TD Waterhouse

April:09

Newshare

New Directions

Investment choices for different markets

In this issue...

Dear **Investor**

So much has taken place since our last newsletter it is difficult to know where to begin.

The brief respite in the markets at the start of year, during which many of our customers seized the opportunity to make some short-term profits, did not last for long. A few weeks later we witnessed another government scheme to help the UK's struggling banks and a surge of activity in banking stocks that again resulted in some record trading levels at TD Waterhouse.

On Friday 23rd January the country was officially announced to be in recession as figures confirmed that GDP (Gross Domestic Product) had declined for the second successive quarter, and this was closely followed by more cuts in the Bank of England Base Rate, which at the time of writing stands at 0.5%.

With cash interest rates at such low levels it is difficult to know what savings options to consider and we are seeing increasing reports in the press of a 'flight from cash', indicating the Bank of England's interest rate cuts have prompted savers to move back into the markets. So in this edition we have a range of articles that will be of interest to both traders and investors.

The recent addition of Hong Kong, Singapore and Australia to our online international services means that you now have access to 16 International markets (including 14 available online) through TD Waterhouse, and can trade at the same rates as those charged for trading UK stocks. More details can be found inside.

We also take this opportunity to focus on fixed income bonds and how they could benefit you in the current climate. However, if you are at the other end of the spectrum and willing to consider some additional risks, we also put the spotlight on CFDs (Contracts for Difference) including our latest cashback offer for new accounts.

Diversification is the key to any good investment portfolio and recent activity shows us that you are still willing to invest in equities, especially in overseas markets, but also taking a considered approach to your investment portfolios. We will always ensure we offer a wide range of products that will help you to combine risk to ride out the present economic climate.

Angus Rigby
Chief Executive Officer
TD Waterhouse Investor Services (Europe) Ltd

Get a head start with **TD Waterhouse CFDs**

Contracts for Difference (CFDs) are one of the fastest growing ways of trading on the world financial markets. It is estimated that up to 40 per cent of the daily trades on the London Stock Exchange are now from CFDs, compared to 10 per cent five years ago.

We are currently offering £100 cash back when you open a CFD account. Please note that you will need to deposit £500 and place one standard size trade within three months of opening the account in order to receive the £100. For further details and terms go to **www.tdwaterhouse.co.uk/fsbcfdoffer**

What are CFDs?

Although CFD trading may sound complicated, in reality it is based on a very simple concept. A CFD is an agreement between two parties - the provider and the client - to exchange the difference between the opening and closing price of a contract, at the close of the contract.

Rather than buying an underlying asset, the investor buys a contract from the CFD provider. Any movement in the price of the asset will be mirrored by a movement in the price of the contract.

How do CFDs work?

Trading CFDs is very similar to trading equities. The CFD provider will quote two prices for a particular contract - the bid and offer price. However, one of the key advantages is that the investor can choose to either 'go long' i.e. taking a contract at the offer price hoping that the price of the underlying asset rises, or 'go short' i.e. taking a contract at the bid price in the expectation that the price falls.

If the CFD investor has predicted the direction of the price movement correctly, they will make a profit, conversely, if the price moves in the opposite direction a loss will be incurred.

Benefits of CFD trading

- Go long or short – makes it possible to profit from falling as well as rising prices.
- Trade on margin – only a fraction of the contract value needs to be deposited, meaning you can take a much larger position than you could with traditional share trading.
- Trade on a range of underlying assets including equities, indices, commodities and currency.
- No stamp duty is paid on equity contracts.
- Hedge your portfolio – if you believe that shares you hold may fall in the short term, it may be cheaper to open a short CFD position rather than selling and then having to buy back from your actual portfolio.
- For a small premium guaranteed stop losses can be used to ensure risk is limited by guaranteeing prices, even if the market has any sharp movements.
- CFDs are liable to Capital Gains Tax (CGT), so any losses can be offset against other gains. Tax laws may change.

