

### **NQ TRADER MARGIN EXPLAINED**

If the intraday margin is \$500, and the overnight margin is around \$3000 per contract traded, and you want to trade during the day, you are required to have enough money in your account to cover the intraday margin and commissions. It is sort of like a security deposit plus some cushion. Let's say you have \$600 in an account and your margin requirements are \$500. You will be able to trade 1 contract. Your maximum risk exposure would be about \$100.

As soon as you hit the buy or sell button the broker puts an electronic \$500 hold on the money you have in your account and you will have a \$100 available balance. The one way commission is deducted from the available balance about \$2, so your new balance would be \$98.

If the trade goes in your favor by \$30, your available balance will move up to \$128. When you close the trade you get charged another \$2 commission, so your balance is now \$126, then the security/margin is released, and your balance goes to \$626.

Take the same example with the trade going against you. You would be required to close the trade before you lost no more than \$96, and then a \$2 commission would be automatically subtracted. The margin would be released and you would have \$500 left in your account. If you do not close the trade on your own, an automatic margin call will take place and close the trade for you. The margin call will initiate at the depletion of your free balance of \$98 and another \$2 commission will be deducted from your available \$500 margin before it is released. Now your account balance is \$498. Your maximum risk and loss was \$102.

There is a possibility that your broker will charge you for the margin call. Usually a small fee of \$25 and a broker assisted trade fee. You will always have the margin amount left in your account minus any fees. The margin is like a refundable security deposit. You would actually need a few more dollars than the margin requirements to trade, that's why I started the example with \$600.