

Free eBook: **Trading with Plus500**



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TRADING WITH PLUS500



ABOUT PLUS500

Plus500 is a leading provider of Contracts for Difference (CFDs), delivering trading facilities on shares, forex, commodities, ETFs*, Cryptocurrencies* Options* and indices through its innovative, proprietary trading platform. The company is listed on the London Stock Exchange's Main Market for Listed Companies and is a constituent of the FTSE 250 Index.

You will find the Plus500 platform robust and understandable. Trades can be initiated quickly and monitored closely to maximise potential profits while using built-in risk management tools to help minimise losses and/or lock in profits. Everything you need to make informed trading decisions and to act on those decisions is on your screen - from advanced charts to up-to-the-minute economic data. The platform's alert notification system will notify you via Push and In-App notifications if there are material changes to the financial markets you are interested in, or when political events that may have an impact on the markets, occur. This means you can remain informed, whether or not you are sitting in front of a computer.

Moving between **Real Money** trading and **Demo Mode** trading is easy, which means you can test your skills and strategies in demo mode before doing so in a live environment.

When you [trade with Plus500](#) you can be confident that you are trading with a regulated and licensed provider.

*Subject to operator.

REGULATIONS

Plus500 is listed on the London Stock Exchange. The company operates through the following subsidiaries:

Plus500UK Ltd is authorised and regulated by the Financial Conduct Authority (Firm Reference No.509909).

Plus500CY Ltd is authorised and regulated by the Cyprus Securities and Exchange Commission (Licence No. 250/14).

Plus500AU Pty Ltd is authorised by the Australian Securities & Investment Commission (Australian Financial Services Licence No. 417727), by the Financial Markets Authority in New Zealand (FSP No. 486026) and is an Authorised Financial Services Provider (FSP. 47546) in South Africa.

Plus500SG Pte Ltd (UEN 201422211Z) holds a Capital Markets Services Licence from the Monetary Authority of Singapore (Licence No. CMS100648).

Plus500IL Ltd is a company registered in Israel, licensed to operate a trading arena from the Israel Securities Authority*.

Plus500SEY Ltd is authorised and regulated by the Seychelles Financial Services Authority (Licence No. SD039).

*The authorisation given by the ISA to operate the trading arena does not constitute a confirmation in relation to the quality of trading, the trading instruments offered in the platform, or a confirmation that the investment is safe or recommended.

ASSET CLASSES

When you trade CFDs with Plus500, you have a wide range of asset classes available to choose from. You can trade on currency pairs, cryptocurrencies*, soft and hard commodities (such as wheat, gold and oil), shares listed on exchanges around the world, well-known indices, Exchange-Traded Funds and options* on popular shares and commodities.

*Subject to operator.

FOREX

The foreign exchange market ([Forex](#)) - is a global decentralised market for exchanging one currency for another. It is by far the largest market in the world, with an average daily trading volume of over \$6 trillion.

The most traded currencies are the United States Dollar (USD), Euro (EUR), Japanese Yen (JPY), Pound Sterling (GBP), Australian Dollar (AUD), Canadian Dollar (CAD) and Swiss Franc (CHF).

When trading Forex CFDs, you are essentially speculating on the price changes in their exchange rate. For example, in the [EUR/USD](#) pair the value of one Euro is determined in comparison to the US dollar, and in the [GBP/CHF](#) pair the value of one British pound sterling is quoted against the Swiss Franc. If you think the exchange rate will rise you can open a 'Buy' position. Conversely, if you think the exchange rate will fall you can open a 'Sell' position.



CRYPTOCURRENCIES*

With cryptocurrency CFDs, you are trading on the price of the underlying digital asset with the funds in your Plus500 account. You do not need a special wallet to hold these assets and you can trade larger quantities using leverage. Plus500 CFDs allow you to easily gain exposure, making it more feasible to speculate on high valued cryptocurrencies, such as Bitcoin. Other cryptocurrency CFDs* that are offered on the Plus500 trading platform include: [Ethereum/Bitcoin](#), [Ethereum](#), [Crypto 10 Index](#), [Litecoin](#) and many more.

*Subject to operator.



COMMODITIES

Commodities are natural products that appear in the ground or are agriculturally cultivated.

Commodities play a key role in determining the prices of other financial markets as commodities are used as input in the manufacturing process - meaning national economies in general, and publicly-listed companies in particular, are affected by their prices.

The most common way for trading commodities is to buy or sell a futures contract. The price of a commodity futures contract is standardised, meaning the underlying instrument's quantity (pound, ounce, barrel, etc) is predetermined and appears the same for all market providers.

Futures exchanges are markets where financial institutions and individuals can buy, sell and trade a wide variety of commodities, such as **Oil**, **Natural Gas**, **Gold** and **Corn**. These world's leading futures exchanges are located in the United States, and include:

- The Chicago Board of Trade (CBOT) - a commodity futures exchange based in Chicago and run by CME Group Inc.
- The Intercontinental Exchange (ICE) - an exchange based in Atlanta, offering primarily energy-based commodities.
- The New York Mercantile Exchange (NYMEX) - an exchange located in New York City and run by CME Group Inc.



Most commodity CFDs offered by Plus500 are based on futures contracts from the world's major exchanges. Trading CFDs on Futures makes them accessible to lower initial margins and position sizes.

SHARES

Shares (interchangeably referred to as equity or stocks) are the ownership rights to a corporation which are divided among its stockholders.

In the world of finance, online stock trading generally signifies as the purchase or sale of shares issued by companies that are publicly traded on stock exchanges such as the New York Stock Exchange (NYSE), **the London Stock Exchange** (LSE), the **NASDAQ** or the Tokyo Stock Exchange (TSE).

The price of a particular stock is determined by the total number of shares a company has created, usually measured in the currency of the stock market it is listed on, for example, penny in the UK, euro in the European Union, yen in Japan and US dollars in the United States. CFD share trading, on the other hand, is a form of trading that enables you to trade with leverage* on the prices of publicly-listed companies - such as **Apple**, **Tesla** and **Meta** - without the need of owning the underlying stock.

* Leveraged trading activity involves substantial risks for losing all of the invested funds in a short time period.



