

Summary

One of the new features of the recently introduced Trade Ticket on the SaxoTrader and SaxoWebTrader platforms is the Margin Indicator panel, showing how much margin you have available and the impact on your available margin by making the current trade.

This document describes how these figures are calculated and gives examples showing how this looks in common trade scenarios.

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Margin Indicators at a Glance

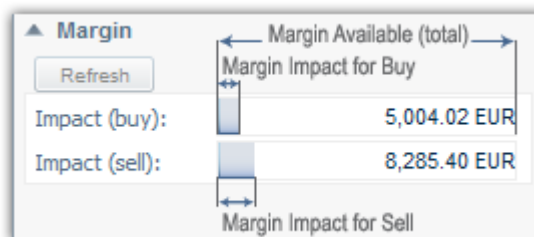
On the SaxoTrader and SaxoWebTrader platforms, Margin impact bars are available for all Forex, Forex Options and CFDs instruments in the Trade Ticket. These Margin indicators show at a glance:

- how much margin you have available
- the margin impact of making the trade: Current Margin Available – Margin Available after trade

Margin available

The maximum length of the bars represents the total collateral you have available for margin trading.

Note: If you have multiple accounts, your available margin is from the Account values of all your trading accounts, not just the account you are trading from.

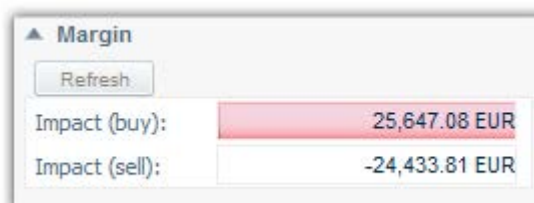


Margin impact

For the selected trade amount, the length of the blue progress bar indicates how much of your available margin will be used by the trade. The amount (and client currency) is also noted inside the bars.

Insufficient Margin

If insufficient margin is available to make the trade the bar will be shown in red.



Margin Release

A trade which has a positive impact on your available margin (such as a closing trade) will be marked with a minus sign and the progress bar will be empty. In this example, selling the instrument will close a position and release 24,433.81 EUR of margin.

Cross-Margin Effects of FX and FX Option Positions

The margin required to make a trade is usually a complex calculation relative to your existing margin positions. Only in simple cases, where there are no other positions causing cross-margining effects, can margin be easily calculated. The following cross-margining effects occur when holding FX and FX option positions:

Net Currency Exposure

Margin required for Spot FX is calculated on the net currency exposure of all your accounts.

For example, if I hold positions for:

Long 1M EURUSD @Price 1.2000 (B 1M EUR, S 1.200 M USD)

Short 750 GBPUSD @Price 1.6000 (S 750K GBP, B 1.200 M USD)

My overall effective currency exposures used for the margin calculation will be:

Long 1M EUR

Short 750K GBP

Delta and Vega Effects of FX Options

The Delta and Vega margin effects of any FX Option positions you hold will be calculated into the margin required for spot FX positions.

Example 1 - Opening a Position

When opening a new position in an instrument, the impact on your available margin can include:

- Margin required for the trade – this may include cross-margining effects from existing positions
Note: most FX crosses offer half margin for the first 300,000 EUR of collateral. So crosses with margin requirements of 4% will only require 2% for trades using up to 300,000 EUR of collateral.
- Opening Costs – if opening costs are applicable
- Closing Costs – if closing costs are applicable
- P/L after trade
- Conversion back to your account currency – if the trade is in a different currency than your account currency

In this example, to buy 40 Oz Gold / Euro (XAUEUR):

- there are no existing positions whose cross-margining effects will affect the margin required
- opening costs (and estimated closing costs) will be 8.10 EUR - because the trade is below the Commission Threshold
- The trade (variable) currency is in the same currency as the client default currency (EUR) so there are no conversion factors

The Margin Required (2%)

$$\text{Amount} \times \text{Mid price} \times \text{Margin required (2\%)} \\ 40 \times 1,304.94 \times 2\% = 1,043.95 \text{ EUR}$$

Costs

$$\text{Open Costs} + \text{Close Costs (estimated)} \\ 8.10 + 8.10 = + 16.20 \text{ EUR}$$

