency you are short on, and will charge you interest on that money," said Andy Richardson, chief executive of Financial Spread Betting.

"And simply depending on which country has the higher interest rates, you will either make or lose money on this deal."

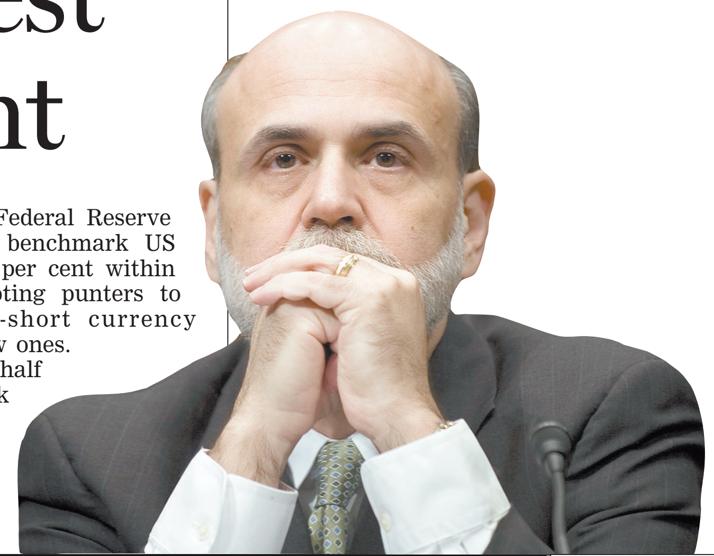
As with most financial investments, the popularity of currency pairs changes over time, and there are other currency pairs that could potentially offer further scope for profit. These include the New Zealand and Canadian dollars and the South African rand. Investors are not short of choice. City Index offers more than 40 currency pairs to trade and rival IG offers trading in some 60 currency pairs.

But Michael Hewson, an analyst with CMC Markets, warns of the importance of assessing a particular currency's risks. "Taking a long position in the Turkish lira against the euro looks increasingly attractive," Mr Hewson says.

"But movement in an exchange rate could be sharp and you could lose money overnight, even if the differential in interest rates is large. You have to be selective about carry trades."

Justin Modray, the founder of candidmoney.co.uk, an advisory website, agrees. He warns: "In theory, the high-interest currency would gain against the low-interest currency. If you can succesfully predict this, there's money to be made by placing a spread bet on the currency movement. However, it's a high-risk bet that I think is a risk too far for most investors in current markets."

For those still willing to make wagers, two questions remain: when will US rates rise and the dollar strengthen? Ms Baum at Cantor Index says: "Our clients do not expect interest rates to rise soon, and perhaps not even until 2011, but it is certain that the only way is up for interest rates."



Planning a rise? Ben Bernanke, chairman of the US Federal Reserve

Shorts, swings and roundabout bets

Pros and cons

Steve Lodge compares direct and indirect investment

Spread betting is frequently said to offer a number of advantages over trading assets directly: no stamp duty and no income or capital gains tax (CGT); the ability to trade by depositing only a fraction of the underlying investment value – called "margin" – and with no explicit commission; and the potential to invest in difficult-to-access assets such as currencies and precious metals or profit from price falls by "going short".

However, competition has also driven down the cost of direct dealing services, while the growth of exchange traded funds (ETFs) has provided investors with another trading vehicle that is free of stamp duty and that offers access to commodities and other non-traditional assets.

Active traders are now able to pay as little as £6.95 per deal at Barclays Stockbrokers (for those doing 25-plus trades a month) while a number of fund "supermarket" services such as that provided by Hargreaves Lansdown allow investors to buy and sell open-ended investment companies (Oeics) – managed funds – at no charge and with no bid-offer spread.

Meanwhile, there are ETFs that track the price of precious metals, oil and other commodities, as well as currencies. Geared ETFs – that give double market exposure, for example – or "short ETFs" that allow traders to short asset classes, offer further choice.