INDICES

A [stock market index](#) is a performance indicator of a country's economy or of an industry/sector within an economy. For example, [FTSE 100](#) represents the largest 100 companies traded on the London Stock Exchange, and the [NIKKEI 225](#) is a stock market index for the Tokyo Stock Exchange, made up of the 225 largest, publicly-traded companies in Japan (calculated relatively according to their prices). Market indices are typically based on a basket of shares and are thus considered good measures of the current market sentiment. If share prices of most companies are included in the index, then there is an increase in value, and the index tends to rise. On the other hand, if the shares decrease in value, the index will ultimately drop as well. In other words, when you buy or sell a stock index, you are effectively investing in the performance of these shares and thus avoid factors that influence the performance of individual companies (such as a lack of market volume).



ETFs*

An ETF (Exchange-Traded Fund) is a financial instrument that tracks the performance of assets such as stocks, commodities or indices, and generally focuses on specific sectors or areas of business.

Trading ETFs through CFDs offers several advantages that have helped increase their popularity in recent years:

- ETFs allow you to trade an entire market as though it were a single stock or commodity, thus helping you spread out your potential risks or rewards.
- ETFs are designed to give you exposure to diverse industries and sectors within capital markets. This means you can diversify your portfolio without the need for a large amount of capital.
- Niche markets - ETFs often cover products or services that appeal to a small, specialized section of traders - for example, [SCHH Schwab US REIT](#), which focuses on US companies in the real estate sector - meaning that as a trader you have the ability to tap into new and unique trading opportunities.



*Subject to operator.

OPTIONS*

Trading options involves speculating on the future price (strike price) of an underlying instrument such as a stock, index or commodity. Plus500 offers two types of options CFDs: Call options and Put options, and you can open Buy or Sell positions on both types. If you enter a position on a Call/Put option, you are essentially entering a contract on the price of an underlying instrument that will reach (or surpass) at the expiry date.

- **Puts** – a buyer/seller of a 'Put Option' expects the price of the underlying instrument to fall/rise.
- **Calls** – a buyer/seller of a 'Call Option' expects the price of the underlying instrument to rise/fall.



In CFD trading, your profit or loss is determined by reference to the movement of an option price, and as opposed to the real market, you are not buying or selling the underlying asset itself.

To learn more about the different asset classes offered by Plus500 and the over 2,000 instruments available for trading with leverage, [click here](#). Alternatively, you can find this information by signing in to the trading platform on your mobile, tablet or computer.

*Subject to operator.

UNDERSTANDING CFD TRADING

When you trade with Plus500 you are trading on a [Contract for Difference \(CFD\)](#). A CFD is a financial derivative that is monitored closely by financial regulators. When you Buy or Sell a CFD you enter a contract with the CFD issuer. You are not buying or selling the asset, but are entering a contract which allows you to potentially benefit from the price movement of that asset. In other words, two parties enter into an agreement to trade on the price difference between the entry price (either Buy or Sell) and the closing price. For a Buy contract, if the trade's closing price is higher than the opening price, then Plus500 will pay the Buyer the difference, and that will be the Buyer's profit. If, however, the trade's closing price is lower than the opening price, then the Buyer will pay Plus500 the difference, and that will be the Buyer's loss.

For a Sell contract, the opposite is true, i.e. if the trade's closing price is lower than the opening price, then Plus500 will pay the Seller the difference, and that will be the Seller's profit. Conversely, if the trade's closing price is higher than the opening price, then the Seller will pay Plus500 the difference, and that will be the Seller's loss.

In other words, if you believe the price is going to rise, you would rather buy (also known as Go Long), or if you believe the price is going to fall, you would better sell (Go Short).

Some of the reasons CFDs are attractive to traders are:

- **The ability to Go Short (Sell)** which is not always as straightforward in the physical financial market.
- **Access to [leverage](#)*** - meaning you can use borrowed capital in the expectation of making higher profits (or losses).
- **Straightforwardness** - there is no need to actually own the underlying financial asset.

In addition, with CFDs, you can normally open a contract for smaller amounts than you could in the underlying physical market. For instance, you can trade on a fraction of Bitcoin**, as opposed to purchasing a whole Bitcoin, or several barrels of Oil (rather than 5,000 barrels - the normal contract size - in the physical market).

* Leveraged trading activity involves substantial risks for losing all of the invested funds in a short time period.

**Subject to operator.



CFDs traders do not hold any tangible assets

With CFDs you can speculate on price changes of an underlying asset without having to actually purchase it. The name of this type of product explains what it is: a contract designed for the trader to profit from the difference in the price of an asset between the opening and closing of the contract. The price or value of a CFD mirrors in real-time the price movements of the underlying physical asset.

With CFDs, you do not need to deposit the full value of the asset to open a position. Instead, you can just deposit a percentage of the total amount. This deposit is known as 'Margin' and makes CFDs a leveraged financial product. Leverage amplifies the gains of the contract, but similarly can amplify any losses.

Plus500 offers most of its services free of charge, and is upfront with the few fees it does charge. There are no surprises. The company's compensation structure is derived from the Bid/Ask spreads (i.e., the difference between the Buy and Sell prices quoted on the platform). For details on the few fees and charges that Plus500 charges, [click here](#).

SPREADS

The "[Spread](#)" is the difference between the "Buy" price and the "Sell" price on an instrument at a particular time. On the Plus500 platform, you will come across two types of spreads: (1) Dynamic Spread; and (2) Spread. A "Dynamic spread" is constantly adjusted according to the market spread during the period a position is open. A Spread does not typically change in line with general market fluctuations while a position is open, but when the market is volatile and illiquid, may change to a new level so that the underlying market conditions are better reflected. Nevertheless, Plus500 aims to provide the tightest possible spreads at all times.

You should always check the applicable spread type and make sure you are aware of an instrument's properties before you start trading. Information regarding the spread for a given instrument can be found on our website or trading platforms in the "Details" link next to the instrument's name.

MARGIN

CFD traders do not need to deposit the full value of a contract to open a position. Instead, only a portion of the total amount is needed. When trading CFDs, one can trade on margin using leverage*. In order to open and maintain a position, [initial](#) and [maintenance](#) margin levels must be met. Both the initial and maintenance margin level requirements are specific to each financial instrument.

