The wrapper decides the cost

> **WRAPPER**
>
> The contract through which an index is actually traded - a cash CFD, a futures contract, a spread bet, an ETF. The index has no cost, because nobody holds it. Every cost you pay is a property of the wrapper, and the same index costs materially different amounts depending on which one you chose.

Module 1 established that an index is a calculation and that everything tradeable carrying its name is a separate contract. This module is the bill for that fact.

The index costs nothing

There is no spread on a calculation, no financing on a measurement, no commission on a number. Every charge in this module attaches to a contract someone wrote.

Which is why "what does it cost to trade the FTSE" has no answer until you say through what.

Where each wrapper puts its costs

Cash CFD: a spread on entry, and financing every night you hold it.Future: a spread, a commission, exchange fees, and no nightly charge - the financing is already inside the price.Spread bet: a spread, financing on daily bets, and a different tax treatment that is outside this module's scope.ETF: a spread, a management fee, and the fund's own internal costs.

Four vehicles, one index, and no two of them charge in the same places.

Why comparison tables mislead

A comparison quoting one number per vehicle has to pick a holding period, and it usually does not say which one it picked.

The cheapest vehicle for a position held four hours is not the cheapest for one held four months, and it is not a close call - the ranking inverts. Lesson 8 works out exactly where.

What this module does and does not cover

It covers what each cost is, where it lands, and how to add them up for a specific position and holding period.

It does not compare the wrappers exhaustively - that is module 8, which has the basis and the tracking differences to do it properly. And full futures roll mechanics belong to the futures track, not here.

Check your understanding

1. Why does "what does it cost to trade this index" have no answer as asked?

a. Costs vary by broker
b. The index has no cost - every charge belongs to the wrapper you chose
c. Costs are only knowable after the trade closes

Answer: b. There is no spread on a calculation and no financing on a measurement. The question needs a vehicle before it has an answer.

2. Why does a comparison table quoting one cost per vehicle mislead?

a. The numbers are usually out of date
b. It has picked a holding period without saying so, and the ranking inverts with that choice
c. It excludes commission

Answer: b. Cheap-to-enter and cheap-to-hold are different vehicles. Without a holding period the comparison is incomplete rather than merely imprecise.