So which is the better way to trade? Commonly, traders have either been spread betters or direct investors without necessarily considering the relative merits of each, says John Douthwaite, chief operating officer at Simply-Stockbroking, a no-advice dealing service that charges a flat £8 per trade, and that will shortly also launch a spread betting service.

"There's not been a huge overlap between the two," he says. "Gamblers tend to drift into spread betting or contracts for difference (CFDs), while longer-term investors tend to be share dealers."

The big appeal of spread betting, he says, is the leverage – which magnifies profits but also losses. He adds that it remains the "only real way" for private investors to go short on individual stocks – to benefit from a share price fall or to hedge an existing holding. "Short ETFs" are available for indexes and commodities, but not individual shares.

He also points out that it is not possible to spread bet – or buy and sell CFDs – inside an individual savings account (Isa) or through most self-invested personal pensions (Sipps).

Investment groups also emphasise that despite the growth of ETFs and cut-price dealing commissions, both ways of trading have their appeal – and can be used in combination.

James Daly, investment centre representative at TD Waterhouse, the broker, says ETFs and spread bets could be used in a "core-satellite" approach to portfolio management. The former provides longer-term asset allocation and the latter can be used to take advantage of shorter-term opportunities.

Traders give a lot of attention to short-term positions, so they often favour the geared nature of spread betting/CFDs to maximise returns, he says.

By contrast, the annual financing charge on spread bets – the Libor rate plus 2.5 percentage points at his firm – makes holding a position potentially expensive. "It's demoralising for long-term trades," he says.

The spread between buy and sell prices – which along with other costs dictates how far prices need to rise before a trade becomes profitable – also varies between spread bets and direct trading.

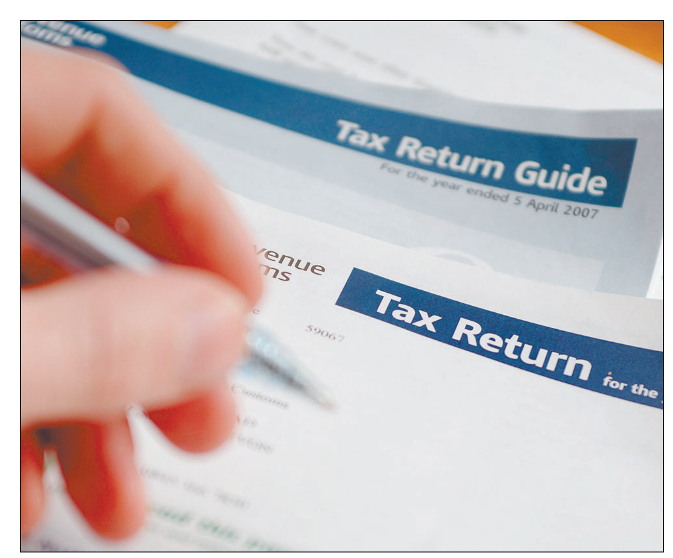
With a bet, the spread effectively includes the provider's commission. While this price difference can be just 0.2 per cent for betting on a liquid blue-chip stock such as Barclays, trading directly could be at a spread as narrow as 0.03 per cent, says Mr Daly.

So, for a direct trader dealing in size – and paying as little as £6.95 in commission – the main cost is stamp duty, which is payable on purchases though not on sales. Some brokers such as TD Waterhouse also allow share traders to deal on extended settlement terms, meaning they do not have to fund their trades upfront.

Spread betting advocates point out it includes areas ETFs do not cover, such as house prices, individual shares and even sport and election results – an uncertainty that increasingly worries investors of all types.

> Both ways of trading have their appeal – and can be used in combination

Spread betting is free of income and capital gains tax as well as stamp duty Alamy



Volatility is creating fresh opportunities

Currencies

Alice Ross looks at a difficult area of the market

Volatility in the currency markets is creating opportunities for traders, with the prospect of more to come.