*Leveraged trading activity involves substantial risks for losing all of the invested funds in a short time period.

TRADING & PLATFORM MEDIUMS

The Plus500 platform is available for CFD online trading in a few different mediums. Traders can access the platform on Apple and Android devices. It is best to have the latest version of your device's software (iOS or Android) to ensure all our services function correctly. The platform is also accessible with our WebTrader on desktop and Windows 10 Trader.



GETTING READY TO TRADE

When you are ready to get going, you should first sign up for a Demo Account and familiarise yourself with all the various features of Plus500's platform, including notifications and reports. You will find everything you need under the Menu tab, including the ability to switch your display to 'Dark Mode'.

DEMO TRADING

The Plus500 Demo Account is an exact replica of the live trading platform, which will allow you to learn [how to trade on the Plus500 platform](#), practice CFD trading, develop strategies and build your experience in a real environment without the risk. A demo account is not just for beginners; with Plus500, every trader with a live trading account also has a demo account where they can test, develop and refine their trading strategies. Traders can easily switch between their live and demo accounts whenever they like, as the Demo Account is free and unlimited.

Note: It is important to make sure you are in the correct mode when you initiate a trade. For example, Plus500 cannot reverse or cancel a trade in the live environment just because you thought you were in Demo Mode.

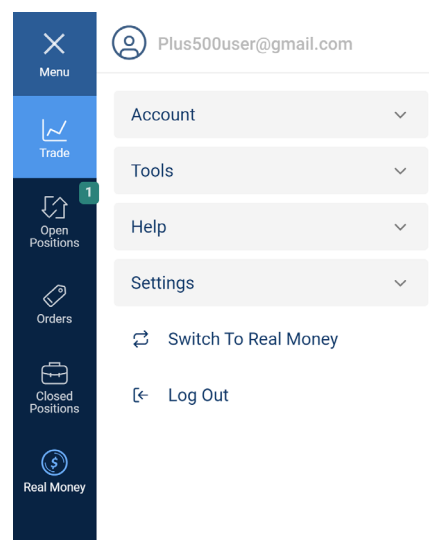
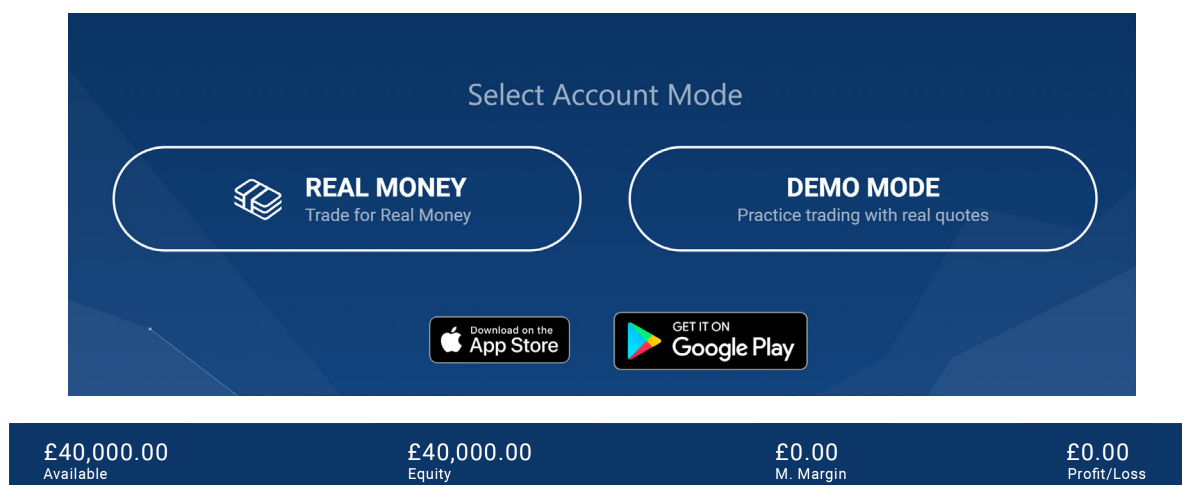
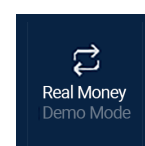


Figure 1 Source: Plus500 Trading Platform, October 2020



LIVE ACCOUNT

To switch from Demo Mode to Real Money, just click on the button on the bottom of your screen or in the main Menu. When you click Real Money, you will be moved to your live account, your orders will be processed according to your available funds, and margin requirements will be deducted from your account.



USING THE PLUS500 TRADING PLATFORM

There are three tabs that are crucial to your trading experience.



When you click on the **Trade** tab, you will see the entire [trading platform](#), a list of all the available instruments, their Buy and Sell prices, as well as a record of recent InApp Notifications.

To find a list* of the different assets offered by Plus500, scroll down and they can be found on the left-hand side of the screen.

*Asset list is subject to region.

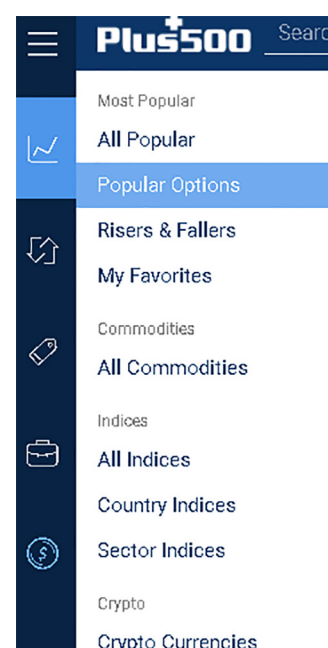


Figure 2 Source: Plus500 Trading Platform, October 2020. Subject to Operator.

You can see the instruments' Sell and Buy prices (Ask/Bid) and other market information in the centre of the screen. You can scroll up or down to see additional instruments, or use the asset locator on the left side, as illustrated above. If you click on the Sell or Buy buttons, an order ticket will open, so you can initiate your trade.

