

**How to Trade Binary Options Successfully** The purpose of this guide is to show you how to make money trading Binary Options. In the first several chapters we will deal with the in and outs of binary options while later on we will go into the strategies needed to achieve success in trading binaries. So what are Binary Options (also referred to as 'digital options', 'fixed return options' and 'all-or-nothing options')? A binary option is in fact a prediction of which direction the price of the underlying asset (a stock, commodity, index or currency) will move by a specified expiration time. With [Binary Options](#), an investor doesn't purchase the asset - he is merely predicting the direction that the underlying asset moves. There are actually just two possible outcomes. A fixed gain if the option expires "in the money", or a fixed loss if the option expires "out of the money." The price of the asset is not important. The only thing that matters is whether the prediction is correct or incorrect. **A binary options trade usually involved three steps:** First, you choose a trade expiration time, this is the time you want the trade to end. It could be any time period between a minute and a week - usually it is within the day. Second, you choose Call or Put. If you think the price will end up above the current price: you click the buy/call button. If you think the price will end up below the current price: click the sell/put button. Now that the trade is placed, you simply wait for the outcome. If the trade expires 'in the money', you make a profit. If it expires 'out of the money', you'll lose. Now you can see where the "binary" comes from, it stresses the fact that there are two possible

outcomes to a binary option, both of which are set and understood by the investor prior to placing a trade. **Now here is an example:** You purchase a Google binary option for \$25, with the opinion that within 2 hours Google's shares will be higher than they currently stand. If you are correct you get previously set percentage return on your investment (e.g. 82%), should the shares lower you lose your investment (some brokers will give you back a small amount as "refund"). A number of factors distinguish binary options from regular stock options. Typically the short-run expiration time suggests traders could make an immediate profit on the binary options and therefore are way more versatile in their option investments. In regular stock options, a trader will pay per contract. Therefore the investor may profit or lose a sum based on the quantity of points difference between the expiration level and the strike price. In contrast to binary options in which the two outcomes are actually set from the beginning. An investor in a binary option needs to hold onto his option until the expiry date. He must consequently take more care when ever buying his options as he is unable to sell them after they are purchased. Binary options are categorized as exotic options, however, inside financial markets they sometimes are termed as digital options. While digital options are quite simple to understand and easily traded, the mathematics behind the pricing is complex. It is because of this that digital options are referred to as exotic options. For years Binary Options were traded by large institutions and their clients in the over the counter market (OTC). In

2008, the Securities and Exchange Commission in the US approved the listing of binary options with continuous quotations and now binary options are also available to individual investors. Most binary options tracings nowadays are performed online thru private brokers that use sophisticated trading platforms. **A Binary Options trade calls for several decisions to be taken by the investor. Deciding on the Underlying Asset** The first decision is choosing an asset. Based on which broker you decide on, you will have a selection of assets from different financial markets. Some traders elect to focus on one particular asset, or one market, while others trade several options simultaneously. One consideration as to what asset to trade has to do with the opening hours of the various world stock exchanges. Currencies are usably available for trade 24 hours a day. Most brokers offers four classes of assets: Commodities - e.g.: Gold, Silver, Wheat, Coffee, Oil, Sugar, Platinum. Stocks - e.g.: City (US), Apple (US), Gazprom (Russia), BP (British Petroleum), Google (US), SberBank (Russia), Coca Cola(US). Forex (Currencies) - e.g.: GBP/USD, USD/JPY, USD/CAD, EUR/JPY, EUR/GBP, USD/TRY, USD/BRL Indices (Indexes): - e.g.: DOW (US), S&P 500 (US), NASDAQ (US), DAX (Germany), CAC (France), FTSE 100 (U.K). **Deciding On an Amount to Invest** Binary options brokers allow for a low minimum so you can be flexible as to the amounts you can invest. The amounts you devote to trade should be dictated by your risk management plan (more on this when we talk about risk management later on). **Deciding On the Desired Time Frame**

Binary options are short term investment instruments by definition. the time frame available can run from one minute to a week, depending on the trading platform. So what time frame should you choose? The problem with selecting very small timeframes like one minute, or 5 minutes is that you could possibly experience a lot of “noise” which is a result of hedge funds activity, scalpers and automated trading. You could think that you observe an emerging trend only to realize that it was only a brief manipulated move and that the trend is over once you enter the market. Therefore I suggest you use at list a 15 minute time frame. This is small enough for you to capture the nice moves, but it’s big enough to eliminate the noise in the market and correctly displays the “true trends.” **By Meir Liraz**  
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