Risk Factors

Contracts for Difference carry a high level of risk to your capital and you should only trade with money you can afford to lose. Capital and income are not guaranteed. They can fall as well as rise. You may lose more than your initial margin or deposit and you may also need to make further margin payments. These investments are not suitable for everyone and if you have any doubt whether they are suitable for you, you should obtain expert advice.

Quarterly **Market Review** and **Economic Outlook**

By fatprophets

At the end of 2008 the FTSE (despite hostilities in the Middle East) rallied on the back of new hope across the pond. Barack Obama was inaugurated and became the first black President in US history, taking the reins of a country reeling from a sub-prime led economic battering.

Despite the relative resilience of growth in Eastern economies, the US remains centre stage from a global economic perspective, so the speed and depth of President Obama's rebuilding plan would always be in focus. In February the new administration announced a US$2 trillion bank rescue plan as well as a US$787 billion fiscal stimulus plan which it declared as the "first part" of a larger strategy to revive the economy.

In the UK, similar initiatives were put in place. During the same month the Bank of England cut its base rate to 1 percent (and has since decreased to 0.5%), its lowest rate ever and also embraced quantitative easing (buying gilts and other securities) as a way in which to boost the supply of money in the economy.

Drastic measures for drastic economic conditions. The New Year wave of optimism was quickly dampened by a renewed bout of rationalisation initiatives. Job cuts became more commonplace than high profile fraud with the automotive industry seemingly hardest hit.

Indeed, BMW Mini's announcement that 850 were to lose their jobs at their Oxford based plant came hot on the heels of other workforce reductions. 1200 jobs were lost at Nissan, 450 at Jaguar Land Rover and 600 at Aston Martin.

Although UK car production fell by over 60 percent, it was not the only sector feeling the pain. Events at aircraft and vehicle parts manufacturer GKN were indicative of the UK manufacturing malaise as a whole as the group severed 560 jobs from their operations.

Meanwhile the root of the global quagmire, the financial industry, continued to labour. Royal Bank of Scotland posted the largest loss in corporate history, £28 billion and Lloyds Bank also announced a record £10 billion loss at HBOS. The reputation of the British banking system continues to hang by a thread.

Elsewhere, most other currencies treatment of Sterling was a reflection of the IMF's view that the UK would be the hardest hit of all developing economies. Indeed, their estimation of a 2.9 percent drop in GDP this year was not the worst and many economists expressed fears over burgeoning national debt levels.

In stark contrast to the dwindling faith in paper currency, the flight to gold moved up a gear. Despite a contraction in jewellery demand, financial system instability as well as inflation fears (stemming from expansive US fiscal measures) fuelled gold's protracted upward move. In our view, the remainder of 2009 will see gold continue to benefit from its status as a 'safe haven' as well as the actions of the world's central banks and governments in countering deflation.

Oil also continued to trade at depressed levels relative to last years highs however this did not halt the heavyweights. BP and Shell both posted robust results and encouragingly remained committed to future investment.

Indeed as the easy oil disappears, a lack of investment by the whole industry is central to an escalating supply side contraction. And with the International Energy Agency estimating that world demand for oil will jump from today's 85 million barrels per day to 106 million barrels by 2030, our view holds that the oil price is in line for its own sustained ascent.

Although the remainder of the year promises to be tough, 2009 as a whole looks set to be a vast improvement on 2008. As a boost to the global economy, China looks set to recover quickly with the country's 2009 second quarter GDP estimates markedly higher than the first.

Meanwhile, equity valuations in selective areas of the FTSE remain remarkably cheap. A global recession of gargantuan proportions remains priced in and in our view a market littered with such value will see inevitable and significant share price re-ratings.

"Although the remainder of the year promises to be tough, 2009 as a whole looks set to be a vast improvement on 2008."

Trade all **through the day** and **through the night online**

SINGAPORE SYDNEY

If you are looking for new investment opportunities have you thought about expanding your horizons?