Unrealized P/L

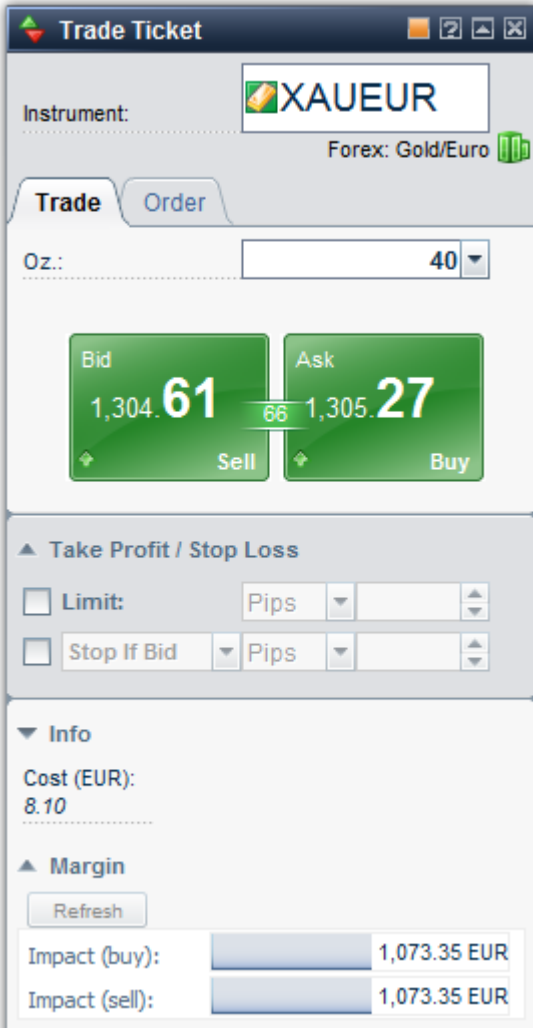
$$\text{Amount} \times \text{half the spread (Open price - Mid price)} \\ 40 \times 0.33 = + 13.20 \text{ EUR}$$

$$\text{Total Margin Impact} \quad 1,073.35 \text{ EUR} \\ \text{(as shown by the Margin indicator)}$$

Note also that as we have no existing positions, the margin impact of buying or selling is the same.

$$\text{Margin available before the trade was} \quad 2,000 \text{ EUR}$$

$$\text{Margin available after the trade is } 2,000 - 1,073.35 = 926.65 \text{ EUR}$$



Trade Ticket

Instrument: **XAUEUR**
Forex: Gold/Euro

Trade | Order

Oz.: 40

Bid: 1,304.61 Sell
Ask: 1,305.27 Buy
Spread: 66

Take Profit / Stop Loss

Limit: Pips
Stop If Bid: Pips

Info

Cost (EUR): 8.10

Margin

Refresh

Impact (buy): 1,073.35 EUR
Impact (sell): 1,073.35 EUR



Margin available: 2,000.00

Margin available: 926.65

Example 2 – Closing a Position

When closing a position in an instrument, the impact on your available margin can include:

- Margin released by the trade – this may include cross-margining effects from the existing positions
- P/L after trade
- Conversion back to your account currency – if the trade is in a different currency than your account currency

Close costs were already reserved from your account so they are not included again in your margin required to close a position.

In this example, to close the 40 Oz Gold / Euro (XAUEUR) position we opened in Example 1, there is an existing position being closed releasing the margin required to hold this position.

Margin Released (2%)

Amount x Mid price x Margin required (2%)
 $40 \times 1,315.90 \times 2\% = 1,052.72 \text{ EUR}$

P/L

Amount x half the spread (Close price – Mid-price)
 $40 \times 0.33 = -13.2 \text{ EUR}$

Total Margin Impact 1039.52 EUR

This margin is being released by closing the position so the impact on your Margin Available is negative.

Margin available before the trade was 1,369.68 EUR

Margin available after the trade is $1,369.68 + 1039.52 = 2,409.20 \text{ EUR}$

The screenshot shows a 'Trade Ticket' window for the instrument 'XAUEUR' (Forex: Gold/Euro). The 'Oz.' field is set to 40. The bid price is 1,315.57 and the ask price is 1,316.23, with a spread of 66. The 'Take Profit / Stop Loss' section has 'Limit' and 'Stop If Bid' options. The 'Info' section shows a 'Cost (EUR)' of 8.00. The 'Margin' section shows 'Impact (buy): 1,065.92 EUR' and 'Impact (sell): -1,039.52 EUR'.

