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→ Commodities:
Go Short Example

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Commodities: Go Short Example

GOLD

Can the recent rise in the price of gold continue?

You do not think it's sustainable, and after logging on to ShortsandLongs.com you look at the price of October Gold and decide to sell it at 875.0.

The market is traded per 0.1, so you stake £5 per point (£50 per dollar move).

You put your stop at 880 so you have a potential loss of £250 and this is therefore the amount of money that needs to be available on your account to open the trade.

Your judgment is proved correct when the price of gold falls. You leave your position to close on expiry at 850, realising a profit of:

$$\text{Profit} = (875 - 850) / 0.1 \times \text{£5 stake}$$

$$= 250 \text{ points} \times \text{£5 stake}$$

$$= \text{£1250}$$

Had the price started rising after you had traded and hit your stop level at 880, your loss would be the £250.

$$\text{Loss} = (880 - 875) / 0.1 \times \text{£5}$$

$$= 50 \text{ points} \times \text{£5 stake}$$

$$= \text{£250}$$