Instrument	Change	Sell	Buy	High/Low
Oil Put 38.5 Dec	-5.31%	1.67	1.72	1.77 / 1.54
Gold Call 1920 Dec	-0.57%	34.36	35.64	38.47 / 34.22
Natural Gas Call 2.85 Dec	0.00%	0.448	0.460	0.458 / 0.426
Alphabet Call 1530 Nov	-24.93%	102.69	107.61	Market is Closed
Netflix Put 480 Nov	-2.79%	17.79	18.45	Market is Closed
Snap Put 36 Nov	23.33%	0.73	0.75	Market is Closed
USA 500 Call 3260 Nov	1.87%	210.10	212.64	214.13 / 203.23
Apple Put 115 Nov	2.54%	5.78	5.91	Market is Closed

Figure 3 Source: Plus500 Trading Platform, October 2020

SETTING UP YOUR FAVOURITE INSTRUMENTS

You can also add your favourite instruments to the asset selection bar, making it easier to follow what you're most interested in, by simply clicking on the star on the instrument screen.

GETTING NOTIFICATIONS AND UPDATES

You can click on the [Alert](#) icon for any instrument to set up a notification request to be alerted of changes in price, percentage or Traders' Sentiments*. You have the ability to customise the alerts to fit your individual needs and trading strategies. Learn more in our [Trader's Guide](#).

*Subject to operator.

→

→

→

Oil Alerts

Instrument Details

Price

Change %

Traders' Sentiments

Alert me when price reaches:

41.60

+

-

0.97% above current price

Current buy rate: 41.20

Price type: ☐ Sell ☒ Buy

Delivery methods

☒ Email ☒ SMS ☒ Push

Set Alert

Notification Settings

Figure 4 Source: Plus500 Trading Platform, October 2020.

FINDING AN ASSET'S INFORMATION

When you select an instrument, there is a great deal of information available to you by clicking on the information icon. A window will open up and provide you with details of the instrument's current sell and buy prices, as well as Plus500 Traders' Sentiments*. You will also be able to see the spread, unit amount, leverage, margin requirements, trading hours and overnight funding fees.

*Subject to operator.

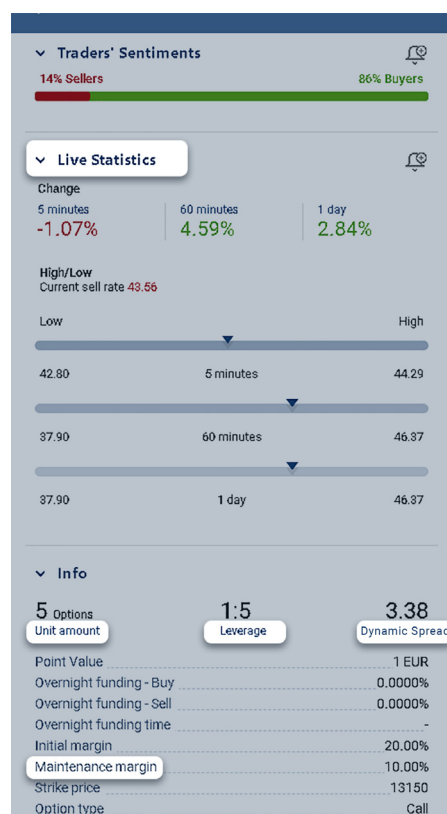
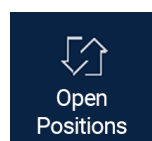


Figure 5 Source: Plus500 Trading Platform, October 2020.



Once a trade is executed, you hold an **Open Position**. A list of all your open positions can be found by clicking on the Open Positions tab. The Profit/Loss (P&L) of an open position will move in line with movements in the underlying market and will affect the available balance in your account.



An order is an instruction to open a position or trade when certain criteria (such as a price level or percentage change) are met. In most cases, these are referred to as limit orders. A limit order is triggered when the price in the underlying market moves past your specified entry level, providing the limit order price for opening a position. A list of all your current pending orders can be found by clicking on the **Orders** tab.

GETTING STARTED

A STEP-BY-STEP GUIDE

Deciding on the right market to trade is a first step in building an effective trading plan, and when weighing up your options, it would be best to start off with a market that you have some prior understanding of or that you are familiar with from past experience.

Knowing how and why markets move and the potential events and economic factors that influence them is extremely valuable in helping you devise a strategy that identifies relevant, and potentially profitable, trading opportunities.

Instrument	Change	Sell	Buy	High/Low
Oil Put 38.5 Dec	-5.31%	1.67	1.72	1.77 / 1.54
Gold Call 1920 Dec	-0.57%	34.36	35.64	38.47 / 34.22
Natural Gas Call 2.85 Dec	0.00%	0.448	0.460	0.458 / 0.426
Alphabet Call 1530 Nov	-24.93%	102.69	107.61	Market is Closed
Netflix Put 480 Nov	-2.79%	17.79	18.45	Market is Closed
Snap Put 36 Nov	23.33%	0.73	0.75	Market is Closed
USA 500 Call 3260 Nov	1.87%	210.10	212.64	214.13 / 203.23
Apple Put 115 Nov	2.54%	5.78	5.91	Market is Closed

Figure 6 Source: Plus500 Trading Platform, October 2020

DECIDING TO BUY OR SELL

When trading CFDs with Plus500 you can choose which markets are right for your [trading strategy](#) from the wide range of available shares, forex pairs, soft and hard commodities, options* and stock market indices.

As with any form of trading, research and analysis is critical when it comes to choosing the right market to trade and the best time to open a position. You must ensure that you have a deep understanding of market trends, traders' sentiments* and volatility before you decide to trade in a live environment. Moreover, you need to identify the issues and events which could drive price movement in the market and determine how this may impact your trading decisions.

*Subject to operator.

REVIEWING ASSET DETAILS

Before entering the market, decide on the desired number of contracts (i.e., trade amount) and how this fits your trading budget. Your profit or loss will either rise or fall for each pip the market moves in either direction. To find details of the size or unit amount for each CFD instrument, click on the instrument's [Info icon](#). The **Info** section provides you with details of the leverage applicable to that instrument, its unit size, initial and maintenance margin requirements, as well as other important information. You should familiarise yourself with the information contained in this window.