Trading firms report heightened interest in trading on currency pairs such as the sterling/dollar or dollar/euro, as uncertainty over the global economy causes currency fluctuations.

Jeremy Tigue, manager of Foreign & Colonial, the UK's oldest investment trust, says volatility was a feature of equity markets last year, but he expects it to characterise currency markets in 2010.

Many traders are keeping a close eye on sterling, which has been under increasing pressure, as fears loom over the outcome of the UK general election. Predictions that there could be a hung parliament, creating uncertainty over the economy, have caused sterling to wobble.

There are also concerns that the UK government could implement more quantitative easing, which could heighten fears of inflation, which in turn would weaken sterling.

Some are concerned the UK – with a deficit that reached 11.8 per cent of GDP last year and is expected to rise further – may see its debt downgraded by the credit ratings agencies.

"A downgrade would essentially be a vote of no confidence for sterling and could have significant repercussions," says Joshua Raymond at City Index.

Capital Spreads has seen increased forex trade since October, with the sterling/dollar pair – known as cable – most popular.

David Jones at IG Index agrees that, while traders can bet on more exotic currency pairings such as the pound/Mexican peso or the dollar/Hungarian forint, "there is usually more than enough going on in the major currency pairs to focus on, and this should be the starting point for any new entrant to forex".

Traders in currencies should be aware that forex trades tend to be over much shorter time periods than other trades, with some lasting a few hours, because of the heightened volatility in the markets. Mr Jones recommends using a stop-loss for this reason.

"Forex is a true 24-hour market and you do not want to be on the wrong end of big move in the Asian session when you are sound asleep in bed," he advises.

> Predictions that there could be a hung parliament have caused sterling to wobble

The most popular currency pair trade at TD Waterhouse is sterling/dollar, though James Daly in the company's investor centre says the Australian dollar has also attracted interest from traders, which could be due to the country's high central bank rate.

Mr Daly advises investors who want to trade currencies to consult a calendar of economic announcements, to have an idea of what time of day currency movements are more likely to occur.

For example, the Bank of England's Monetary Policy Committee makes its announcements on interest rates and quantitative easing once a month at noon. Some websites offer calendars for this purpose.

Trading on sterling is not limited to spread betting, with many markets also available to CFD traders. However, Mr Raymond at City Index points out that people who trade the sterling/dollar pair as a CFD will have their trades denominated in US dollars. Those who trade the same currency pair in spread betting see their profits or losses realised in sterling, so the choice between using a CFD or a spread bet involves currency risk.

Mr Daly at TD Waterhouse says that for one-off positions, traders can also use covered warrants or turbos, which can be traded in a standard share dealing account.

Paul Inkster, head of product at Barclays Stockbrokers, says clients can access currencies via exchange-traded commodities. ETF Securities, for example, has 18 currency ETCs listed on the London Stock Exchange.

Mr Inkster says that more experienced clients can access currency markets through margin FX – where traders use margin accounts to borrow money from brokers to control larger positions than they could do with their own capital.

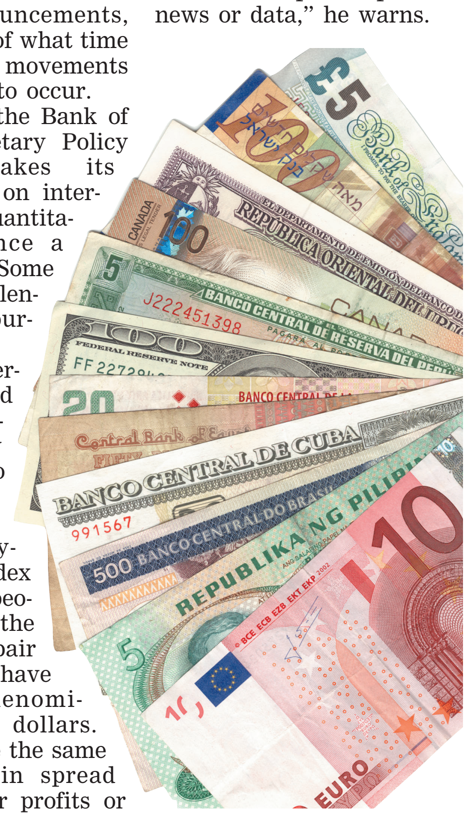
Barclays Stockbrokers says currency market margin trading volumes grew 80 per cent last year. However, the borrowing involved in margin FX means traders can amplify losses as well as gains, putting their original investment at risk.

