



A Beginners Guide To Making Money Trading Binary Options

What Are Binary Options?

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A binary option has now become a fairly common term amongst traders. A Binary Option deals with a kind of purchased asset where the buyer has the opportunity to gain a fixed payoff or lose all of the investment. Using binary options trading will allow an investor to have the chance to receive a great amount of returns in a short period of time.

Although there is great profit potential from trading Binary Options, one needs to keep in mind that this will be accompanied by a higher amount of risk. Here, the risk means that the asset is not going to grow in-the-money thus the only other payoff is "nothing". You have probably heard stories of how lucrative and highly profitable trading Binary Options is, and it certainly can be. However you need to make sure you are following a profitable system and are dealing with right brokers.

The Concept of Binary Options Trading

The most simple way to describe binary options trading is that it has a concept of "all-or-nothing" base. The basic idea is that if you call it right, then you win and win at a fixed payout. On the other hand, if you do not call it right then you lose. Forex trading is a perfect field to use Binary options trading since its speculation is conducted against fluctuations in currency exchange rates.

Call and Put Options

It is quite obvious to see that an advantage of using binary options trading is that you will be able to gain a profit if the price of the asset rises or goes down on the market according to which option you choose. If you think that the price of the asset is going to be higher than the price at the shutting time of maturity then your choice should be placing a call option. On the other hand, if you are sure that the price will go lower, your choice would be to place a "put" option.

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Common Cases

Let us give you an example of how the flow of binary options trading goes. Let's look in the case where a trader decides to invest in crude oil stocks. He purchases 100 shares and he needs to predict if the price is going to be higher or lower at the expiry date. He also has the opportunity to choose the expiry time. To make this decision, he should be watching the current selling price (strike price).

If the strike price, or the price at maturity costs \$50.00 per option and the trader wants to buy 20 options at \$100 each, and he thinks the price is going to be over \$50 when the option matures. In this case, the trader is going to receive the agreed upon percentage of return. So if the return is 85%, he will get \$185 per option x20 totaling to \$3,700 leading to a \$1,700 profit.

Now, he can also win if he decides to use a put option and the price of the stock is below the strike price. In the case where the predetermined settlement percentage is 75%, a profit will be \$1,500 out of \$3,500 payout.

A Brief History And Overview

Binary options has become one of the most preferred options amongst traders, considered very useful for a hedging and speculation tool. You might think that binary options are fairly new strategies, but they've been traded for more than ten years. The most common way they have been traded was over the counter generally amongst two institutional investors, commonly hedge funds and investment banking prop desks. Retail traders were given the right to trade binary options in the year of 2008, and the reputation of this asset class has rocketed up.

The best way to describe binary options is to state that this is the trade that provides two different results, either your trade concludes in the money, meaning winner, or out of the money, meaning loser. This is in sharp contrast to existing vanilla options where theories including time decay, volatility, strike price, time to expiration all go

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into the pricing. Binary options provide a simple risk reward proposition, and this is stated evidently before going into the trade. Return percentage of approximately between 60% to 90% for "winning" trade and 0% to 15% for losing trades are placed by a number of trading sites which are providing binary options.

Binary options are often provided on a range of underlying assets over most trading platforms. Even though the number of stocks is limited, equities are provided amongst most platforms. It is fair to say that stock binary options are offered only on the biggest, most liquid titles including Apple, Google, Microsoft, Intel, JP Morgan, and as such most of the time.

The majority of stock based binary options are made up of technology stocks. Binary options of Forex (Foreign exchange) are as well introduced over the platforms with most major currency pairs covering the majority of trading. Well-accepted commodities including Gold, Silver, Oil, Natural Gas, and Copper and Major Indexes worldwide are also found on binary options trading platforms.

Expiration seem a little confusing for the beginner traders who are planning to implement binary options. It is common to think that all binary options carry a 1-hour expiration time. This is wrong. It is common to see expiration ranging between 15 minutes on the lower end and up to one month at the top. There are not many traders making use of expirations at the top end of that scale, but it can suit some situations well. Binary options can provide traders with a short time frame and payout structure, which is why a lot of traders prefer one-hour binary options.

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Pros And Cons Of Binary Options

As you start to learn more about the Options Trading world you will begin to realise that options trading is actually one of the best trading systems for beginner traders to get involved with. Today more and more traders are choosing to trade in the binary options setting more than the stock or forex environment. Nonetheless, you need to know what type of trader you want to be in order to decide what options you are going to use.

Your Background

The efficiency of your playing into options trading will depend on your background. Each trader has different experience thus different trading background. If you are a complete beginner then it will be even more important for you to find the right training and a trading platform that is willing to support you each step of the way. Having said that, Binary Options are one of the simplest trading systems around and if you are willing to put in some time and effort you will have no trouble.

Knowing Where You Want to Be

Beginners must know where they want to stand. If you are not sure where your next step will take place, it is pointless to trade in this market. It is important to set a clear goal and to have a wise working plan to guide you through. If you know what your objectives are, the possibilities of making great profits from options trading will get higher.

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Are you focused enough?

You need to know yourself well in order to be successful in the financial trading field because your concentration will be highly required when it comes to the binary option market. Concentration levels differ among traders, and this is going to play an important role to reach your goal once you trade binary options.

You have to have or learn to have a high level of concentration. It is possible to boost your concentration as you gain more and more experience with the binary option market. If concentration and focus is not your strong point, financial trading can be a little problematic at first, but if you are aware of this, you are already on your way to improve on your concentration and to achieve binary options trading success

Beginners Binary Options Tips

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Binary options are less risky than trading in forex due to the fact that when you purchase a binary option position, a deal is made which allows you to have a right to buy a security asset at the price in the given moment. In other words, traders are able to be aware of the risk that they are taking by entering the position at that time and there will not be any more loss than they agree to invest.

The rules are very simple:

- 1) The option is placed “in the money” if the entry ends or expires above the strike price in a call option or below it in a put.
- 2) An option is placed “out of the money” if it expires beneath the strike price in call option or above it in a put.

Usually the payout is between 65% up to 90% depending on which trading tools and which assets you are investing on. There is also sometimes a refund option of 5 to 15% of your investments for those expiring out of the money. As you see, binary option trading is simple and straightforward to understand. There are of course risks for losing your investments but this is considered as a large resource of making profits in less than a few minutes sometimes even a few seconds.

Below are some valuable tips for trading in binary options that should get you started on the right foot:

1 – Take things slowly

If you are a beginner in binary options, the most important tip that you should keep in mind is to begin with a steady step-by-step process. The initial investment should be a small amount up to \$100 because it will help you to make earnings slowly but steadily. By gaining more experience you may want to invest bigger amounts but you should keep in mind that the larger the amount you invest, the greater the risk.

2 – Do your research

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Despite the fact that binary trading is easy and straightforward, traders should only begin their trading after doing proper research and study of the system. They should become well-informed on the general market conditions and scrutinise a range of factors that impacts the market. There are many websites, software, charts, and newsletters which are good sources of information for understanding the position of the market.

Third Tip - Choose Brokers Carefully

Another essential element of successful trading in Binary Options is to have a good broker. You want to look for one that has a good reputation, that covers a range of markets, and that is willing to provide you with help and assistance along the way.

It's always a good idea to do some research on a broker before you deposit any money with them.

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