CFD Trading Market 2021 - Singapore

The CFD Market

The global market for CFD (contract for difference) trading is growing at a rapid pace. As one of the most important Asian financial hubs, Singapore offers access to CFD platforms that are both regulated, and offer a deep set of financial instruments.

Contracts For Difference (CFDs) are a relatively new financial product that evolved over the past four decades. Singapore has been highly successful in developing a CFD market that serves both its domestic population and overseas investors.

Brokers must be regulated by the Monetary Authority of Singapore (MAS) to operate in the nation.

Online CFD Trading in Singapore - Accessibility

Unlike shares, CFDs allow investors to gain access to numerous markets from a single platform. Singapore-based CFD providers offer their clients Forex, commodities, share, and cryptocurrency CFDs, and also the ability to use leverage in these markets.

Best CFD Brokers 2021 in Singapore

Singapore is a top-tier financial market, and all of the CFD trading brokers that offer services in the nation are regulated by the MAS.

In addition to the CFD-focused brokers on this list, many of the banks that operate in Singapore offer CFD trading services. In some cases, the brokers listed here may not offer non-Singaporean residents services via the Singapore-based company.

Skilling

A new platform for tradings CFDs with a focus on user experience, a wide product portfolio with shares, crypto, commodities, and ETFs. Owned by Scandinavians and based in the Seychelles, Malta, and Spain, Skilling offers a wide range of CFDs, as well as the ability to use copy trading strategies. The company offers accounts from as low as €100. While Skilling does accept clients from Singapore, it isn't regulated by the MAS.

Plus500

Plus500 is a global broker that offers its services to Singaporeans. It has a range of CFDs for numerous markets, including US equities. Plus500 also has a range of Forex CFDs, and offers low fees and a great level of customer support. Its initial deposit may be high for some new traders, or anyone who wants to try contract for difference trading with lower amounts of money.

eToro

eToro is one of the most popular CFD brokers globally. It has a long track record of delivering quality CFD products and innovation in the space. eToro offers its services in Singapore, and allows Singaporean clients to trade CFDs in most major markets, including Forex, indices, shares, commodities, and cryptocurrencies.

Pepperstone

Pepperstone is based in Australia and has trading services for Singaporean CFD traders. In recent months, Pepperstone has split its operations into two groups, and offshore investors no longer have access to the Australian group that is regulated by the Australian government. Despite this, Pepperstone has many CFDs for offshore clients, and has been a reliable broker over the past decade.

Oanda

Oanda is a CFD provider that is regulated in many major markets, including Singapore. It offers its clients more than 70 Forex pairs, as well as CFDs on cryptocurrencies, bonds, and equities. It gives its Singaporean clients the ability to deposit funds with DBS Bill Pay, and also allows the use of PayPal for both deposit and withdrawals.

CFD Trading in Singapore - Today

Singapore remains one of the top five markets for trading globally. In addition to the host of international CFD brokers that operate in Singapore, and also allow Singaporeans as offshore clients, some major CFD brokers have emerged as homegrown companies in the nation.

Phillip Securities, CIMB-GK Securities, and Kim Eng Securities are some of the larger local CFD brokers that operate in Singapore. International brokers that have attracted clients in Singapore include Saxo Capital, Oanda, Plus500, IG Markets, and CMC Markets.

Singapore has a highly educated population that has a higher level of financial literacy than many other nations. It is estimated that more than 20,000 Singaporeans trade CFDs.

In Singapore, CFDs are also used by institutional traders who want the higher liquidity that CFDs offers, as many traditional financial products, like long-dated futures, aren't as liquid as CFDs.

Reasons for CFD Trading in Singapore

- CFD trading in Singapore is likely displacing the use of other financial products, like structured warrants.

- Most traders in Singapore are between the age of 22 and 55, and many are retail traders.

- CFD trading in Singapore is fully regulated, and offered by many brokers, both domestic and international.

- The majority of the traders in Singapore use CFDs for forex market trading, with shares coming in second.

- Traders in Singapore can access thousands of financial instruments, with forex, bonds, equities, and commodities as staple products.

Regulations for Online CFD Trading in Singapore

For the moment the MAS is still taking a relaxed approach to regulating brokers that operate in Singapore. Reports indicate that the MAS may introduce regulations in 2021 or 2022 that regulate the local CFD market and impose lower levels of leverage.

