

Winning Strategies to Trade Synthetic Indices

Trading that is not affected by the time of the day or global events? That's what synthetic indices have to offer! Find out more about trading synthetic indices and How to get you started.

On January 15, 2015, the Swiss National Bank decided to abandon the 1.20 peg against the euro. This quickly transformed the currency from a safe haven to one of the riskiest assets and sent the FX markets into chaos. Traders accounts went into negative balance and a number of brokers were forced to close. Black swan events like this come at a tremendous cost to investors. What's even worse is that they seem to be becoming more frequent. In the past decade alone, we have witnessed a global financial crisis, the rouble rout, plunging oil prices, Brexit, and a persisting pandemic.

But what if you could trade without being at the mercy of global events? This is what synthetic indices enable. Synthetic indices, also known as volatility indices, are simulated markets, which means they are not affected by world events.

They act like real monetary markets but have been created with the help of numbers that are randomly generated through a computer programme. The number generator is secured cryptographically and is audited by an independent third party to ensure fairness. With this, the broker is unable to predict or influence the generated numbers.

Why Trade Synthetic Indices

Before you decide on strategies to trade synthetic indices, you first need to understand why you would trade synthetic indices at all. There are multiple benefits of trading of



synthetic indices, as compared to traditional indices and currency pairs.

Synthetic indices offer tight spreads and high leverage. Also, there is no risk of slipping into negative balance. So, in case things don't go according to plan, your losses will be limited. Plus, you get great flexibility when trading synthetic indices. You can choose different synthetic markets, with high or low risk characteristics, based on your risk appetite. Moreover, they have low margin requirements and move a lot of pips per day giving traders even those with low capital to accumulate decent gains, for instance, volatility 75 index can move a minimum of 2000 plus pips a day

Some of the other prominent benefits are:

You are aware of the potential risks right from the beginning. This means no unexpected margin calls or bad surprises.

You don't need large capital to start trading synthetic indices.

They are also free of liquidity risks and the real-world markets.

Robust cryptography and auditing measures ensure that they cannot be fixed or manipulated.

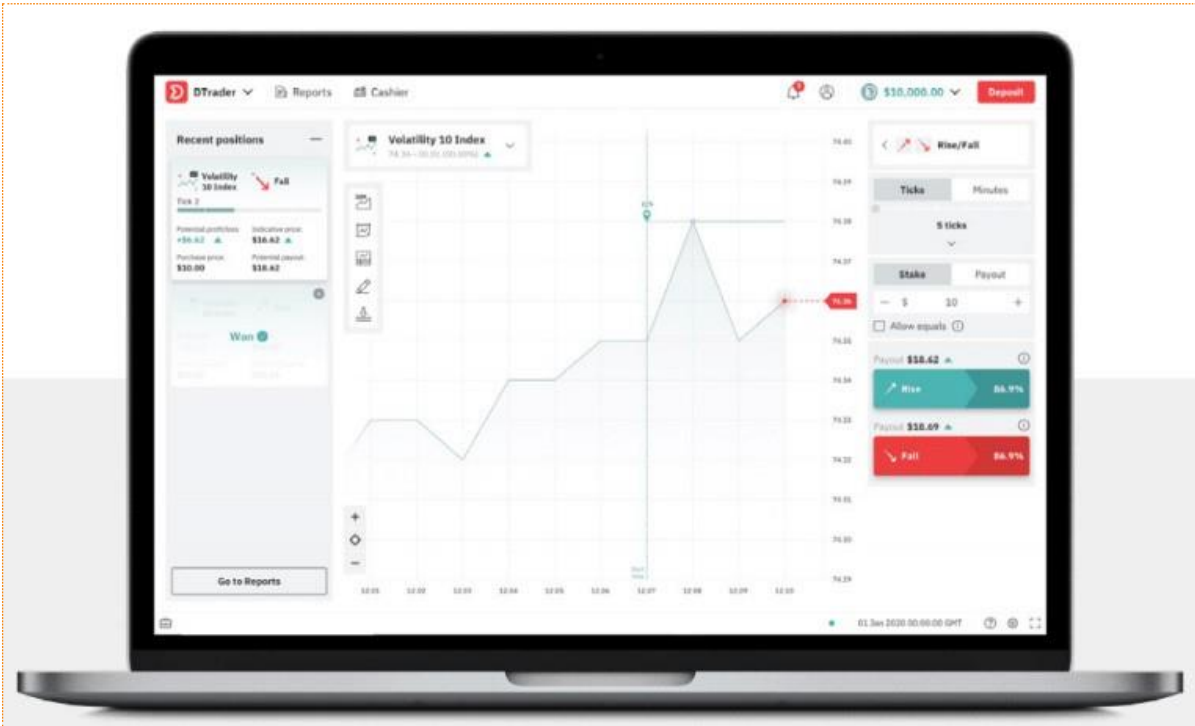
Fast order execution and deep liquidity at all times makes trading synthetic indices viable for both small as well as large traders.

You can also be assured of gaining exposure to new and exciting synthetic indices, given that we, at Deriv, heavily invest in research and development.

low price swings or fluctuations. On the other hand, Volatility 100 index, the volatility is maintained at 100%.

The Best Trading Platforms for Synthetic Indices

There are 2 main platforms that can be used for synthetic indices trading. These are DTrader and Deriv



MetaTrader 5 (DMT5).

DTrader

With DTrader, you can trade directly from the live charts. It continuously provides you a price feed for Rise (Up), Fall (Down), and other ways of trading synthetic indices. DTrader can be accessed through Deriv.com on a mobile device or on a desktop, via a browser.

