CFD financing: paying interest on the whole barrel

> **OVERNIGHT FINANCING**
>
> The nightly charge a CFD broker applies for lending the notional a position controls. It accrues on the full exposure, not the deposit; it runs every night the position is open including weekends' catch-up; and it exists because a leveraged position is a loan wearing a trading account's clothes.

A CFD position controls the full barrel while you post a sliver of its value. The rest is borrowed, and borrowed money has a nightly price.

The meter runs on the notional

The charge is calculated on what the position controls - module 1's notional - not on the margin you posted. The deposit decides whether you can open the position; the notional decides what holding it costs. Brokers quote it as a nightly amount per lot or a rate over a benchmark, and the honest way to read it is as an interest bill: you have borrowed most of a contract's value, and the lender charges for every night of the loan.

What it does to holding periods

Work the example below. A financing cost that reads as trivial per night becomes a serious fraction of any realistic profit target over a month - and it is charged on losing positions with exactly the same enthusiasm. This is the cost that quietly redefines what kind of trader a CFD account can afford to hold: the wrapper is built for days, and its pricing says so even where its marketing does not.

Three habits

Find the actual nightly figure for your instrument and size before entry. It is on the broker's specification page, not the ticket.Multiply it by your intended holding period and set it against the trade's target. If the financing eats a third of the target, the trade needs to be either faster or bigger in expectation - or not taken.Watch for the weekend multiplier: one night of the week usually charges three, to cover the days the market is shut.

Worked example - figures in USD

A one-lot crude oil CFD held 20 nights at $8 per lot per night financing.

1. The broker charges $8 per lot, per night, to hold the position - every night the market is closed to you but the loan is not.
2. Over 20 nights that is $160. Nothing about the oil price moved; this is the meter running on the borrowed notional.
3. Compare $160 against what the trade was expected to make. Financing does not care whether the idea was good - it charges for time, and time is the one input every losing plan asks for more of.

Check your understanding

1. What is CFD overnight financing charged on?

a. The margin deposited to open the position
b. The full notional the position controls
c. The profit or loss so far

Answer: b. The broker lends the notional; the deposit is only collateral. Interest runs on what was borrowed - which is why the charge dwarfs what the margin figure would suggest.

2. Why does financing matter more to a month-long hold than a day trade?

a. Brokers raise the rate for longer holds
b. It accrues nightly, so its total scales directly with holding period while the profit target usually does not
c. Day trades are exempt from all financing

Answer: b. Twenty nights is twenty charges. A cost that is noise on a one-day trade becomes a meaningful fraction of the target on a one-month one - the wrapper's pricing quietly favours short holds.