ODL Securities says more retail investors are using automated trading systems, which were traditionally only available for banks and large institutions.

Overall, trading experts warn that the volatility and and speed of the currency markets make forex trading a difficult skill.

Angus Campbell at Capital Spreads says day trading FX is "probably one of the hardest markets to master".

"No matter how much work you do to study the technical indicators and signals for a possible turn in the market, your decision could be flummoxed by a sudden unexpected piece of news or data," he warns.



Trading Insight

Investors hope for growth in the spring

An alternative way to play the housing market is for traders to go one stage removed and trade on suppliers

Property

It is the time of year when UK housing tends to perk up, says **Alice Ross**

Property is back on investors' agendas – and with housebuilders announcing profits this results season, the spring may be a good time to trade.

Last year saw a surge in popularity in property investment with retail investors. Funds investing in property were the best-selling sector in October and November, according to the Investment Management Association, with inflows in November the highest since the previous property boom in March 2007.

But open-ended property funds have proven a risky way to gain exposure to the sector. Many retail funds shut their doors to investors in 2007 and 2008 and sold properties in order to meet requests for cash from their investors.

Analysts point out that spread betting can be a more affordable and liquid way to gain exposure to a recovering market than buying a fund. "Betting on the shares of housebuilders is one of the best ways to play the property market," says Simon Denham, head of Capital Spreads.

Housebuilders were among the worst hit companies of the recession, as bank funding dried up and many developments were left lying empty. The sector as a whole halved in value from mid-2007 to the end of 2008 and is now about two-thirds of its high.

Housebuilding firms were forced to write down the value of their land, but many are now sounding a cautious note of optimism and saying that the worst may have passed.

Shares in Taylor Wimpey fell from 150p to 5p at the bottom of the market last year and are now at about 35p. But traders are still mostly long on the housebuilders in the belief their shares could recover further. Taylor Wimpey's forward order book, for example, was 28 per cent higher at the end of last year than at the end of 2008.

"Unlike the banks, which recovered fairly quickly from precipitous falls, builders have taken longer to recover, but recover they have – and it is interesting to look at further potential upside," says Tim Hughes at IG Index.

"There are certainly signs that the housing market is recovering to some degree, with builders recently revealing good interim results and house prices stabilising, even demonstrating rises in many areas," says Mr Denham.

Mr Denham says clients are generally taking long positions on housebuilders, with the most popular positions being in Taylor Wimpey and Barratt.

"The reason for this is most likely that these two companies suffered the biggest sell-offs, falling over 90 per cent from peak to trough, so clients feel they have the greatest potential to head higher," argues Mr Denham.

This time of year can be a good time to bet on housebuilders, as the companies tend to make more profits during the spring selling season.

Research by the Investors' Chronicle, the FT Group publication, says the first quarterly return on the housebuilder sector is "significantly higher" at 10.9 per cent than the average first quarter return of 3.3 per cent on the FTSE 100, based on annual data since 1980. And traders who bought the seven FTSE 250-listed housebuilders and short sold the FTSE 100 through a spread bet would have received a positive return in 26 of the past 30 years, with an average return of 7.6 per cent.

City Index says April is a popular month for trading in the real estate sector: volumes were up 173 per cent last April, compared with the typical monthly average.

Joshua Raymond at City Index recommends betting on the sector rather than an individual company, pointing out that a trader can get a call on the sector right, although a single stock could underperform its sector.

