BANC DE BINARY
SIMPLICITY PAYS

A New Way to Trade

The Essential E-guide to Binary Options Trading

Trading can be complex. New ways of investing your money can appear daunting at first, with websites and trading platforms filled with information that can be overwhelming. The purpose of this e-book is to give you an insight into the simplicity of Binary Options trading. Using our step-by-step guide, and real life examples, you will understand how, when and why to trade Binary Options.

**With this easy-to-use e-book,
we hope that all your trades will be
In-The-Money!**

Contents

What are Binary Options?

Binary options focus on straightforwardness, known risk and the ability to capitalise in volatile markets

An Introduction by Oren Laurent, Founder and CEO of Banc De Binary

The Vision

When we built Banc De Binary, it was with a view to make trading simple and transparent, levelling the playing field and allowing individuals the opportunity to change their lives by participating in an activity that had formerly excluded them. Today, I am proud to say that we have indeed managed just that. The simplicity and openness of binary option trading provides significant advantages over other kinds of trading.

My vision was for a new kind of bank: one that focused on high quality binary option trading services and solutions, offering an exemplary online trading alternative to this rapidly emerging market. I realised straightaway that there was a gap at the quality end of the market and a real absence of binary option trading platforms to provide this level of service to the experienced trader.

Bearing this in mind, Banc De Binary was built from the ground up to lead the market by providing innovative ways to enrich its clients' portfolios. I can gladly say that our senior account managers are the best in the industry. I really believe that people are Banc De Binary's greatest asset, and we employ a stringent recruitment process to ensure that we hire senior account managers of the highest calibre.

"... binary options has carved out a niche that focuses on straightfor-wardness, known risk and a de-emphasis on volatility.

Why Binary Options?

Binary options traders don't have to spend all their time and attention on keeping track of spreads, leverage, deposit margins, stop-loss strategies, hidden transaction fees and interest rate differentials, like other traders do. Binary options give traders back the power to focus solely on making correct predictions and, consequently, to enjoy making money.

Our traders can make money in spite of volatile markets, and in many cases are able to make successful predictions *because* of market volatility. These conditions are exactly why binary options are enjoying such a boom right now.

I think that prospective traders should remember that one of the key benefits of binary options trading is that it affords you a high level of control over your portfolio. It is the one form of trading that actually allows you to minimise and set your own levels of risk. This means that diligent traders automatically enjoy higher levels of success than more traditional asset trading, simply because they are able to manage their risk exposure.

Most importantly, risk calculation on binary options is easy to understand. With more traditional assets it's common for prospective traders to lose track of their exposure in a given investment. However, with binary options the set price and all-or-nothing nature of the outcome means that a trader's exact risk is known. As a consequence, binary option traders are able to make wiser decisions about money and account management.

Why Now?

I think that in many ways the turbulence in financial markets in recent years has directly led us to this place because so many traders now view the idea of more traditional speculative trading as far too risky and riddled with hidden complexities to consider. Rising volatility and a staggering increase in the number of available investment vehicles has further muddied the waters, increasing the margins of error and the frequency of costly mistakes. In complete contrast to this situation, binary options have carved out a niche that focuses on straightforwardness, known risk and the ability to capitalise in volatile markets.

What's Next?

Looking to the future, I believe that binary options trading will become increasingly popular and the range will continue to grow. Most importantly, I believe the amount of money invested through binary options trading will also rise dramatically. In fact, I wouldn't be at all surprised to see binary options trading soon rival today's forex trading market.

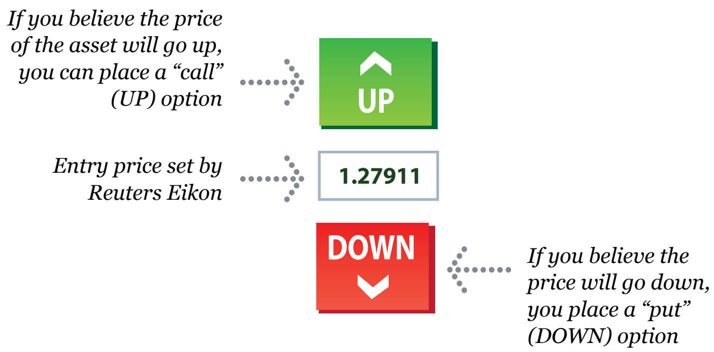
As a final word of advice I would like to say to any trader to please remember that Banc De Binary is actually on your side. Very few investment banks can honestly make that claim - here at Banc De Binary we sincerely believe that.

