

Leverage, for those who choose it - and the call that follows

CHOSEN LEVERAGE

The structural difference of equity risk: leverage here is optional. A cash account cannot be margin-called; a CFD account imports the entire machinery - margin, calls, forced closes - by choice. Every line of the worked example is a consequence of picking the wrapper, which makes the equity margin call the most avoidable risk on the platform.

In futures, leverage is how the instrument works. In commodity CFDs it was the only retail door. In equities, uniquely, there is an unlevered way to hold the exact same asset - so this lesson is about machinery that only runs if you switch it on.

The machinery, imported whole

Choose the CFD and three tracks of margin mechanics arrive unchanged: equity marked continuously, the call when it breaches maintenance, the forced close below stop-out - work the example. What sharpens it here is the underlying: module 1's halving means a single name can cross the entire distance from healthy to stopped-out in one auction print, and module 6's cap logic applies with the leverage multiplying every percentage. A 5:1 position in one name is the concentration lesson and the leverage lesson compounding each other.

The equity-specific reading of the worked numbers

The 30% cushion sounds generous - and is two bad earnings prints in a volatile name, or one halving's first half. The stop-out realises 80% of the account on one name's move: the per-name cap from lesson 6 exists precisely so no single story can do this - leverage does not suspend the cap, it tightens it. None of this machinery exists on the cash side: the same shares, owned, cannot be called - the freedom lesson 1 warned about, now visible as the alternative the wrapper trades away.

The honest frame

Leverage is not the villain of this lesson - it is a priced service with real uses, and module 3 costed it honestly. The point is narrower: in equities every margin call was optional twice - once when the wrapper was chosen, once when the size was. A trader who meets one has made two decisions the cash alternative never asked of them, and the plan's job is to make both decisions visible at entry: wrapper chosen for the holding period, size inside all three caps, and the leverage line of the risk plan filled in before the position exists, not after the call arrives.

Worked example - figures in USD

A \$12,000 account holding \$24,000 of a single name via CFD at 5:1. Illustrative figures.

1. A leveraged equity position: \$24,000 of exposure on a \$12,000 account at 5:1, with \$4,800 held as margin.
2. The name can move 30.00% against the position before the call, and 40.00% before the forced close - and module 1 said a single name can halve overnight.
3. At the stop-out, \$9,600 is gone. On cash equity none of this machinery exists; every line of it was chosen with the leverage - which is the entire point of this lesson.

Check your understanding

1. What is structurally different about equity leverage against every prior track?

- a. Equity leverage ratios are lower
- b. It is optional: an unlevered wrapper on the identical asset exists, so the entire margin-call machinery only runs by choice
- c. Equity margin calls give more notice

Answer: b. Cash ownership cannot be called - the freedom of lesson 1. The CFD imports three tracks of margin mechanics by decision, which makes the equity margin call the platform's most avoidable event.

2. Why do the per-name cap and leverage interact so dangerously?

- a. Brokers raise margin on concentrated names
- b. The halving crosses percentage distances in one print, and leverage multiplies every percentage - a 5:1 single-name position is two catastrophic lessons compounding
- c. Leveraged positions cannot use stops

Answer: b. Lesson 6's teleporting price meets multiplied exposure: the worked example's whole cushion is one bad auction away. The cap tightens under leverage; it never relaxes.