Mr Hughes at IG Index says that if the UK property market continues to recover, traders can expect shares in the housebuilders to do well. "Houses are a British obsession," he says, adding that recent positive figures from British Land and Barratts have caused a surge in interest from traders in the sector.

However, he points out that each housebuilder has different types of portfolio, so their shares are subject to different influences. Redrow, for example, has been more aggressive in writing down the value of its land than some of its rivals, slashing its average plot price to half that of some of its peers.

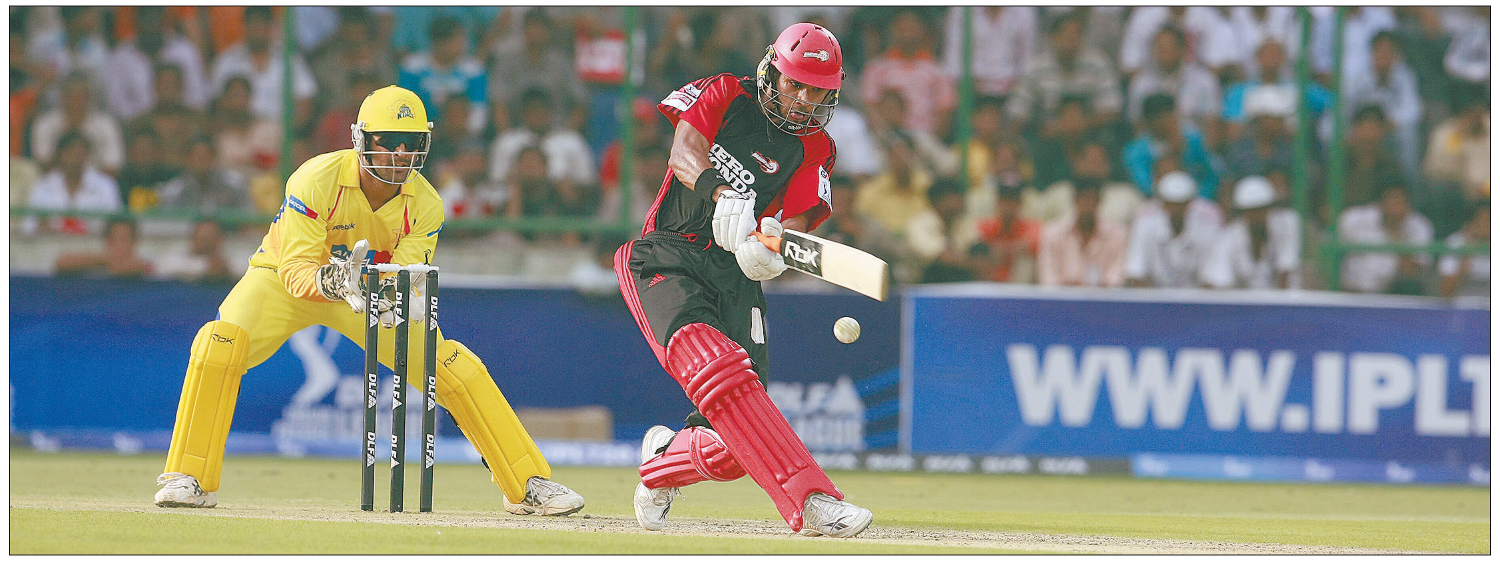
Mr Hughes suggests that an alternative way to play the housing market is for traders to go one stage removed and trade on suppliers such as Kingfisher and Wolseley, whose revenues are indirectly linked to the UK housing market.

Traders can also take a punt on the housing markets through derivatives. RBS is launching a residential property derivative that will allow investors to bet on the Halifax House Price Index going either up or down. The product is expected to be available this year on the RBS Markets site.

Indian takeaway proves popular

Cricket

The Twenty20 format has thrived both in England and abroad, says **Huw Richards**



It is not only the spectators who enjoy Twenty20, cricket's newest and most raucous format. The English invention, which has quickly become an Indian phenomenon and transformed the game's economy, has found strong support among spread betters and the betting companies.