Oren Laurent
Founder and CEO of Banc De Binary

A Definition of Binary Options

Binary Options, also known as Fixed Return Options, are investment vehicles that allow investors to trade on the price movements of underlying assets, with fixed, pre-determined returns. Binary options can be placed on virtually any financial product.

When placing a binary option on any asset, the potential return is known before the investment is made. The investor places their option at a fixed strike price and chooses whether they think the price will go up or down in a given amount of time.



If, at the set expiry time, the asset has moved in the direction you predicted, then the trade is *In-the-Money* and a pre-set pay-out is earned. If not, then the trade is considered *Out-of-the-Money*, and the trader loses the initial stake.

The dual nature of these options, where there are only two values - either up or down - is what gives these options their dual, i.e. binary, nature.

A History of Binary Options

Binary options trading has evolved to specialised websites offering online trading platforms where standardised short-term binary options can be traded with a pre-determined profit/loss.

The way binary options works today is a simplified version of the over-the-counter (OTC) binary options contracts of the past, which were sold directly by the issuer to the buyer and were often embedded in more complex option contracts.

2007

- Options Clearing Corporation proposes a rule change to allow binary options to be traded on major markets

2008

- Securities and Exchange Commission endorses binary options, making it legal for US markets to list binary options as tradable live contracts
- American Stock Exchange (AMEX) takes the lead, launching exchange-traded European cash-or-nothing binary options, becoming the first exchange to publicly offer binary option contracts
- The Chicago Board Options Exchange (CBOE) follows suit

2009

- The beginning of the massive explosion in growth of binary options

Banc De Binary Certifications and Awards

Banc De Binary's awards include:

Best Binary Options Broker in the Middle East 2013
Best Binary Options Customer Service 2012
World Finance 2013
World Finance 100
Most Secure Binary Broker
Platform of the Year
Broker of the Year
Best Customer Service 2011
Best Binary Options Platform in North America
Best Binary Options Platform in Asia

A New Way to Trade

The simple binary nature of this new way of trading is one of the main reasons for its popularity

Trading Made Simple

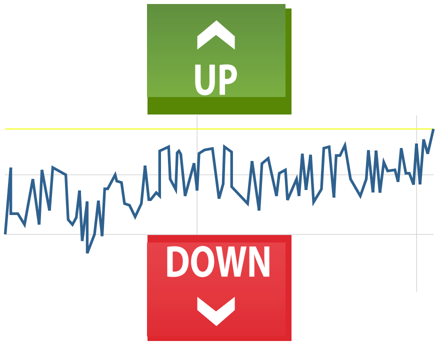
Binary option trading is revolutionary in the way that it offers a simplified version of trading ideal for novice traders, while also offering experienced traders the tools to properly capitalise on their expertise.

Binary means one or the other, and it is this simplicity that has been one of the major reasons for the popularity of binary options with new traders, whether they come from a financial background or have no trading experience at all. The very simple nature of this new way of trading means that it does not matter whether you have experience or not in trading; binary options levels the playing field for all traders - no matter what their background.

In essence, binary option traders are simply attempting to successfully forecast the future direction of everyday stocks, commodities and currencies. In its simplest form of up or down, all that a winning trader is required to predict is either the upward or downward movement on a financial market chart. Therefore, binary options, as the name suggests, have only two possible outcomes:

WIN
or
"In-the-Money"

If the trader is correct, and the asset price rises or falls according to their prediction, the trader receives a return of 65-91% on top of their original investment



LOSE
or
"Out-of-the-Money"

If the trader is incorrect, and the asset price does not rise or fall according to their prediction, they lose most or all of their initial investment

