The two prices, and what the spread is quoted in

> **INDEX SPREAD**
>
> The difference between the price you can sell at and the price you can buy at on an index product, quoted in index points. It is a cost paid on entry, it is set by your broker rather than by the index, and it widens exactly when the market is hardest to deal in.

Every index product quotes two prices. You buy at the higher, sell at the lower, and the gap between them is the first cost of the position - paid the moment you open it, before the market has done anything.

Quoted in points, paid in money

An index spread is stated in index points: 1 point, 2 points, 4 points. That unit is not money, and how much money it is depends entirely on your contract size, which is lesson 8.

This is why comparing brokers on spread alone is incomplete. A 1-point spread on a contract worth £10 a point costs more than a 2-point spread on a contract worth £1 a point. The unit hides the number that matters.

The spread is your broker's, not the market's

Lesson 5 established that your quote is derived and spread by your broker. The spread is the visible part of that: it is how the product is priced, and it varies between brokers offering the same index.

It also varies by product type on the same index at the same broker, because a cash product and a future carry costs in different places. That comparison is module 3.

When it widens

Outside the cash session, when the underlying market is shut and the derived contract is thinner.Around the open and the close, when the underlying is repricing quickly.Through scheduled announcements, for the same reason as any other market.

The pattern is consistent: the spread is tightest when it costs least to be wrong about the price, and widest when it costs most. That is not a broker being opportunistic; it is what a market maker does when its own risk rises.

What to take from it

Two things. The spread is a real cost that a position has to overcome before it is level, and quoting it in points conceals its size until you do the conversion. Do the conversion.

Check your understanding

1. Why is comparing index brokers on quoted spread alone incomplete?

a. Spreads change too often to compare
b. The spread is in points, and its cost depends on the contract size behind it
c. Brokers are not required to publish spreads

Answer: b. A 1-point spread at £10 a point costs more than a 2-point spread at £1 a point. The unit is not money and the conversion is where the answer is.

2. Why do index spreads widen outside the cash session?

a. The index provider stops publishing, so brokers guess
b. The underlying market is shut and the derived contract is thinner
c. Overnight financing is added to the spread

Answer: b. The quote is derived from a market that is itself thinner overnight. The spread is tightest when being wrong about the price is cheap, and widest when it is not.