As Ben Ramsay, cricket trader for Spreadex, says: "Something happens every ball. You get all the twists and turns inside a few hours, rather than over five days as happens in a test match. You get some days in tests where very little happens to move markets."

It makes live matches immensely demanding for the odds-setters, who must be alert to every development and what it might mean in a number of markets.

Mr Ramsay says: "It is pretty frenetic. You have to concentrate because there's a lot of stuff to keep on top of. It is challenging and exhausting – by the end you'll be very tired. But it is an enjoyable game".

He and his counterparts at other spread betting companies can look forward to plenty of exhaustion and enjoyment over the next couple of months, with two huge Twenty20 tournaments running during the period.

First off, from March 12 and running through until April 25, is the eight-team, 60-match Indian Premier League (IPL).

Second, after only five days recuperation for players and market-makers, comes the World Twenty20. It is to be contested by the 10 test-playing nations plus qualifiers Ireland and Afghanistan, and it all starts in the West Indies on April 30, running until May 16.

As with all spread-bets, the market makers will be aiming to respond quickly to breaking news. Reports of an injury or transfer rumours can shift the odds. But the news that the odds-makers have really been watching for is more likely to appear on the business pages than on the sports pages.

Last year, the IPL was broadcast in the UK by Setanta, the Irish company whose British arm went under in June. Matt Smith, cricket trader for Sporting Index says: "It makes a big difference if a sporting event is live on television, and it also matters who gets it. There's a guarantee of internet coverage, so there will be live access, but that's not nearly as effective."

But uncertainty has always characterised the IPL. "This year, we've had the worries about security and which players are going to turn up", points out Chris Shillington, Extrabet's trading spokesman.

Once play does start, conditions at the dozen grounds used for the IPL will become a factor. Mr Shillington says: "A little bit of research can go a long way."

The novelty of the competition also creates uncertainty over team performance. "It has only been going two years and there are huge variations in form," says Mr Shillington. "Rajasthan won in 2008, but fell short last year, while Deccan went from last place to first in 2009."

That lack of consistency is reflected in Extrabet's 50-point index, in which favourites Delhi are quoted at 16-19 and the least favoured teams at 11-14, a range covered by the difference between finishing third (20 points) and fourth (10).

But the spread betting firms now feel more confident in setting markets. "In the early days, there was so little information to go on that it really was a matter of taking an informed guess," Mr Shillington says. "We've now reached a stage where you have players who've appeared in 100 or more Twenty20 matches, so we've got a much better sense of what to expect."

One lesson learned from the World Twenty20 is that it is bowlers who make the difference, but the appeal of the format to fans and punters still lies in the big hitting. Mr Smith says: "There's always backing for explosive players such as Rohit Sharma, Yuvraj Pathan and Andrew Symonds. And punters love Virender Sehwag." Markets on the number of sixes are always popular.

The World Twenty20, unlike the IPL, offers teams that are better-known quantities, although the number of international matches in the format remains comparatively small. Extrabet's 60-point tournament index was headed at the time of writing by South Africa (24-27), but Mr Shillington notices a lot of astute money going on Australia (22-25).

He says: "They're in good current form, their teams did very well in the Champions League and they're a well-balanced team."

You might expect the holders Pakistan – also finalists in the inaugural 2007 tournament – to be trading higher than 20-23, but Mr Shillington suggests factors going beyond traditional assumptions of volatility. "Smart punters know that Pakistan start slowly, so they're waiting for the price to drop after the first match before getting with them," he says.

The patriotic punt is much less evident than in football: "Cricket punters are well aware of England's record in big tournaments and bet against them relentlessly", says Mr Shillington. In some cases, that may extend to backing for Bangladesh to extract something from the two-test series against England that starts on March 12.

Opinion varies among the experts. Mr Smith says: "They're a young team who look as though they're ready to kick on, and look like a decent bet at long odds."