At the end of 2008 we increased the number of international markets available to you, allowing you to trade directly on 14 live international markets online (with an additional two available via telephone).

Three new exchanges

Adding three additional international stock markets available online to the 11 already in place, allows you to diversify your portfolio further by trading in stocks from Asian and Australian markets. You can now choose stocks to hold in your portfolio from Australia, Hong Kong, Singapore as well as Europe, US and Canada with the same commission rates as trading on the UK markets. Although trading on these new exchanges follows the same principles of trading on UK listed shares they also have a number of additional complexities. For further details and specific explanations please go to our website and follow the links below.

Australian Stock Exchange
tdwaterhouse.co.uk/invest/australia-trading.cfm

Hong Kong Stock Exchange
tdwaterhouse.co.uk/invest/hong-kong-trading.cfm

Singapore Stock Exchange
tdwaterhouse.co.uk/invest/singapore-trading.cfm

Multi Currency Account

With the three new exchanges comes the additional benefit of being able to hold Australian, Hong Kong and Singapore dollars in your Cash Management Account. By placing an FX (foreign exchange) transaction you can exchange Sterling for one of the currencies eligible in your account and vice versa. This is at a competitive rate and in real time. This can be done in preparation to purchase an international stock or change foreign currency held in your Cash Management account back to Sterling.

What account do I need to be able to trade in International stocks?

- **Trading Account**
- **Trading Plus Account**
- **SIPP**
- **ISA** (although due to HMRC regulations all cash investments within an ISA must be held in Sterling)

The **name is Bond...**

With the UK currently experiencing its lowest interest rates on record and continued volatility in the global markets, we are seeing people take a much more diversified approach to their investment choices this year.

Alternative products, such as bonds and gilts, are becoming more popular – so in this edition of Newshare we are putting the spotlight on bonds as a form of investment.

What is a bond?

When a company or government needs to raise money it can issue a form of security known as a bond. Effectively they are loan stock, or "IOUs". Gilts are UK government bonds which used to have a 'gilt' (or gilded) edged certificate.

Many investors can be put off by the perception that bonds are just for Banking or Corporate institutions and involve complex mathematical calculations. But the truth is they can be much easier to understand than equities. There are three key factors to consider:

- **The issuer:** This is the organisation or government who wishes to borrow the money. For example if £500 million is required then the nominal value of the stock issued will be £500 million.
- **The coupon:** The issuer commits to pay a rate of interest of "X" % per year (usually fixed); this is generally paid annually or semi-annually.
- **The maturity:** A date is fixed for the repayment of the money. This is also known as the redemption date.

At launch bonds are generally sold to investment banks and institutional brokers usually via auction, this is known as the primary market. After this phase the bonds can be traded between brokers, therefore allowing individual investors access to these securities. This is known as the secondary market, TD Waterhouse can trade gilts and most sterling denominated corporate bonds.

Why trade bonds?

- **Security –** The price of a bond tends to fluctuate less than the price of a share and if the company goes bankrupt, bond holders are ranked high amongst creditors and if an insolvency payment is made, they will receive it ahead of equity shareholders.
- **Certainty –** If you hold a bond to expiry you should know exactly what the (nominal) return will be.
- **Income –** Future income is fixed and known, therefore by choosing your bond investments it is quite possible to generate a monthly income from your investments. In addition, qualifying bonds can be held in your ISA to have a tax free income.
- **Diversification –** A well balanced portfolio should include different asset classes, including bonds.

Factors to consider

- **Risk of default –** The risk that the Organisation may be unable to return the money at redemption date. This is known as a default. The equivalent in the equity market would be a company going bust and ceasing to trade.
- **Market risk –** The price of a bond can fluctuate, so if you needed to sell before maturity you may lose some of your capital.

The recent growth and dominance of equities and share ownership has meant the fixed interest or Bond markets have been overlooked by investors as a viable asset class. However, with increased liquidity and accessible prices, bonds offer exposure to a wide asset class and can be a key part of a successful investment portfolio.

