

Metals specifics: lots, ticks and gold's two speeds

SPOT METAL CFD

A CFD on gold or silver priced against the continuous spot market rather than a dated future - XAUUSD and XAGUSD, quoted like currency pairs. The wrapper borrows FX's machinery: pips, lots, nightly financing in place of a roll. The contract sizes underneath - 100 and 5,000 troy ounces - keep the costs distinctly commodity-sized.

Metals earn their own costs lesson because they straddle the two worlds this module keeps separating. The futures route prices them like any commodity - the specs table, the curve, the roll. The retail route prices them like currencies - and that is the version this lesson works through, because it is the one most readers will actually trade.

The FX costume

XAUUSD and XAGUSD quote like pairs: gold in dollars per troy ounce with a 10-cent pip on a 100-ounce lot, silver with a 1-cent pip on a 5,000-ounce lot. Both work out to a familiar-sounding pip value with a commodity's weight behind it - and because spot has no contract months, there is no roll. Holding cost arrives as nightly financing instead, the module 3 lesson 3 meter, typically tracking the interest cost of funding the metal.

Silver is the expensive twin

Work the example below and the module's recurring lesson lands numerically: silver's spread costs multiples of gold's for the same nominal pips, because the contract behind each pip is heavier relative to the price. Add silver's wider typical spreads and higher volatility, and the smaller, louder metal is routinely the costlier one to trade - a fact the identical-looking tickets do nothing to disclose.

Gold's two speeds

One more metals-only habit: gold runs on two clocks. Most days it drifts like the currency it half is, and costs behave accordingly. On risk events it moves like a commodity in shortage - spreads widen, depth thins, financing on the suddenly-larger notional bites harder. Cost estimates taken from gold's quiet weeks understate its loud ones by more than any other product in this track. Budget for the loud version; the margin calculator below will show what a stressed move does to the requirement.

Worked example - figures in USD

A one-lot silver CFD (XAGUSD, 5,000 troy ounces) with a 3-pip spread, traded ten times a month, in a US dollar account.

- 1.** Silver's contract is 5,000 troy ounces, so one pip - a one-cent move - is \$50 per lot. The metal inherits FX's machinery with a heavier contract behind it.
- 2.** A 3-pip spread therefore costs \$150 per trade, paid at entry, before anything has moved.
- 3.** At 10 trades a month, that is \$1,500 - the invisible commission, priced. Gold runs the same arithmetic on a 100-ounce contract with a 10-cent pip, and lands in a similar place by a different route.

Try it yourself with the margin-requirement calculator: <https://ticksprout.com/tools/margin-requirement>

Check your understanding

1. Why does a 3-pip silver spread cost more than a 3-pip spread on most FX pairs?

- a. Silver's pips are quoted in a more expensive currency
- b. The contract behind each pip is 5,000 ounces, giving a far larger pip value per lot
- c. Silver spreads include an exchange fee

Answer: b. Pip value is pip size times contract size. Silver's 5,000-ounce lot makes each pip \$50 - so the same quoted spread is a different bill entirely.

2. Why does a spot metal CFD have no roll cost?

- a. Brokers absorb the roll for metals
- b. Spot has no contract months to roll between - the holding cost arrives as nightly financing instead
- c. Metals curves are always flat

Answer: b. No months, no gap, no roll. The cost of maintained exposure did not vanish - it changed form, into the financing meter, which is the same economics delivered nightly.