

CITY

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ILLUSTRATION by Jamel Akib

HOME ALONE

p64 TRADING PLACES: Five years ago, Nick McDonald left the City to set up as a home trader. He hasn't looked back, and says the low cost of trades means there's never been a better time to go it alone...

THERE ARE TWO main types of professional trader today, but only one will win out in the future...

The first group work for institutions and trading companies, with many now finding themselves in the midst of a storm of layoffs and bankruptcies. These traders partially caused the present chaos by operating under lacklustre risk management procedures.

The second are traders working from home, using their own capital on their own time. Their numbers look set to rise steadily and well into the future, while the former are on the decrease.

Why? Because many home traders, having witnessed the recklessness of those they previously considered 'professionals', no longer trust them to manage their money, and so are learning to manage it themselves. Low returns on savings and investments mean the same people are looking for alternatives for their capital. And with poor job security on one side and home trading on the other, many are ditching their pay checks to become the employer rather than the employee, taking their earnings into their own hands.

While few of us had an email account, let alone a broadband connection, a little over a decade ago, most certainly didn't have live market data deliverable to their computers in real time. This was the strict domain of the institution. It was expensive and inaccessible... but no longer.

Technological advances mean even an amateur can trade from home with any electronic trading exchange in the world at their fingertips. Effectively, home-based traders have exactly the same information as the City floor workers, but at a better price.

Many proprietary traders in the City of London pay substantial desk fees before taking into account the expenses of the charting, data and execution packages favoured by trading floor bosses. But the recent surge in traders operating from home has led to a marked increase in the number of suppliers providing data, sparking fierce competition for their custom while driving down fees.

Trading platform IG Group recently reported a 59 per cent increase in the number of clients trading in the first half

Trading Places

NICK MCDONALD left the Square Mile to set up as a home trader – and the low costs involved mean anyone can do it



of the year, compared with the previous six months, and a 61 per cent quarter-on-quarter increase in UK spread betting and CFD account openings.

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Low returns on savings mean some are looking for alternatives for their capital

This trend is only set to grow, albeit under slightly different rules. The amount of risk such platforms are now allowing users to operate with has been reigned in, and will be wrung more tightly still.

Many have increased the amounts they ask clients to put down before trading volatile shares – to protect clients from losses, and to protect themselves from bad debts. IG raised its margins from ten per cent of trade value to 40 per cent for small caps last month, and Spreadex increased its notional trading requirement for FTSE 250 stocks from three per cent to 50 per cent for trades in Irish banks and RBS.

Conversely, platforms have reduced the minimum amount traders can take on a position, even allowing them to use their mobile phones to execute complex trades. For example, MF Global Spreads last month reduced its bet size to just 20p on commodities, FX and indices. And Citi has launched CitiFX Pro Mobile, allowing traders access to streaming prices and charts for over 130 currency pairs without any software installation... another bold move towards all trading taking place on a 'cloud' network where the trader of the future is not only free from an office, but free from a static terminal, whether in the City or at home.

At Trade with Precision, we teach people all they need to get started, from the fundamentals of finance to setting up a home-trading terminal. Our success has been based on teaching solid trading strategies that give members an edge by proving a higher chance of winning than losing. This essentially includes an emphasis on money management which is crucial to ensuring survival, something the large financial institutions have failed to do so spectacularly. Lastly, we focus on the required mindset for success as a trader concentrating on the person who has to pull the trigger on the trade. It is the individual that ultimately executes the tools and strategies we provide.

The opportunities exist and the time is ripe. So much movement in the markets at the moment means there has never been a better time to trade from home. ■

Nick McDonald founded Trade with Precision
 For more info go to tradewithprecision.com