

Trading Tigers



Special Trade – Contract Differential

For those of us trading with City Index, an opportunity currently exists to make an Index trade that should net between 20 and 60 points with a very restricted loss scenario.

Tomorrow, 20th September is the September contract close and the initiation of the December SPI contract (Australia 200 December CFD). The current differential between XJO (top 200 Index) (Australia 200 CFD) and SPI (Australia 200 December CFD) is 5 points. This is relatively low for this time of year and it would normally be -10 to -15 points at this stage.

Just to remind Tigers:

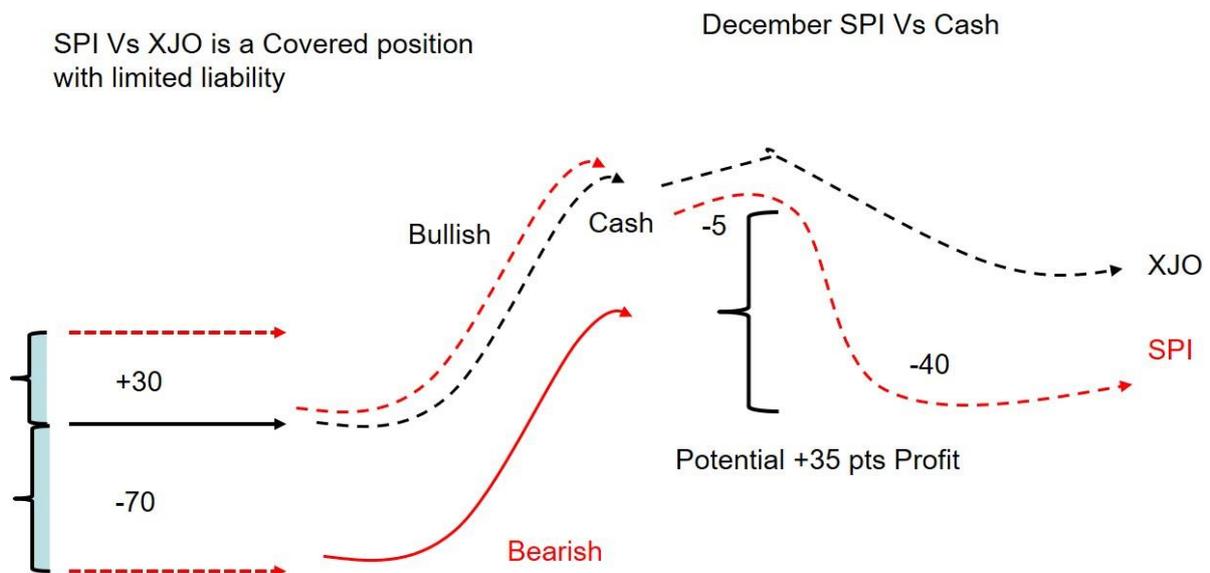
S&P ASX 200 (XJO) (City Index: Australia 200 CFD) is the aggregate of sales of the top 200 stocks (ANZ, BHP, CBA, etc.) calculated on a minute by minute basis based on the sales of the top 200 stocks. This is called the CASH price. The Index itself is NOT actually traded – only the underlying stocks.

Share Price Index Future (SPI) (City Index: (Australia 200 December CFD) is the future value of the index based on fear and greed that oscillates around the value of the Index.

If the general feel is very optimistic (Greedy) the December contract will move above the Index – The future price of the Index is anticipated to be higher than the current (CASH) value of the Index.

If the general feel of the market is pessimistic (fearful), the December contract will move below the Index – the future price of the index is anticipated to be lower than the current (CASH) value of the Index.

This makes the SPI an insurance instrument – insuring the future price against the current price in times of uncertainty controlled by buyers and sellers of the SPI.



Market conditions:

I have been doing the September market brief – open to clients and non-clients, discussing the upcoming congressional election for 6th November in United States. This would normally NOT be highly market significant. However, if Democrats win a 51% majority here, they will be able to initiate impeachment proceedings against Donald Trump which will greatly disturb the market.

This is considered a high FEAR event that will see institutions insure in our market by SELLING the SPI against the current cash price prior to the election. This will force the SPI LOWER than the Cash price and may go as low as 60 points though it is more likely to be in the 30-40 point range.

The current differential between the Cash (XJO) and the future (SPI) is seasonally low – indicating relatively positive sentiment in our market (bullish sentiment). During October/ November this normally changes and goes to a bearish sentiment of -30 or below.

The Differential Opportunity Trade

Long (BUY) Australia 200 CFD (XJO) with no stop or limit.

Short (SELL) Australia 200 December CFD (SPI) with no stop or limit.

Expiry: 20th December, however an exit prior to this would be beneficial.

Proposed target +30 pts

Potential loss (-15)

Stops: None

Limits: None

Notes

You must keep both positions open at the same time. Otherwise you are exposed to a significant loss.

This will operate independent of other OT and HP trades coming up and so you will need to turn HEDGE all Trades on in your City Index account.

Options – Trading – Hedge All Trades ON.

If you have Questions about this trade – I am happy to answer them:

Questions@Investorcentre.com.au

Updates will be VIA Twitter: JodyEllis@ICHotstocks

Market Brief dates at WWW.Investorcentre.com.au

If you want to be notified on the next market brief:

Sales@Investorcentre.com.au

Keep an eye out for MARKET BRIEFS in your area.

Good hunting to all.