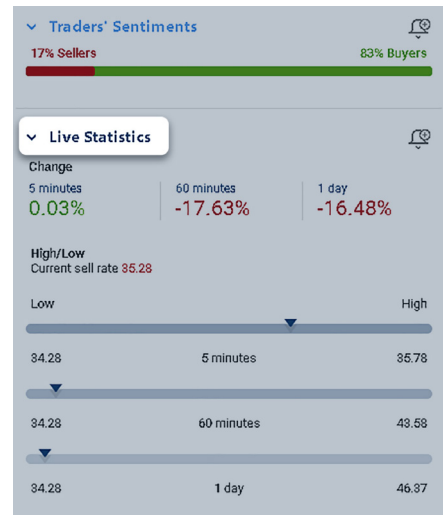


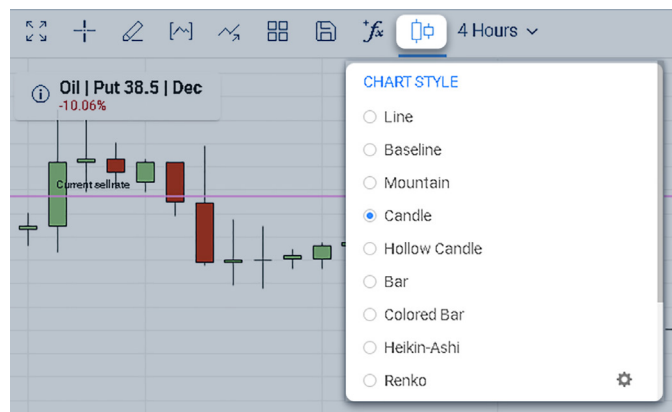
Figure 7 Source: Plus500 Trading Platform, October 2020. Subject to operator.

USING ADVANCED CHARTING CAPABILITIES

Conducting market research and analysis can help you get a feel for the current sentiment within the market you wish to trade. Plus500's advanced [charting tools](#) will give you the ability to see historical price activity and apply a full range of technical analysis techniques.

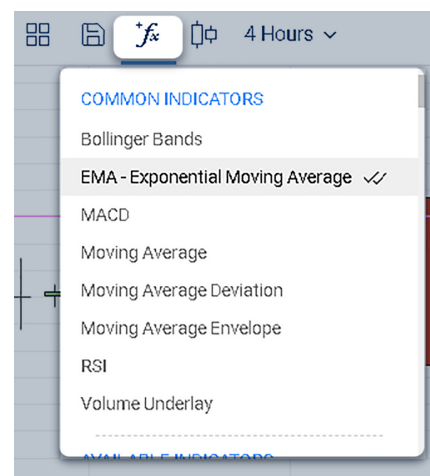
CHART STYLES

There are various chart styles available to suit your preferences. You can choose anything from a Line, Baseline, Mountain, Candle, Hollow Candle, Bar, Coloured Bar, Heikin-Ashi, Renko, Kagi, Line Break chart and more. This extensive chart selection really allows you to analyze market movements exactly to your needs.



POPULAR INDICATORS

There are many indicators which you can add to your charts to help you technically analyze market movements in detail. For example, Bollinger Bands is an indicator tool with two standard deviations (positive and negative) which moves away from an average of an underlying instruments price, and can be changed to suit your preferences. Other common indicators include MACD, RSI, Volume Underlay, Moving Average, Moving Average Deviation and many more.



MULTIPLE CHARTS

Plus500's advanced Multiple Charts tool allows you to compare different instruments by viewing their charts side by side. This enables you to perform high-quality technical analysis according to your preference.

You can view up to 9 charts at the same time in Full Screen, while controlling the resolution, chart type and more for each chart individually.

Once you've set your preferences for one chart, you can easily apply it to the rest of the charts by clicking "Apply to all charts". After you set your chart preferences, you can save your chart layouts by clicking the "Save" icon and reload it anytime.



FUTURE CHART SPACE

Use your analysis tools in the future space added to our charts. It is simple to use, just scroll right to see the empty future space. You can always use the back button to return to the present. Also, you can add indicators with future projections to help you analyse future price movements.

Utilise the drawing tools to add your predictions to the empty chart space. This will help you to better visualise your next steps. Then, simply click on the brush button and pick the drawing tool you would like to use.



Figure 8 Source: Plus500 Trading Platform, October 2020

SETTING UP A TRADE

Once you have identified a trading opportunity, you should act decisively and follow the rationale behind your trading plan. Ensure that you have sufficient risk management controls in place and that you have a clear exit strategy in mind. Your trading strategy should give you a firm idea of the right time to close an open position, e.g. when your target profit has been reached, or when a stop loss level has been triggered. A stop loss is a market order used to close a losing position once it has reached a certain level.

Exiting the market at the right time can be the difference between a losing trade and a profitable one.

ENTRY POINT

Plus500's trading platform is understandable to use, with clear options in the trade window, which allow you to select the size of the CFD contract, choose a buy or sell position and to attach and define risk management tools, such as **Stop Loss** and other limit orders. There are many strategies that you can use to determine the price you wish to enter the market.

Using the Plus500 trade window you can select to enter a market order or place a **future order** for the trade to be executed at a specific price point. If the price is reached, your order will be executed automatically for you. You can find this under the Advanced section in the order window.

EXIT OR TARGET

When you place a trade or a future order with Plus500, you can also set an order to close your position when a certain price level is reached. Once the predetermined price level is reached, your trade will be closed at the expected profit or loss.

A **Stop Loss** is a very important risk management tool and a way to protect your account from unexpected and larger than anticipated losses. The Plus500 Platform offers you several choices. The first option is to click on the "close at loss" box and set a price level at which to close your trade if the market moves against you. Taking care when setting this level is crucial. If the market moves against you, your position will be closed as close as possible to the level set in your Stop Loss order. Please note that you can change this level as many times as you need and there is no charge for using this feature.

For some instruments, you also have the option to select a **Guaranteed Stop Order**. This option will protect your position from slippage in a widely swinging market where liquidity could be limited. The charge for using this feature is a widened spread.

The last option is called a **Trailing Stop Loss**. A trailing stop loss moves up and down as the price of the instrument moves. The trailing stop loss is set at a certain number of pips from the price at which the order was executed. This feature is free of charge, but it is not guaranteed that your position will close at the exact price level you specify.