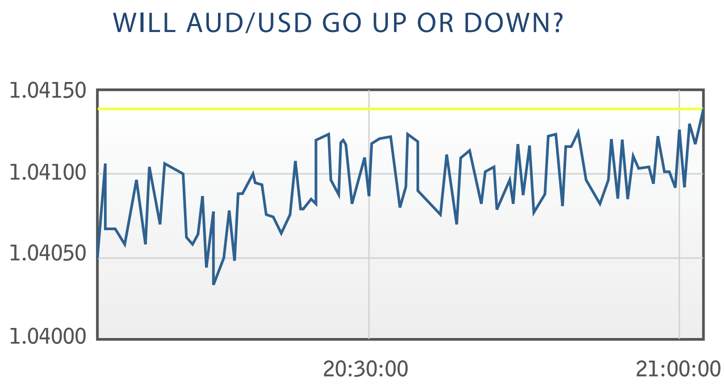
Binary options are the perfect investment vehicle for event trading. With so much complexity in the fundamentals of every asset, the simplicity of executing a binary options trade allows investors to immerse themselves in asset research, and trade only when they feel they have isolated a profitable entry point. Also, because binary options tend to be short-term investments, they allow traders to get in and out of markets at times of high volatility and make profits that other investment vehicles simply cannot match.

Simplified Trading

Binary options' streamlined approach to trading provides some interesting advantages over other investment vehicles. The removal of bid/ask spreads, leverage, and hidden fees makes it extremely easy for binary traders to keep track of their risk capital and open trades. Also, with only two possible positions in any given binary trade, it couldn't be easier to take your knowledge to the markets.

Essentially, a binary options trader has only two things to consider:

i) Whether the asset in question will rise or fall in value in a given period of time



ii) How much to invest in the position

Once these choices are made, and the trade is locked in, there is nothing more to consider. The *magnitude* of a price rise or fall is irrelevant. Simply put: you stand to gain the same if the price of the asset you are trading on is one pip up (or down - depending on whether your trade was a CALL or a PUT), as you do if it expires 1000 pips up (or down). There are no stop-losses to manage and no way for an open position to leave you over-exposed. All the information a trader needs is available before they commit to any given trade.

Calculated Risks

One of the most important - and attractive - aspects of binary options is their transparency. They have pre-calculated risk levels, so that you can choose precisely how much to invest and for how long, and you can also know how much you stand to make or lose... all *before* you invest. This foreknowledge allows binary option traders to implement robust money management strategies. The binary nature of the trade (and its simplicity) allows traders to focus on the markets, rather than the details of every open trade - something which is practically unheard of in other traditional trading vehicles.

Spread Betting (FOREX) vs Binary Options

A Side-by-Side Comparison

Let's place a trade on the Euro/US dollar currency pair, using both spread betting and binary options and see what the differences are. For this particular example, our research has told us that the euro is going to strengthen from its current rate of 1.3 against the dollar.

Spread Betting (FOREX)

With spread betting your profits are 'shaved' by the spread

We will stake £10 per pip on the euro/dollar going up. If it goes up by 10 pips, that should give us a return of £100 (10 pips x £10 per pip).

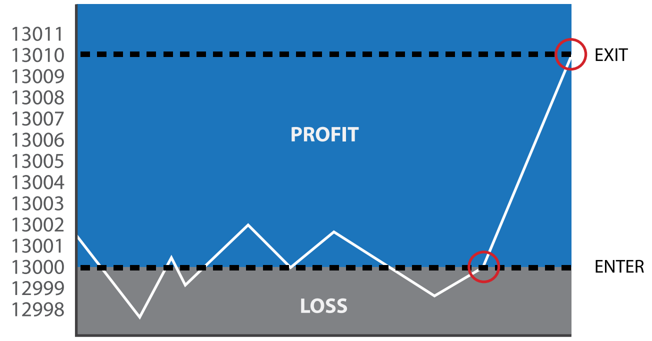
Unfortunately this is not the case. With spread betting, "buying" the euro/dollar means we have to enter our trade at a price 1 pip above the market rate (in this case the "buy" price is 13001), putting you at an immediate disadvantage.

The situation is reversed (again to our disadvantage) when we exit the trade. Just as we "bought" the euro/dollar for more than it was worth, now we have to "sell" it for less than its true value (in this case the "sell" price is 13009).