For more information please visit
tdwaterhouse.co.uk

Making a Difference **Together**

In November 2008, our Corporate Social Responsibility (CSR) programme celebrated its first anniversary and we are pleased to announce that it has gone from strength to strength. Last year we raised a staggering £40,000 for charity compared to £11,000 the previous year. This is a fantastic achievement and one that demonstrates our commitment to improving the community in which we operate.

There are three main elements to our CSR strategy and all three have developed significantly in the year since we launched.

Financial Literacy

Developing financial literacy in the community is an integral part of our strategy so for the second year running we are participating in Number Partners, a local initiative that aims to promote the enjoyment of maths in primary schools.

The Environment

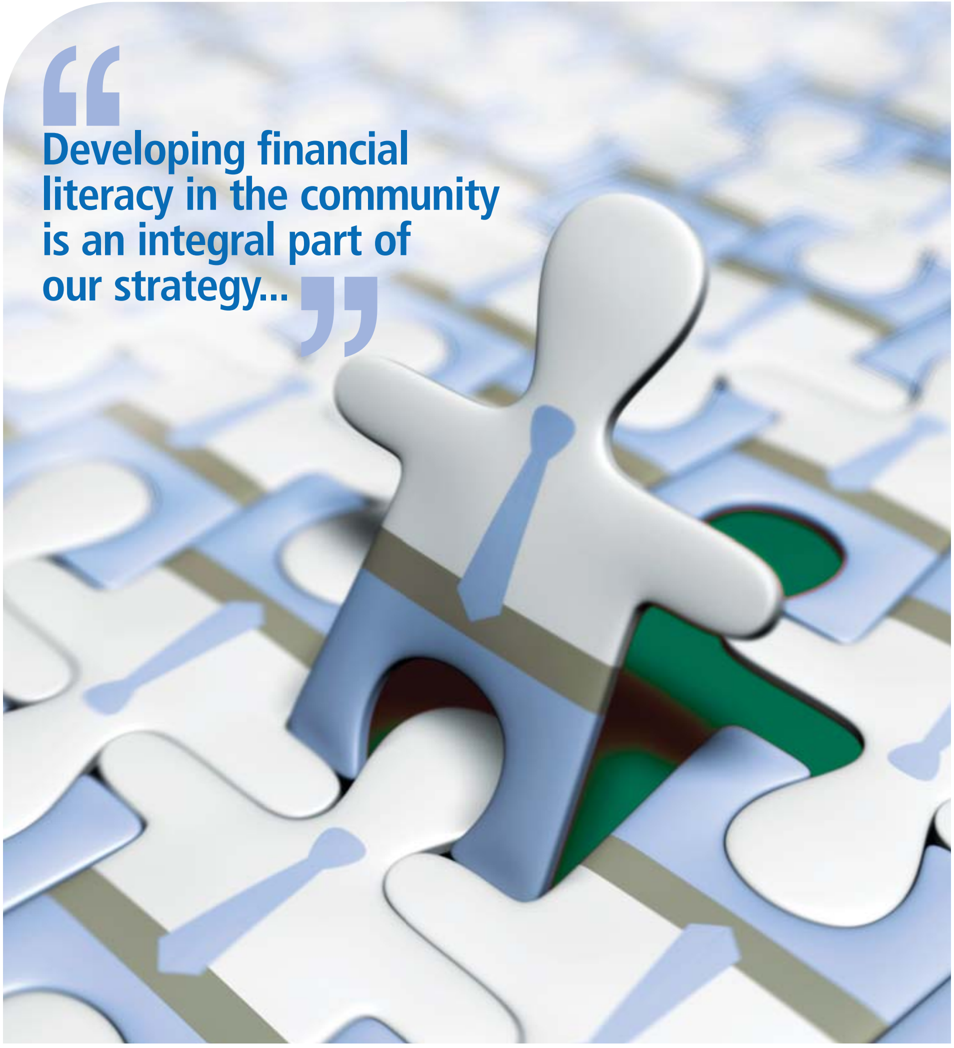
Reducing our impact on the environment to make a more sustainable future for our business has been bolstered by the launch of our Environment committee. We have a number of initiatives, including reducing the amount of paper we use as a company and ensuring electrical items are turned off overnight, that will help us re-think the way we work and continue to focus our efforts to improve our green credentials.