USA 500 | Call 3260 | Nov
(ESNOV20C3260) 2.29% ↑
Current Rate 213.38

Amount: Options 49 After leverage
+\$10,447.29 = €8,023.15 Value \$2,089.46 = €1,604.63 Required Margin

☐ Close at profit
☒ Close at loss

Buy Cancel

Advanced

☒ Trailing stop: Pips
10 + -
213.13 -1.11%

☒ Buy when rate is
213.21 + -
-0.08% from current rate

Info

1 Options Unit amount 1:5 Leverage 2.27

Figure 9 Source: Plus500 Trading Platform, October 2020

AN ILLUSTRATIVE TRADING EXAMPLE

STEP 1 - MAKING THE DECISION TO TRADE

The first step you need to take is determining the market and instrument you wish to trade. In the following example, the **EUR/USD** currency pair has been selected. In simple terms, when buying this pair, we expect the price of the EUR Euro to rise as the price of the USD falls. In forex trading, you are essentially buying one currency by selling another, yet with CFD trading, this is done by trading on the price movements of the currency pair, without actually owning it. The value quoted at the time of the trade was 1.18152, i.e. EUR cost 1.18152 US dollars at the time the trade was executed. Plus500 will always quote two prices (Buy/Sell) for any currency pair and the difference between the two prices is known as the spread.

In this example, the Forex currency pair EUR/USD was chosen based on a strategy known as 'News Trading'. Overnight there was a market event on the news, which led to major market uncertainty and had a direct effect on the USD. The USD tumbled against all of its cross currencies.

We chose to trade EUR/USD believing that the news would cause the USD to fall in value whereas the EUR would gain in value.



Figure 10 Source: Plus500 Trading Platform, October 2020

STEP 2 - EVALUATING THE TRADE

Now that we have decided on the currency pair to trade, there are a series of steps or strategies that need to be determined.

Type	Net P&L	Current Value	Change	Limit Stop	Adjustments	Overnight Funding	Open Time
Buy EUR/USD	\$65.37	\$1,551,887	0.00%	Edit Close	Close at profit Close at loss	\$0.00	\$0.00
							10/27/2020 12:52 PM

1. Do we want to buy the instrument (Go Long) or sell it (Go Short)?
2. What price are we willing to enter the market?
3. What is the target profit price (Close at Profit)?
4. What is the target loss price (Close at Loss)?
5. What is the size of the contract?

We start this process by reviewing the Buy and Sell prices for EUR/USD. We need to determine which direction to trade.

Info	
€1,000 Unit amount	1:30 Leverage
0.00008 Dynamic Spread	
Point Value	1 USD
Overnight funding - Buy	-0.0076%
Overnight funding - Sell	-0.0037%
Overnight funding time	10:00 PM
Initial margin	3.33%
Maintenance margin	1.67%
Expiry date	--
Current trading session	Sun 11:00 PM Fri 11:00 PM
Next trading session	11/22/2020 11:00 PM 11/27/2020 11:00 PM

Figure 11 Source: Plus500 Trading Platform, October 2020

After careful evaluation, we find the price range that the EUR/USD was trading shortly after the initial shock of the news hit the markets. We also noted that market volatility had eased somewhat. The lower the volatility, the closer we are to placing a stop order (known as 'Close at Loss') to protect the balance of the trading account.

After identifying the trading range, we decide to **Buy** the EUR/USD only if the currency pair dips once again to the bottom of the earlier trading range.

We set a stop loss order at the lowest point the currency pair had traded in the last 24 hours and a take profit (a market order used to close a profitable position once it reaches a certain level) slightly above the top of the earlier identified trading range.

It is now time to place the trade.

STEP 3 - PLACING THE TRADE

We click on the 'Buy' button to begin the trade set up.

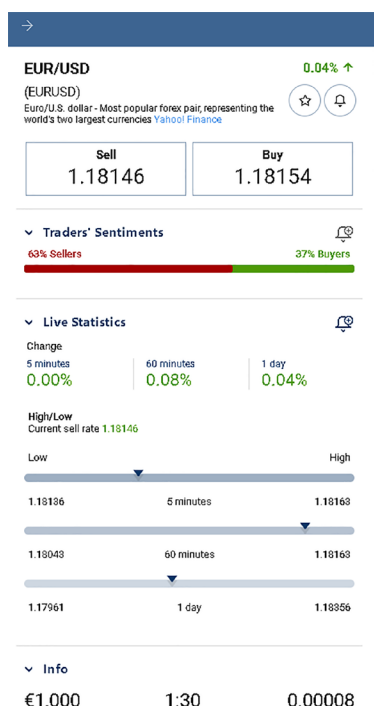


Figure 12 Source: Plus500 Trading Platform, October 2020

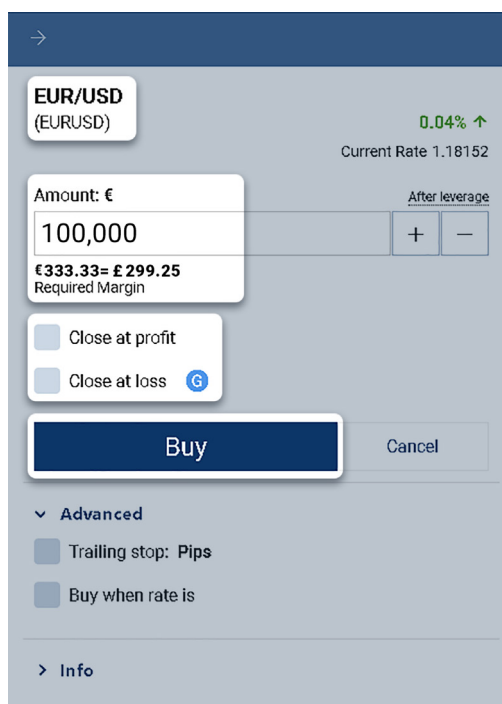


Figure 13 Source: Plus500 Trading Platform, October 2020

We decided to set up the trade to open immediately at the current market price. We selected a trade size of €100,000 with an initial margin requirement of €333.33.

We then set up close at profit and close at loss settings, and Click **Buy** to open the trade.

STEP 4 - MONITORING THE TRADE

While closely watching the trade on the screen, we decide to set up alerts to learn about sharp changes in the instrument's price.



Figure 14 Source: Plus500 Trading Platform, October 2020

After an hour or so, we notice that the trading channel was holding, but the currency pair is seeing very low trading volumes and the market begins to contract tighter.

