

CFD Trading

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Examples of how you could utilise CFDs

ARE WE WITNESSING 'TECH WRECK 2' AND IS NOW THE TIME TO BUY?

- TECH SHARES FELL AS MUCH AS 50% AMID INFLATION CONCERNS IN FEBRUARY
- WITHIN A MONTH MOST SHARES HAD FULLY RECOVERED, IF NOT TRADED HIGHER



The NASDAQ Index since January 2021

INTRODUCTION

As economies attempt to reopen following the global health pandemic, some countries are witnessing early signs of inflation - increased prices in the cost of living, due to heightened demand.

On one hand this is a positive sign and evidence of a return to normality. On the other hand, markets are nervous a sustained period of rising inflation could lead to Central Banks hiking interest rates - a proven method of encouraging people to leave money in the bank, rather than spending.

In February, the markets started to grow concerned at the prospect of rising inflation. This caused markets, especially tech stocks to decline aggressively in just a few weeks - some stocks fell as much as 50%. This wipeout was dubbed the 'Tech Wreck'.

These declines proved too tempting for bargain-hunters and shares quickly rallied to original levels and beyond, the tech-heavy NASDAQ index dropped 12% before rallying 15% by mid-April.

The world's largest economy is showing signs of inflation. Recent CPI data from the United States revealed inflation has risen to a 13-year high.

The US is also home to the world's largest technology companies, a sector particularly sensitive to interest rate rises. Many tech stocks have rapid growth assumptions priced into future earnings, higher interest rates jeopardise this.

The recent US CPI data has sparked another sell-off, the NASDAQ is down 6% this week, some stocks are down almost 30%.

The following 10 technology companies experienced heavy losses, followed by spectacular rallies and are now falling again, as the inflation theme takes centre stage once more - Tech Wreck 2?

Stock	Initial Decline	Recovery Rally	Current Decline
Apple	-20%	+20%	-13%
Amazon	-17%	+27%	-14%
Tesla	-40%	+44%	-25%
Nio	-50%	+43%	-28%
PayPal	-28%	+25%	-14%
eBay	-21%	+28%	-12%
Microsoft	-9%	+17%	-9%
Nvidia	-25%	+41%	-15%
Intel	-19%	+30%	-22%
DocuSign	-30%	+24%	-23%

(Past performance is not indicative of future performance.)

Whilst the current bout of selling may not be finished just yet, we ask the following questions:

- Do you think inflation concerns are justified?
- Do you think 'Tech Wreck 2' is over?
- Is the time to buy - Would you buy using a CFD?

When buying a position using CFDs, retail investors' initial outlay is 20% of the deal value, meaning you could buy:

- £10k of Apple for £2k outlay
- £50k of Amazon for £10k outlay
- £100k of Tesla for £20k outlay

Gains and losses are based on the deal value, not the deposit value. Visit our website for more information.

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CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **73% of retail investor accounts lose money when trading CFDs with this provider.** You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money. Frederick & Oliver (F&O) is an Appointed Representative of C B Financial Services Limited (trading as One Financial Markets). Your account is held with C B Financial Services Limited and all dealing, administration and settlement is carried out by them. C B Financial Services Ltd is registered in England with company number 6050593.