Corporate Giving

Although we recognise the importance of financial support to charities, we are looking to create a more consistent approach by providing support for volunteering by staff and providing Mentoring services for 14-18 year olds who are not yet realising their full potential.

We were also chosen to be a contact centre for Comic Relief, with over 190 staff members volunteering to give up their Friday evening in March to take calls and donations.

Overall, we have had a great start to our CSR strategy, and as our initiatives continue to grow and develop, we look forward to updating you on our progress.



TOP TEN BUYS AND SELLS

December 2008 - February 2009

These Top Ten Buys and Sells should not be taken as a recommendation to buy or sell any particular bond or stock, and it is not intended to offer any form of advice to readers. Instead it is simply an indication of general buying and selling trends amongst some TD Waterhouse customers, observed during the past three months.

	TOP TEN **BUYS**	TOP TEN **SELLS**
1	ROYAL BANK OF SCOTLAND	STANDARD LIFE
2	BARCLAYS	ROYAL BANK OF SCOTLAND
3	LLOYDS BANKING GROUP	BARCLAYS
4	BP	LLOYDS BANKING GROUP
5	TAYLOR WIMPEY	TAYLOR WIMPEY
6	CATTLES	VODAFONE GROUP
7	STANDARD LIFE	RIO TINTO
8	BT GROUP	BP
9	RIO TINTO	TESCO
10	AVIVA	XSTRATA PLC

TD Waterhouse Investor Centre

The launch of the free TD Waterhouse investment course continues to gather pace as we look forward to holding events with the Royal Bank of Scotland and Société Générale.

Our course format is designed for both Investors with a longer-term outlook and Traders looking to benefit from shorter-term movements in the stock market. Within this we try to answer common questions such as; why you would want to look to the stock market in these volatile times.

Free Seminars - London Investor Centre

- An Introduction to the Stockmarket
- A Guide to Shorter Term Trading
- Technical Analysis for Beginners
- Contracts for Difference (CFDs)
- Investment Strategies with Fat Prophets
- Fixed Income: Bonds Gilts and PIBS
- Portfolio Risk coupled with Hedging Strategies using RBS Covered Warrants
- Hedging your Portfolio with Turbos and Covered Warrants with Société Générale
- Guide to Longer Term Investing

A full list of free seminars is available at tdwaterhouse.co.uk

We will support you through more advanced subjects such as Technical Analysis.

After attending a seminar, why not consider a personal appointment? Whilst we cannot offer advice, we can spend time with you discussing your own needs covering various topics such as regular investments for the monthly saver.

With the new financial year comes the opportunity to spring clean your finances and get yourself organised for the year ahead. With a TD Waterhouse Trading ISA you can make the most of your tax allowance. Any investments within the ISA wrapper will be free of Capital Gains Tax. Tax laws may change.

You do not need to have a large amount of cash to begin saving for the future. With a Regular Investment ISA you can save from £25 per month (£50 for funds) and invest in a wide range of securities, such as individual equities, Exchange Traded Funds (ETFs) or Unit Trusts.

Interested in more advanced topics? At the Holborn Investor Centre we can arrange for one of our experienced Investor Centre Representatives to discuss investing for income, fundamental analysis and how to use our stock selection tools, all of which are available through our website.

Our aim is to help you get the most from our services.

To book a place on one of our FREE seminars visit tdwaterhouse.co.uk/learn/seminars.cfm

To book a Personal Appointment visit tdwaterhouse.co.uk/about/investorcentre.cfm

Alternatively call 0845 601 6205, or

Visit us at Mid City Place, 71 High Holborn, London WC1V 6TD