Mr Shillington notes some backing for Bangladesh, trading at 2-4, on the World Twenty20 index. Mr Ramsay comments: "They have some good players, but have no idea how to win. I'd expect England to beat them 2-0."

Chennai Super Kings play Delhi Daredevils in the Indian Premier League (above), while Kumar Sangakkara hits out for Pakistan in a Twenty20 game at Lord's (below)

Traders seek a safe haven

Interest rates

A rise is coming, the only question is when, reports **Lucy Warwick-Ching**

At the start of the year, UK inflation as measured by the consumer prices index spiked up to 2.9 per cent, an event interpreted by some economists as a mere blip and by others as a sign of things to come.

As a result, many investment strategists are now forecasting an increase in UK interest rates before the year is out.

Private traders are taking advantage of these predictions by betting on rising short-term interest rates (Stirs), falling bond prices, or further rises in the gold price, as investors seek safe havens.

"At present, the financial crisis has led to historical lows in interest rates across the globe, as policymakers aim to foster growth by providing cheap credit to stimulate demand," says Phil Gillett, sales trader at IG Index.

"However," he adds, "this cannot last forever: no one is in any doubt that rates will rise at some point, and this could be sooner than people think."

Whatever your view, there are several ways that investors can trade on the direction of interest rates, using spread betting and contracts for difference.

Lisa Baum at Cantor Index, says: "We used to see a disproportionate amount of our business focused on the equity markets, but there has been an explosion of activity in short-term interest rates and government bonds in recent months.

"Our clients think that inflationary pressures will weigh down on yields in the not-too distant future."

The most widely used trading instruments for betting on interest rates are short sterling contracts.

Prices for these are calculated at 100 minus the interest rate. Therefore, the price will move inversely to the change in interest rates; this means that if interest rates rise, the price of short sterling falls, and vice versa.

Short sterling contracts will therefore reflect what the market expects interest rates to be at that point in time.

Angus Campbell, head of sales at London Capital Group says that Stirs and bonds have been rising recently, especially since the concerns over sovereign debt have been worrying investors.

But, he adds: "If you think the Bank of England will have to act sooner and raise rates before the market is expecting, prices should fall and traders can sell a Stir to profit from this fall."

He gives an example of how to bet on rising rates. Take the short sterling December contract, which is currently at 98.80, with the corresponding Capital Spreads quote at 98.79-98.81.

This means that the market is expecting UK interest rates to be 1.2 per cent (100 minus 98.8) in December.

Investors who think rates will be higher than 1.2 per cent would sell the Capital Spreads quote at £10 a basis point at 98.79. If by November the price is 98.25, you can close at 98.26 for a profit of £530. (98.79 minus 98.26 = 53 basis points x £10).

Traders can also bet on bonds prices in a similar way. "For example, if a client expects long-term US interest rates to rise, and subsequently the price of US treasury bonds to fall, then he will sell the March T-Bond, via a financial spread trade," says Paul Inkster, head of products at Barclays Stockbrokers.

If all this sounds a bit complicated, there are more traditional assets that can be traded that are also linked to movements in inflation, such as gold.

George Xydas, director of international operations at FxPro, says investors can bet on gold either through spread betting or CFDs.

He says: "With both, an investor has to deposit a margin requirement and then can take the exposure that she or he prefers.

"An investor can either go long on gold CFDs (betting on a rise in gold prices) or go short (betting on a fall)."

But while all these asset areas are easily traded and are ones about which many investors hold strong views, they are not expected to play a large part in investors' portfolios.

"Interest rates and bond markets are historically niche markets and do not attract a large amount of spread betting volumes," says Nick Serff, market analyst at City Index.

"This is because your traditional spread better comes from a share-dealing background and as a result, simply does not have enough detailed knowledge or understanding of how these markets work and how to profit from them.

"Secondly, as the majority of spread betters look to speculate on market prices in the short term, these markets may not provide the levels of volatility needed to reach profit targets."