SELL PRICE	13009	*Instead of a return of £100, we have made only £80.*	£10
BUY PRICE	-13001		x 8
PIP movement	8		£80

We just lost 20% of our profit to the spread.

Binary Options



With binary options you enter and exit your trades at a price set by Reuters Eikon

With binary options there is no spread. We enter and exit our trades at a price set by Reuters Eikon - it doesn't matter if we are right by 1 pip or 100. The return is predetermined and fixed (typically at 75%).

With binary options all we have to do is:

1) Place an "up" (in this case) or "down" option on the EUR/USD currency pair

2) Choose an investment amount

3) Select an expiry time

An *In-the-Money* investment of £1000 produces a return of £750 with no commissions and no spreads.

100% of your profits are instantly credited to your account.

Turning Knowledge into Profit

Market analysis is broken down into two main schools of thought. These are Fundamental Analysis and Technical Analysis. You may come across articles that try to suggest some essential division between the two schools but this “either/or” dynamic is not observed by most traders. Experienced traders will use *all* the tools at their disposal to better inform their trades. Both types are useful to binary traders as each can be used to confirm the findings of the other.

Fundamental Analysis

Fundamental analysis focuses on factors such as economic indicators, geopolitical news events, and the reading of market sentiment in order to make informed trades.

The basic principle is that assets are either over or undervalued at any given time and are constantly in the process of correcting themselves by moving closer to their true value. The point is to determine what this true value is, and capitalise on an asset’s rise or fall towards it. This is why fundamental analysts are so concerned with external events. Events affect sentiment, and sentiment moves markets.

Fundamental analysts look at the external factors that affect the market price of assets. Market research is central to fundamental analysis because any information that may shed light on an asset’s true value, i.e. the direction that the market is likely to go, is extremely valuable. This information comes in the form of economic indicators (interest rate decisions, GDP figures, and employment reports), market news (mergers, bankruptcies), geopolitical news (global conflicts, natural disasters) and the reading of sentiment. Some place sentiment into a third school of its own, but due to it being so closely tied to other fundamentals, it is usually filed under fundamental analysis.

With binary options being so well suited to trading on events, fundamental analysis tends to be the main kind of analysis employed by binary traders, while technical indicators are commonly employed to help fine-tune the best entry points for a trade.

Generally the most tradable fundamentals are economic indicators. These are the reports that are released periodically and provide data on the state of a country or region’s economy. These are released weekly, monthly, quarterly or annually, and are very closely monitored by traders due to the significant effects they have on the currencies used by the countries in question.

Economic Indicators

An economic indicator is a statistic about the economy which allows analysis of economic performance and predictions of future performance, basically indicating how well the economy is doing and how well the economy is going to do in the future.

Economic indicators fall into three broad categories:

1) Leading Indicators:

These generally move before a country's economy does, therefore they are used by traders to take short term positions on the relative health of a country's economy. Stock market return figures are particularly useful leading indicators as they move in just this way, tending to rise or fall before the relevant country's economy registers the change. Other useful leading indicators to keep an eye on are the results of consumer expectation surveys, the number of building permit applications currently in the works, and the money supply of a country or region (i.e. the aggregated monetary assets at a given time).

2) Lagging Indicators:

Lagging indicators, as the name suggests, usually report changes that have already been felt by an economy, such as any reports that reflect the accumulated data of past events. An interesting incongruity in fundamental analysis is that many of the indicators traders focus on and give weight to are actually lagging indicators. Though it may seem somewhat counter-intuitive that lagging indicators could exert such tangible pull on markets, nevertheless they do. Much of the trading activity that is conducted on a day to day basis boils down to trader psychology. Market sentiment can change the fortunes of a currency as much as, and some would even argue more than, the numbers on a balance sheet. Interest rate figures and trade balance statistics are both important lagging indicators to keep abreast of.

3) Coincident Indicators:

Coincident indicators move at the same time as economies do, thus revealing a great deal about the current economic state of play. Employment, real earnings and average weekly hours worked, are examples of coincident indicators, and should be closely monitored by traders wishing to gauge the health of an economy and how its currency is being valued.