STEP 5 - CLOSING THE TRADE

Once the price has been reached, we decide to close the trade. After covering the spread fees, the net profit was \$65.37. This could also have been a loss, if the market moved in the opposite direction, or if we had opened a Sell trade, instead of a Buy trade.

Type	Net P&L	Current Value	Change	Limit Stop	Adjustments	Overnight Funding	Open Time
Buy EUR/USD	\$65.37	\$1,551,887	0.00%	<div>Edit</div> <div>Close at profit</div> <div>Close at loss</div>	\$0.00	\$0.00	10/27/2020 12:52 PM

Figure 15 Source: Plus500 Trading Platform, October 2020

TRADING TERMINOLOGY

BID/ASK

Bid and Ask are the prices at which Plus500 will either sell a particular instrument to you or buy a particular instrument from you. The Bid/Ask price is based on the value of the underlying physical instrument, plus a spread (i.e., a small difference). In other words, the bid price is what Plus500 is willing to pay or “bid” for an instrument, while the “ask” price is how much Plus500 wants for selling an instrument. The difference between the buy and sell prices can be considered Plus500’s fee and is referred to as the market spread. You can see sell and buy prices of all instruments offered by Plus500 on your trading screen.

SPREAD

The “Spread” is the difference between the “Buy” price and the “Sell” price on an instrument at a particular time. On the Plus500 platform, you will come across two types of spreads: (1) Dynamic Spread; and (2) Spread. A “Dynamic spread” is constantly adjusted according to the market spread during the period a position is open. A Spread does not typically change in line with general market fluctuations while a position is open, but when the market is volatile and illiquid, may change to a new level so that the underlying market conditions are better reflected. Nevertheless, Plus500 aims to provide the most competitive possible spreads at all times.

You should always check the applicable spread type and make sure you are aware of an instrument’s properties before you start trading. Information regarding the spread for a given instrument can be found on our website or trading platforms in the “Details” link next to the instrument’s name.

CONTRACT SIZE

The contract size or unit amount shown in the trade window is the minimum size of the CFD contract available on the Plus500 platform. Each instrument has a different minimum unit amount. Oil price is quoted in barrels, while forex pairs such as the EUR/USD are based on the value amount (typically, in thousands) and shares are based on the price of a single share.



WHAT IS A PIP?

Price interest point (**pip**) measures the smallest unit of change in a financial instrument's price. Typically, it refers to the last decimal or digit of the instrument price.

Pip Examples:

The price of GBP/USD is 1.42630 / 1.42650 (Sell/Buy). If the price of GBP/USD moves to 1.42670 / 1.42690, this is a movement of 0.00040 or 40 pips.

The price of Germany 40 is 12373.58 / 12374.43 (Sell/Buy). If the price of Germany 40 moves to 12373.88 / 12374.73, this is a movement of 0.30 or 30 pips.

BASE AND QUOTE CURRENCIES

Base is the first currency in a currency pair, also referred to as the nominator (or top number).

Quote is the second currency in a currency pair, also referred to as the denominator (or bottom number).

For example, in the EUR/USD currency pair, Euro is the base currency and the US Dollar is the quote currency.

SLIPPAGE

Slippage is the difference between the price you set for opening or closing a trade/order and the price that it is actually opened or closed at. Slippage usually occurs during periods of high volatility and after major market news - and can be relevant for all financial instruments: stocks, forex pairs, commodities, indices and more. Slippage can work either in your favour (when the price moves higher in your desired direction) or against you (when the price moves lower than your predefined price level).

LONG VS SHORT POSITION

If you are taking a long position, you are expecting the price of the instrument to rise in value. If you are taking a short position you are expecting the price of the instrument to decline in value. In online CFD trading, we more commonly refer to a buy position, or a sell position, rather than going long or short.

MARKET ORDER

There are two kinds of orders that provide instruction to the Plus500 platform to carry out an action on your behalf. A Market order instructs the system to open a buy or sell position on the instrument at the current market price. This will be as close as possible to the buy or sell price quoted at the time of the order. It could be a bit higher or lower depending on immediate availability, however some traders use what is known as a limit order.

LIMIT ORDER

A limit order allows you to set the price you wish to enter the market. If the price you have set is not reached, your order will not be filled. You can set a limit order easily on the trade ticket by clicking the 'Advanced' tab. You will be given a choice to 'Only buy/sell when the rate is.....' Just click on the box and fill in the price you want to set your limit order.

LEVERAGE

Leverage* enables traders to multiply their exposure to a financial instrument without committing the entire capital upfront. It effectively allows you to trade positions larger than you could on the underlying market using the amount of money in your trading account. For example, a leverage of 1:50 means you could use \$200 to open a trade valued at \$10,000. This means that both profit and losses are magnified. You can see an instrument's [leverage](#) ratio and its margin requirements by clicking the instrument information button.

* Leveraged trading activity involves substantial risks for losing all of the invested funds in a short time period.

MARGIN

Leverage and margin go hand in hand. Margin is not a fee or a cost, but rather a deposit amount that you must put down in order to open a trade based on the size of the contract and the asset in question. The minimum margin requirements vary based on the jurisdictions traders are located in and client classification (i.e retail or professional) and this is only relevant if you are a retail client. Margin requirements may change, but this would only affect new positions and not existing positions*. Margin is usually expressed as a percentage of the full cost of the position. The initial margin requirement is based on the pre-set leverage for the asset class of the instrument you are trading. You can see the exact margin requirement and the leverage ratio for the instrument in the Trade screen when you set up your trade.

*Where margin requirements are changed in order to comply with regulatory requirements, new positions may be affected and existing positions may be subject to closure (subject to operator).

INITIAL MARGIN

[Initial margin](#) represents the percentage of the purchase price of the contract. You can see the total sum of the initial margin on the trade screen when you set up your trade or order.

MAINTENANCE MARGIN

[Maintenance margin](#) represents the amount of equity you must maintain in your trading account balance after the CFD transaction has been executed - in order to keep your trade open.