The most widely used trading instruments for betting on interest rates are short sterling contracts

Trading Insight

Bonds are the name of the game

Sovereign debt

Government IOUs offer an opportunity, says **Tanya Powley**

A sovereign debt crisis has spread across southern Europe, following a sell-off of Greek bonds amid fears over the country's budget deficit and ability to reduce its debt.

The Greek bond market saw one of its biggest one-day falls this year on February 25, after a second ratings agency warned the country's long-term credit rating may be downgraded.

Moody's Investors Service said it could downgrade Greece's long-term credit rating by two notches. This followed a warning from Standard & Poor's a day earlier that it could downgrade the country's rating within a month.

One consequence of the concerns was that the yield on two-year Greek government bonds jumped 74 basis points to 6.4 per cent, while the spread between Greek and German 10-year paper widened to 365 points.

The five-year credit-default swap, the measurement of the cost of insuring against a Greek default, rose 10 points to 394, the highest in more than two weeks.

But it is not just Greece that is a focus of concern. All the "Pigs" – Portugal, Ireland, Greece and Spain – have found their bonds moving in step, with Greece viewed as a "bellwether" for the group.

The prices of credit-default swaps on Portuguese and Spanish government bonds have reached record highs, while yield spreads between 10-year German bunds and the bonds of other indebted economies have widened further.

But the recent uncertainty over sovereign debt is not all bad news – it has created multiple trading opportunities for spread betters and contracts for difference traders, who can go short, or long on international bond prices.

David Morrison, spread betting market strategist at GFT, says his company has seen a huge increase in volumes in its bond and interest rate contracts.

Simon Denham, head of Capital Spreads, says: "Clients can take advantage of rising or falling bond prices." He says German bonds have been particularly volatile, as investors fret over their exposure to Pigs debt and the possible cost of any bail-outs.

According to Capital Spreads, anyone who bought the German bund at the beginning of the year for £2 a point when it was at 121.50, could have sold it recently at a price of 124.00 for a profit of £500.

Bonds are not usually popular among traders. They have often been seen as boring compared with equity products, explains GFT's Mr Morrison.

But he says they can display high intra-day volatility and strong trends especially over the medium term.

"People seem much more relaxed about trading these contracts than they were a few years ago, as more and more traders understand that the price inversely reflects the movement in yields," he says.

Simon Brown, head of ProSpreads, agrees. "In the past, bonds have never been the most popular product to trade for the mainstream investor, but the professional trader is always a keen observer of the bond market and, when volatility arrives, opportunities are abundant," he says.

According to Mr Brown, there has been a seismic shift in the spread betting community from equities to more macro-economic products, such as currencies and commodities.

He says: "ProSpreads' client base – which tends to have a longer term, strategic outlook – has seen the emergence of the bond trader, reminiscent of the 1980s."

While there is a range of opportunities for short-term traders in the bond market, Mr Brown says the instability with both Greece and some of the other Pigs will not be resolved overnight. This means longer term trends will evolve in the bond markets.

Greek fire: a protestor in Athens epa

"A number of investment opportunities will open, which is certainly where many of the professionals will be reaping their rewards over the coming months," he adds.

But Joshua Raymond, market strategist at City Index, believes bond trading is still an "exclusive club".

"We typically do not see a high interest in these markets, despite the recent sovereign debt turmoil and subsequent volatility."

> It is not just in the bond markets that spread betters can utilise sovereign debt uncertainty

But it is not just in the bond markets that spread betters can utilise sovereign debt uncertainty.

Mr Raymond says City Index has seen its clients use it as an opportunity to short the euro as well as European indices.

Capital Spreads' Mr Denham agrees, noting that the real action has taken place in the currency markets.

"The euro has declined 5 per cent against the dollar in 2010.

"If you had sold the euro at £1 a point against the greenback in early January at 1.4370, you could have bought close to £2 a point at 1.3630 recently and your profit would have been £1,480," he says.