Important Economic Indicators

US NFP (Non-Farm Payroll)

Employment change statistics are of particular interest to traders. A country's labour force translates directly to its consumer spending power and economic vitality. The process is a cycle that begins with the number of adults in employment and ends with consumer confidence, increased demand, and the subsequent creation of more jobs (if positive). This is why employment is a key economic indicator to be aware of and prepared for.

There are a number of employment-related statistics that are regularly released, but *Non-Farm Payroll* is the one that most traders look out for.

NFP is ordinarily released on the first Friday of every month and is without a doubt the single most tradable data release on the economic calendar. This is important as USD is either the base or quote in all major currency pairs.

It relates to the new jobs created in the previous month (excluding farming jobs), in the US and is extremely important as it provides a good picture of both the American economy's future consumer conditions and its potential for prospective business investment.

A positive NFP figure - one that is higher than forecast - will cause 'bullish' price action on the dollar; a negative NFP will almost always lead to 'bearish' activity. Aside from the price movement immediately following the announcement, the entire day's trading can be very volatile due to traders speculating on the results. This volatility is perfect for binary option traders who can really maximise their profits on this particular trading day if they are on the right side of the trends.

EU Minimum Bid Rate

This is an economic indicator of the utmost importance. Also known as the Main Refinancing Rate, it is essentially the rate the European Central Bank (ECB) charges other banks in Europe's 27 member states for borrowing money. *Minimum Bid Rate* is an important tool in the ECB's fiscal policy. Changes in this rate affect other interest rates across Europe's banking system and have a direct effect on the value of the euro.

All interest rate reports are important to traders because they are central to a currency's value. Higher rates mean less of an incentive to borrow and result in a devaluation of the euro. Lower rates have the opposite effect and generally serve to increase a currency's strength.

Announced on the first week of every month, *Minimum Bid Rate* should be monitored in conjunction with the ECB press conference that closely follows the release.

Trade Balance

Trade Balance reports are extremely important events as they are central to a nations or economic bloc's balance of payments.

Usually expressed in terms of millions of the unit of currency in question, and also by the yearly percentage of change, *Trade Balance* statistics are derived by comparing the value of a nation's imports and exports over a given period of time.

They are also particularly useful to currency traders as they provide valuable insights into the strength of a currency. Trade deficits adversely affect currency value. If a *Trade Balance* report reveals a deficit over a given period, (i.e. if the figure is negative) then more capital is leaving than entering, and this is because more goods have been imported than exported. Conversely, if the report reveals a trade surplus more goods have been exported than imported. Unless massive outflows of cash negate the benefits conferred by a trade surplus, the effect is generally beneficial to a currency's value.

Gross Domestic Product (GDP)

Gross Domestic Product refers to the aggregated value of all goods and services produced by a country or economic region, which informs traders as to whether an economy is expanding or contracting. A GDP that is lower than that of the previous release indicates an economy that is shrinking, while a larger GDP than previously reported indicates a growing economy. Therefore, if the actual figure is higher than forecast it means good things for the currency in question.

GDP is released every quarter making it a lagging indicator. In the case of Europe, the impact of this specific release is also lessened by the fact that Germany and France both announce their own GDP figures in advance of the European report. The economies of these two countries account for almost half of the region's GDP, so traders find it more fruitful to keep track of and trade on the individual GDP releases of Europe's major players rather than trade on the sentiment generated by this specific indicator. Traders would be wise to bear this in mind for all indicators that have a national (followed by a pan-European), report.

It is also important to keep in mind that GDP is announced in waves. The Flash GDP is released first (also known as the first estimate), followed by the Revised GDP figures in some cases (such as the EU), and lastly Final GDP. The initial release has a far greater impact on the financial markets than the final figure.

Retail Sales

Retail Sales reports are important economic data releases for traders because they provide an invaluable gauge of a country's (or region's) overall economic health. This hinges on the fact that consumer spending accounts for the vast majority of a country's economic activity. Positive *Retail Sales* touch many other aspects of a country's economy; they give valuable insights into consumer confidence and are also closely correlated with employment health in the retail sector. If the figures come in better than expected they will inevitably result in a strengthening of the currency in question.