Margin available: 1,369.68

Margin available: 2,409.20

Example 3 – Reversing a Position

When reversing a position, for example from a 1M EURUSD long position to a 1M EURUSD short position, the impact on your available margin can include:

- Margin released by closing the current position and required to open the reversed position – which may include cross-margining effects from the existing positions
- Opening Costs – if opening costs are applicable
- Closing Costs – if closing costs are applicable
- P/L after trade
- Conversion back to your account currency – if the trade is in a different currency than your account currency

In this example, we will reverse the 40Oz Gold / Euro (XAUEUR) position we opened in Example 1 by selling 80 Oz Gold / Euro. As long as there are no other positions affecting the margin, the Margin Impact will be limited to the P/L for crossing the spread.

The reverse trade has no cost associated with it as it is now above the Commission Threshold.

Margin released to close Long 40 Oz Position (2%)

Amount x Mid price x Margin required (2%)
 $40 \times 1,316.07 \times 2\% = -1,052.856 \text{ EUR}$

P/L to close Long 40 Oz Position (2%)

Amount x half the spread (Close price – Mid-price)
 $40 \times 0.33 = -13.2 \text{ EUR}$

Margin required to open Short 40 Oz Position (2%)

Amount x Mid price x Margin required (2%)
 $40 \times 1,316.07 \times 2\% = +1,052.856 \text{ EUR}$

P/L to close Long 40 Oz Position (2%)

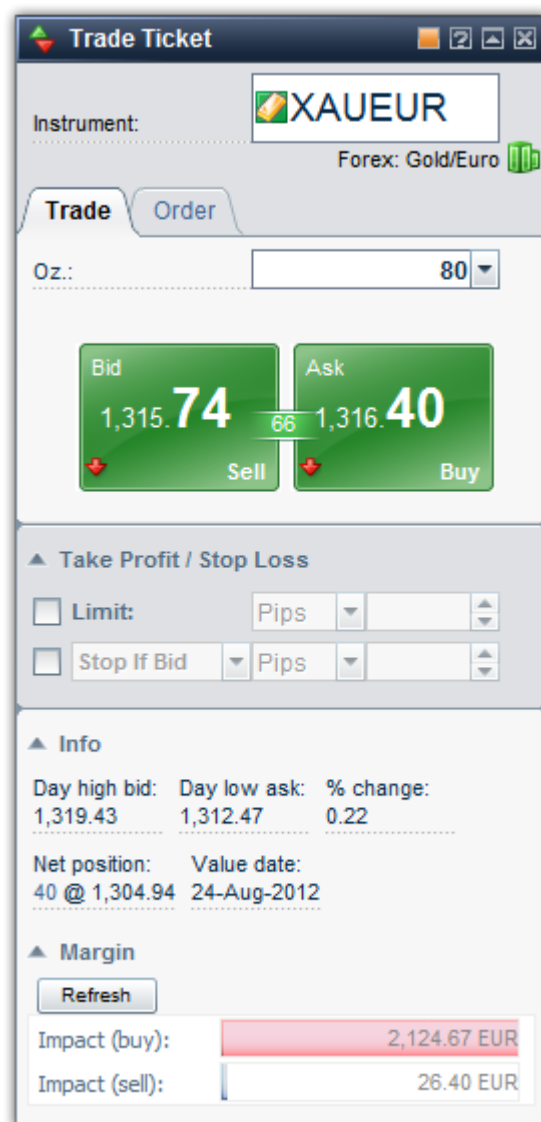
Amount x (Close price – Mid-price)
 $40 \times 0.33 = -13.2 \text{ EUR}$

Total Margin Impact -26.40 EUR

Margin available before the trade was 1,376.74 EUR

Margin available after the trade is $1,376.74 - 26.40 = 2,382.80 \text{ EUR}$

In a simple example like this where there are no cross-margin effects from other positions, the Margin Impact from reversing a position is very small as the margin required to hold the short and long position is the same and the impact is limited to any costs and the loss realised through crossing the spread.



Margin available:	1,376.74
Margin available:	2,382.80