



Pairs CFDs

Frequently Asked Questions

Pairs Trading

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Q How are Pairs priced?

A As Pairs contracts reflect a ratio of two underlying instruments, the price is calculated by taking the first (or base) instrument and dividing it by the second (or terms) instrument.

The ask represents the price to buy the base instrument and sell the terms instrument, the inverse is true of the bid price. Where the quote currency of the instruments within a Pairs contract differs, an FX conversion from base instrument quote currency to terms instrument quote currency is included in the price calculation.

The resulting price for the Pairs contract is measured in units of terms instrument.

$\text{Pairs bid} = (\text{Base instrument bid} \div \text{Terms instrument ask}) \times \text{FX conversion rate}$

$\text{Pairs ask} = (\text{Base Instrument ask} \div \text{Terms Instrument bid}) \times \text{FX conversion rate}$

Q How is Profit and Loss calculated?

A Profit and loss is measured in units of the terms instrument. This means profit and loss will be calculated as a number of Shares, ETFs, Indices, or Commodities, which is then revalued back into the trading account base currency. This revaluation will occur in real- time within the trading platform.

To calculate the Profit and Loss in account currency terms, the profit/loss in units of the Pair is multiplied by the terms instrument price and then converted from the terms instrument quote currency back to the account currency.

$\text{Profit/loss in account currency} = \text{Pairs profit/loss} \times \text{Terms Instrument Price} \times \text{FX Conversion}$

Q **What margin will I be charged for Pairs?**

A A single margin rate will be applied to each Pairs contract. The margin requirement will be calculated, in real-time, as a percentage of the notional value of your position, in account currency terms.

$$\begin{aligned}\text{Margin Requirement} = & \text{ Pairs Position Quantity} \times \text{Pairs Market Price} \times \text{Terms Instrument Price} \\ & \times \text{Pairs Margin \%} \times \text{FX Conversion Rate}\end{aligned}$$

Q **What commissions are charged on Pairs?**

A Our Pairs products are completely commission free!

Q **How is financing charged on Pairs?**

A A single rate of financing will be charged for the Pairs contract. This financing rate is a differential between the relevant financing benchmarks of the base and terms instruments, with a haircut applied. The financing calculation yields an amount in units of terms instrument which is then converted to the terms instrument quote currency using the terms instrument price.

Financing will be calculated and applied daily. The number of days for which financing is charged is equivalent to the greater of the number of days the base instrument or terms instrument would see charged for the same trading date.

$$\begin{aligned}\text{Pairs Benchmark long} = & (\text{Base Instrument Benchmark long} - \text{Terms Instrument Benchmark short}) \\ & \times \text{Terms Instrument price}\end{aligned}$$

$$\begin{aligned}\text{Pairs Benchmark short} = & (\text{Base Instrument Benchmark short} - \text{Terms Instrument Benchmark long}) \\ & \times \text{Terms Instrument price}\end{aligned}$$

$$\text{Pairs Financing Rate} = \text{Pairs Benchmark} \pm \text{Haircut}$$

Q **Can Corporate Actions apply to Pairs?**

A Yes, Pairs contracts are eligible for any corporate actions that take place on the underlying instruments. Corporate actions are applied to each of the instruments independently, meaning that you will see the corporate action reflected on your account in the same way as if you were holding the instruments separately.

Q **What Market Data package do I need to subscribe to Pairs?**

A In order to receive pricing and execution for a Pairs contract, you must subscribe to the market data required for both underlying instruments.

For example, SPC/VXC (US 500 / Volatility Index), you will need to subscribe to the CME (Core) exchange (for SPC) and CFE exchange (for VXC).

Q **What are the trading hours for Pairs?**

A A Pairs contract will only price when both underlying markets are open. 26 Degrees automatically reads the relevant market phases of each exchange and will start and stop pricing as required. The same is true for any holidays and unexpected market events such as typhoon warnings or stock suspensions.

Trading hours as example:

- CHC/SPC (China A50 / US 500) = 01:15 - 19:00 (Trading break = 04:00 - 05:00; 08:30 - 09:15)

Constructed from the underlying instrument trading hours:

- CHC = 1:00 – 20:45 (Trading break = 08:30 - 09:00; 20:45 - 01:00)
- SPC = 23:00 – 22:00 (Trading break = 22:00 – 23:00)

Q Are these easy to setup in Meta Quotes and Bridges?

A Yes, our Pairs contracts are very easy to set up within any existing trading infrastructure. We use standard FIX messaging for pricing and execution, and they can be set up like any FX pair within MT4, MT5 and any bridge. The 26 Degrees team can assist with all configurations, and we have a detailed technical guide to reference.

Q What order types are supported?

A We support all standard order types, like any other FX symbol, including resting orders for Stop Loss and Take Profits. For optimal fill rates, we recommend Market GTC orders as the default order type.

Q What happens if only one of the orders is filled on the underlying instrument?

A If for some reason one of the orders on the underlying instrument is rejected, the entire order will be rejected, and you will not be exposed to only one side of the Pairs contract. 26 Degrees will ensure you receive the equivalent execution in both underlying instruments.

Q How are Pairs treated from a derivative trade regulatory reporting perspective?

A 26 Degrees reports a Pairs derivative trade as a single entry with the Pairs symbol code. E.g. Buy 10 NAC/JPC (US 100 / Japan 225) at 69.859.

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