Monthly *Retail Sales* reports are always released into the following month and monitor consumer spending patterns across countries or regions. Once again, in the case of Europe, the impact of this report is lessened by Germany and France releasing their own figures slightly in advance. Euro traders interested in capitalising on these statistics will usually give much more weight to Germany's figures. This is because it is the strongest of the euro-zone economies and thus its *Retail Sales* report is a very good overall indicator of how well things are going for the entire region.

Industrial Production

Industrial Production figures are also important to traders because industry accounts for a quarter of all the economies that feature in the major currency pairs. These figures measure the change in the total value of industrial production for a country or economic region. This includes factories, mines and utility companies. Healthy industrial output touches many other aspects of an economy including employment, consumer spending and currency strength. When *Industrial Production* is higher than forecast, traders can expect a rise in the currency in question; when lower they can expect a fall.

Purchasing Managers Index (PMI)

PMI is a monthly report that reveals the economic outlook of purchasing managers across a variety of sectors including manufacturing, services and construction. The figures are derived by surveying a cross-section of influential purchasing managers; the result is a figure between 0 and 100. If below 50 then the outlook is negative (it indicates contraction in the sectors being surveyed and has detrimental effects for the currency in question); if above 50 then the outlook is optimistic (it indicates a growth in the sector, a healthy economy and a strengthening of that country or region's currency).

Producer Price Index (PPI)

PPI measures the monthly change in the prices of goods and services sold by producers. It is an important economic report, as higher prices for both goods and services indicate economic inflation. This is because increased prices at the supply end of the chain are passed on to consumers. This report has even more of an impact when *Producer Price Index* figures are released in advance of *Consumer Price Index* figures, as both reports are highly correlated.

Consumer Price Index (CPI)

Consumer prices are important to traders for a couple of reasons: firstly, they correlate with inflation; secondly, in developed nations urban consumers account for the overwhelming majority of economic activity. *Consumer Price Index* reports measure the monthly change in the prices of goods and services purchased by consumers. There are two reports: CPI and Core CPI, with the latter being of more interest to traders. This is because Core CPI excludes food and energy prices, which are far more volatile and can skew the overall reading.

Durable Goods Orders

This report tracks the change in the overall value of orders placed with durable goods manufacturers on a monthly basis. Durable goods are items such as household appliances and cars that have a shelf life of at least three years. *Durable Goods Orders* have a significant effect on the American economy as they directly relate to an increase in manufacturing activity. A healthy report (i.e. one whose figures come in better than expected) is good for USD. As in the case of CPI, the Core Durable Goods report is the one that traders pay the closest attention to; this is because it excludes data relating to the much more volatile sales of transportation items such as cars and aircraft.

Building Permits

This monthly report is another economic indicator that is closely monitored by traders. The approval of a *Building Permit* is one of the first steps that have to be taken before starting a new building. As such, this report is a very reliable leading indicator of forthcoming construction projects. If the data comes in positive, in relation to forecasts, then the currency gets stronger (either CAD or USD depending on the report); if it comes in negative, traders can expect a drop in currency value. Traders also look for significant monthly changes in *Building Permit* numbers because of how closely they correlate with interest rates. A big drop in the number of permits may indicate a peak in interest rates whereas a large increase points to interest rates having reached a low.

Existing Home Sales

With sales of existing homes (rather than newly built ones) accounting for the overwhelming majority of sales in the US, this is by far the more important property sales report. Released monthly (albeit in an annualised format), it describes the month on month change in the number of existing homes sold in America. *Existing Home Sales* figures touch many other areas of the economy, thus they are closely monitored by traders. Positive figures are good for USD while negative figures have the opposite effect.

Geopolitical events

Geopolitical events are the combination of geographic and political factors influencing or delineating a country or region, which can be used in the analysis of economic performance and predictions of future performance of tradable assets. Here are some examples:

War

War affects the value of assets above all else. Even the suggestion of a war in the Middle East is often enough for the price of crude oil to sky-rocket due to the region being such a major oil exporter. As the oil fields in conflict zones produce less (or cease production entirely), there is a decrease in crude oil on the market, which, in turn, drives its price up.