However, the MAS points out that there are no laws that prohibit Singaporeans from accessing offshore brokers that are allowed to offer trading services long whatever lines they wish. Additionally, it may be difficult for offshore investors to open an account with some Singapore-based brokers.

Current MAS Regulations:

- Allow CFD brokers to offer high-leverage trading to clients

- May prevent some offshore clients from opening an account

- Require brokers to be adequately capitalized

Trading CFDs - Drivers of Growth

The recent year we have seen a movement trading CFDs emerge from nowhere, mainly powered by the popularization of online leveraged trading in the US. When meme stocks and crypto went viral on the internet during the COVID lockdowns we saw the World looking for alternatives to the US-centric platform Robinhood.

The CFD providers quickly came in and marketed their platforms giving access to a range of popular products and allowing the investors to trade with leverage.

CFD Trading since the pandemic

Since the start of the pandemic, we have seen double-digit growth in all markets in which CFD trading is in compliance with the local regulations. To trade CFDs quickly became a new tool for investors to seek higher risk-reward opportunities and to participate in the global financial market.

The most popular underlying assets for the new traders were mainly the trending shares and cryptocurrencies e.g. GME, AMC, BTC, and Dogecoin. CFD trading has also been a popular financial tool to hedge risk in this volatile market, by taking a long or short position i .

CFD (Contracts for Difference) Risks for 2021:

Understand CFD Trading and its Risks

CFD trading generally employs the use of leverage, which is different from other forms of trading. Before undertaking a trading strategy, it is vital to understand risk management techniques.

CFDs on Cryptocurrencies are Here

Many brokers now offer CFDs on major cryptocurrencies. These instruments offer access to a volatile market that can create large returns.

The COVID-19 Crisis is Ongoing

More than a year after a pandemic was declared, COVID-19 still remains a major economic driver. It may cause volatility at any time.

Governments are Borrowing Huge Amounts

Governments in the USA and EU are borrowing money at a pace not seen in decades. While this has not been a major influence on interest rates, that may change.

Working With the Right Broker

Traders in Singapore have a wide range of brokers to choose from. If the potential for higher regulations from Singapore-based brokers is a concern, choosing an offshore broker may be a consideration.

Macro Drivers in 2021 for CFD Trading

Singapore's economy has remained resilient over the past year, thanks partially to its small physical size, and high level of development. Singaporean traders must look to offshore markets for direction, as the economy of Singapore isn't large enough to influence global asset prices or capital flows.

The global economy remains subdued, and inflation has started to manifest in leading economies. While many central banks have stated that this inflation will be transitory, the amount of money that was created during 2020 as a response to COVID-19 may be one of the driving factors that is pushing prices higher.

Shares Remain Expensive

The value of global equities remains high by almost any measurement. As an asset class that is bought by both retail and institutional traders, global shares were a go-to asset in the wake of central bank intervention last year.

While H1 2021 saw a rise in the value of almost every asset class, the leading shares, like the NASDAQ 100, seem to be treading water as the Northern Hemisphere enters its summer. While it is difficult to point to any specific factor for this, it could mean that a correction in prices is coming.

The fact that many billionaires have used record high equity prices to sell large blocks of shares points to a medium term top in blue chip stocks, although this selling may not indicate that a round of heavy selling is right around the corner.

The Borrowing Binge

The US Government is on track to run the largest deficit in its history in 2021. While 2020 saw the largest US deficit in history, this year will likely surpass the record of $3.1 trillion in 2020. While bond prices have come off their highs, rates remain subdued.

In the new normal central banks appear willing to keep rates near zero, and are also open to a negative interest rate environment.

These policies made sense in the low inflation era that existed pre-2020, but may make less sense going forward.

Investors may reward central banks who raise rates, which could create opportunities for nimble forex traders.

Cryptocurrencies Rise in 2021

Cryptocurrencies created incredible returns for investors in H1 2021, however they appear to be consolidating the recent rise in prices. Cryptos are still a new asset class, and many investors aren't entering the space due to the perception of risk, or technical barriers.

While CFDs may not be the best way to buy and hold major tokens, they do offer an easy way to trade cryptos. Instead of swapping in and out of crypto and fiat currency, CFDs allow traders to gain exposure to a volatile market, and settle the trades in fiat currency.

Many public companies are buying cryptocurrencies, such as Square. Major retail financial service companies are also allowing their clients to use cryptos, with PayPal being a prime example. With greater use, the long term view for cryptocurrencies appears to be positive.

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