MARGIN CALL

If your account balance approaches the Maintenance Margin requirement, Plus500 may issue a [Margin Call](#) alert. If funds are not deposited before the account balance falls below the maintenance margin requirement, the system will automatically close one or more of your open positions until such time as the account balance exceeds the maintenance margin level of the remaining open position(s). Margin Call alerts are not to be relied upon as a risk management tool and it is your responsibility to monitor your account and make sure you have adequate funds to cover the margin requirement of all of your open positions.

EUR/USD
(EURUSD) 0.16% ↑
Current Rate 1.18296

Amount: € 10,000 After leverage
€333.33 = £302.07
Required Margin

☐ Close at profit
☐ Close at loss **G**

Buy Cancel

▼ **Advanced**
☐ Trailing stop: Pips
☐ Buy when rate is

Figure 16 Source: Plus500 Trading Platform, October 2020

▼ Info		
€1,000 Unit amount	1:30 Leverage	0.00008 Dynamic Spread
Point Value		1 USD
Overnight funding - Buy		-0.0076%
Overnight funding - Sell		-0.0037%
Overnight funding time		10:00 PM
Initial margin		3.33%
Maintenance margin		1.67%
Expiry date		-
Current trading session		Sun 11:00 PM Fri 11:00 PM
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Figure 17 Source: Plus500 Trading Platform, October 2020

FEES AND OVERNIGHT CHARGES

In leveraged trading you only need to put down a percentage of the total value of your position in order to open the trade. There is no fee or interest for short term trades that close within the same day. Except where there is an expiry date for an instrument, Plus500 allows you to keep your trade open until you wish to close your position, or until your profit or loss targets have been met. There is, however, an overnight fee for keeping the position open beyond a certain cut-off time, and is deducted from your account balance. Each instrument has its own predetermined hours and fees. To see the overnight fee and the time of day that the overnight funding applies, please click on the instrument information icon in the Trade screen. You can learn more about Plus500's overnight funding [here](#).

CURRENCY CONVERSION FEE

Plus500 will charge a Currency Conversion Fee when you trade an instrument denominated in a different currency to that of your account currency. The Currency Conversion Fee is up to 0.7% of the realised profit and loss for such a position and it is reflected in real-time into the unrealised profit and loss of an open Position and will be charged once the Position is closed. Currency conversion fee amounts depend on your region.

ROLLOVER

Instruments such as oil or gold are based on futures contracts for a specific month. In most cases, they are for the current active month. Futures contracts have predefined expiry dates, meaning at a certain date and time the contract will automatically close (unless rolled over to a new contract of the next -month). When trading CFDs on futures, your contract will be automatically rolled over to a next futures contract and its value. Stop and limit orders are also adjusted to reflect the price of the instrument in the new contract. Plus500 does not charge for this [rollover](#) service but there could be a change of the valuation of the CFD based on the change of the underlying asset. To learn more about Plus500's rollover service, please follow [this link](#).

ROLLOVER ADJUSTMENT

In order to nullify the impact on the valuation of the open position, given the change in the underlying instrument's rate (price) for the new contract period, a compensating adjustment is made to the account. The value of your position continues to reflect the impact of market movement based on your original opening level, size and spread. If the new contract is trading at a higher price, Buy positions will receive a negative adjustment, and Sell positions will receive a positive adjustment. Conversely, if the new contract is trading at a lower price, Buy positions will receive a positive adjustment, and Sell positions will receive a negative adjustment.

Example of rollover adjustment calculation:

You hold a Buy position of 100 contracts of Oil futures.

Oil futures rates at the time of rollover:

- Existing contract Buy rate = \$61.30
- Existing contract Sell rate = \$ 61.25
- New contract Buy rate = \$62.50
- New contract Sell rate = \$ 62.45

Adjustments calculation:

Sell Rate Difference = [New contract sell rate] - [Existing contract sell rate] = \$62.45 - \$61.25 = \$1.20

Buy Position Adjustment = - ([Amount of contracts] * [Sell rate difference]) = - (100 * \$1.20) = - \$120

EXPIRY

Some instruments available on the Plus500 platform are based on futures contracts. Futures contracts have [expiry dates](#). If you have a CFD position for an instrument that has an expiry and a rollover date, these will be rolled over at the expiry to the next futures contract expiry. You can find the current Futures contract and the automatic roller over date in the info window for each asset.

In addition, every Option* CFD comes with an expiry date. If the rate of the underlying instrument does not reach the Strike Price before this date, the Option CFD will expire and the last price is based on the last available rate (and not zero).

Also, Cryptocurrency* CFD positions will expire at a predetermined time, which will be displayed in the instrument's details section.

*Subject to operator.

CORPORATE EVENT

There are several corporate events that can take place in the underlying market that can affect the value of your Share CFD. Even though you do not actually own shares in the Company, some corporate events have a direct effect on the holders of Share CFDs. These include dividends, spinoffs, rights issues and stock splits. These do not happen often and only affect Share CFD traders at the time of the corporate action.

DIVIDEND

Dividends are issued and paid to the holders of physical shares of a company. They are also paid out to Share CFD traders if you have an open BUY position in a Share CFD when the dividend is issued (ex-dividend date).

If you hold a SELL position in a Share CFD, a sum will be deducted from your trading account balance.

RISK MANAGEMENT

Risk management is all-important when trading online. Developing a strong [risk management](#) process will help you filter out high-risk trades and keep you aware of your risk value for each trade. Leverage helps ramp up your trading, but it also magnifies your risk. You should consider adding a 'Close at profit' or 'Close at loss' to the positions you open, if this is appropriate for your personal trading strategy. These are available in the trade order window.

By setting these limits when you are initiating your trade order, you will minimise your losses as you have instructed the system to close your position if it moves against you. By setting the take profit level, as trades move up and down continuously, your instruction to the system will be activated when the price level is reached even if it is only touched momentarily. Using these risk management tools will help you stay aware of your profit and loss potential for each trade.

You should determine a profit/loss ratio that fits your experience, knowledge and risk appetite, and make sure that you do not enter a trade unless it fits those standards.

BULL VS BEAR MARKETS

BULL MARKET

A bull market is an appreciating market, where traders are eager to increase their long trading activity (also known as 'Going Long').

BEAR MARKET

A bear market is a market on the decline, where you expect prices to fall, indicating there is going to be more losses in the markets. In a Bear Market, the market sentiment is towards Going Short.





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* Subject to operator.