With DTrader, you get:

Wide Range of Choices

DTrader offers you a wide range of synthetic indices to choose from, including higher volatility indices (Vol 100) and lower volatility indices (Vol 10). In Volatility 10 Index, the volatility is kept at 10%. This is a great choice for traders who prefer

This means that there are much stronger price swings. Additionally, there are also no large price gaps, as they are continuous indices with deep liquidity.

Better Control

Traders gain great control with Deriv's synthetic indices. Not only can you choose the volatility rate, but also the contract length. You can choose the length from a few ticks to several days. In case of digital options, your trades are automatically settled. There is automatic addition of profits to your account, without waiting for settlement.

Additionally, you have the option of simultaneously opening multiple trades. For instance, you can open a Fall (sell) trade on the Volatility Index in 2 hours, while having a simultaneous Rise (buy) trade settled on the same index in 2 minutes.

DMT5



This online trading platform allows traders to access 44 analytical objects, 38 technical indicators and

unlimited charts in 21 timeframes.

DMT5 provides you with a greater choice of synthetic indices, as well as traditional trading instruments. You gain access to all these asset classes, such as commodities, stocks and forex, via a single account. Additionally, DMT5 provides access to a wide range of professional trading tools. This online trading platform allows traders

How to Trade with DTrader

Some of the ways you can trade with DTrader are:

to access 44 analytical objects, 38 technical indicators and unlimited charts in 21 timeframes.

These charts and indicators can be customised according to your trading strategy. The platform also has various plugins you can choose from, which allows you to automate your trading. DMT5 can be accessed on desktops as well as Android and iOS mobile devices. So, if you want access to a wider range of asset classes and technical tools, DMT5 can be a better option for you.

Higher/Lower



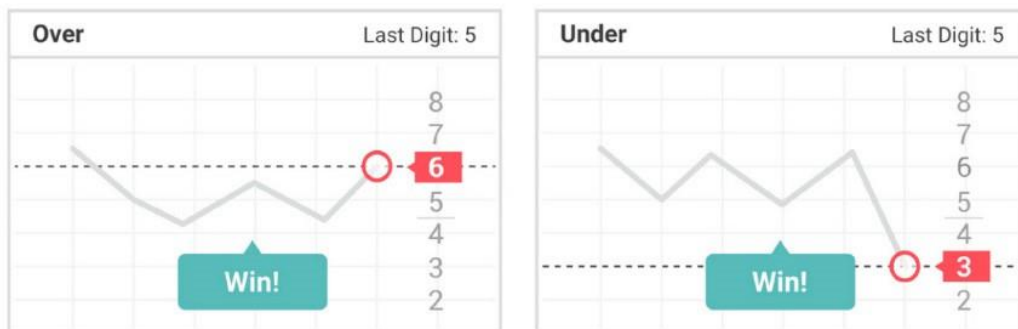
Here, if you select higher and the exit spot is above the barrier, you win the payout. Similarly, on selecting lower, you would win a payout if the exit spot is below the barrier.

Ends Between/Ends Outside



In case of Ends Between, you will win the payout if the index remains in between the 2 barriers. In this type of trade, the pattern of a ranging market is followed. In case of Ends Outside, if the index breaks out of a price range, you will win the payout.

Over/Under



With this type of trade, the last digit of the closing price should be less than a predicted digit, in case of under, to win the payout. With over, the last digit should be more than the predicted digit. This trade should be completed in less than 10 ticks.

This platform allows margin trading. With margin trading, you can make investments with the help of leverage. With leverage, you can open positions that are much larger than what you could have afforded with only the capital in your trading account. This can increase your gains but also your losses. Therefore, it is vital to be careful with leveraged trading.

You can also trade with CFDs with DMT5. When it comes to contracts, you can trade CFDs with DMT5. CFDs are available for multiple financial instruments on the platform.

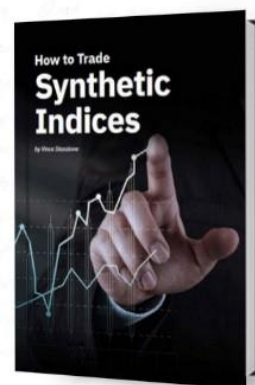
However, the MetaTrader 5 platform is better suited for experienced traders, who can make best use of all the technical analysis tools and features.

Synthetics trading offers many advantages over traditional currency pairs and financial indices. But it also shares some similarities with them. One common thing is the risk involved in trading. Therefore, when trading synthetic indices, it is useful to use robust technical indicators and chart patterns to make informed decisions and minimise risk.

Want to start trading Synthetic indices

Kindly go to [Deriv website](#) and click create free demo to sign up For free with your email, Facebook, or Apple Id, if you signed with Your email you will to click confirmation link sent to your email, After that it means you already have a demo account.

You can proceed on to create a real account of which in that case you will need to choose synthetic indices as an account ty and if you get stuck you can refer here [HOW TO CREATE REAL DERIV AND DMT5 ACCOUNTS](#)



About the Author



Vince Stanzione has been trading markets for over 30 years and is a self-made multi-millionaire. He is the New York Times bestselling author of *The Millionaire Dropout* and is the author of *“Making Money from Financial Spread Trading”*. He has been featured favourably and quoted in over 200 newspapers, media outlets and websites including CNBC, Yahoo Finance, Marketwatch, Reuters.com, Independent, Sunday Independent, Observer, Guardian, The Times, Sunday Times, Daily Express, What Investment, Growth Company Investor, New York Times, Bullbearings, City Magazine, Canary Wharf, Institutional Investor China and Shares Magazine.

He mainly lives in Mallorca, Spain, and trades financial markets including currencies, stocks, commodities, synthetic indices and whatnot.

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The contents of this article do not constitute trading advice and should be used for general information purposes only.

Please trade responsibly.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 54% of retail investor accounts lose money when trading CFDs.