Additionally, you can expect the stocks of military equipment companies and weapons manufacturers to rise as a nation gears up for armed conflict. The process is a chain of cause and effect / supply and demand, with the raw materials needed to produce military equipment also rising in value due to increased demand. This in turn has the effect of raising the stock prices of the mining companies responsible for extracting the natural resources.

Disasters

Disasters have an extremely pronounced effect on markets. They upset the status quo and impose hardships on the people living in their vicinity. Disasters also tend to destroy infrastructures which are basically the central nervous systems of economies.

In 2010 the oil rig that BP was renting in the Gulf of Mexico exploded, leaking thousands of barrels of oil per day into the ocean. As expected, BP stocks fell drastically and the company lost $25 billion of its market share; however the effects of the spill reached further than just BP stocks. Property values also dropped - not just in the coastal regions immediately affected but also further inland. Fisheries along the 635 miles of coast blighted by the spill were hit hard, resulting in a substantial knock-on effect on employment and housing in the area; it is estimated that 22,000 jobs were lost as a direct result of the spill. In fact the social stigma associated with purchasing property close to the affected area caused property prices to rapidly drop by between 5 and 15 percent. The estimated cost of the spill for the economy of the region was $8.4 billion with consequent implications for both US GDP and the value of the dollar.

Market Sentiment

Data alone does not take the markets by surprise. In fact, markets react much more animatedly to the sentiments caused by e.g. the ECB president's speech, rather than the data release on its own; a perfect illustration of how sentiment exerts a more tangible effect on trading activity than the data that supposedly grounds it.

Listen to the Central Bankers

Whenever the heads of any of the central banks speak publicly, the markets sit up and take note, hanging on their every word. Generally these addresses are more tradable than even the economic data releases that often precede them. This is because whenever a central banker speaks, traders all across the world are listening intently to the tone of the speech, trying to pick up on clues about that banker's take on the economic health of the country or region in question. With sentiment being such a colossal market mover, these addresses are also closely monitored for any indication of upcoming changes in fiscal policy.

In the summer of 2012, with Europe deep in the throes of an ever-worsening financial crisis, Mario Draghi, the president of the European Central Bank, pledged to do "whatever it takes" to save the single currency. The speech was given at an investment conference in London and its effects were immediately felt by the markets.

Although the euro had been steadily dropping since May of that year, and was trading at its lowest since June of 2010, not only did all of Europe's major indices close higher for the day of his speech, the euro also rose, and the cost of borrowing in both Spain and Italy dropped.

The ways in which sentiment moves markets is quite incredible; a few encouraging words from the right mouth can change the fortunes of an asset in remarkable ways. Generally when any of the major central bankers speak publicly, traders pay close attention - something worth bearing in mind before you begin to trade. These public addresses are tradable events because the markets are closely listening for clues as to possible changes in fiscal policy, as well as the overall tone which indicates the speaker's view on current economic health.

Economic Calendar

Just as beginner binary traders will tend to start trading one or two preferred assets, they will also start by using an economic calendar to look for high impact data releases relevant to their assets of choice.

All binary traders should use an economic calendar on a daily basis. There are many free ones available online, most of which will allow you to set search parameters so as to only return events that are of interest to a specific country or region. You may also be able to filter important data releases from ones with less pronounced effects. In this way they get used to trading on the occasion of these important announcements and begin to observe the ways in which they work to affect the markets.

It is important to keep in mind that whenever a Flash or Preliminary report is available it is of more importance than the Revised or Final figures that follow. Even though Flash reports are not definitive, they have the greatest influence over market sentiment and provide traders with some indication as to the more comprehensive Final version of the report in question.

Technical Analysis

Unlike fundamental analysis, which utilises real-world information such as earnings reports, geopolitical events and economic data to determine the 'true' value of an asset within a market, technical analysis is concerned only with the market itself.

Technical analysis is based on three assumptions:

1) Everything that has affected (or could affect) an asset is already reflected in the asset's price; fundamental factors, market psychology and everything else that can be analysed are already priced into every asset at any given moment. All that remains to be studied is price movement itself.

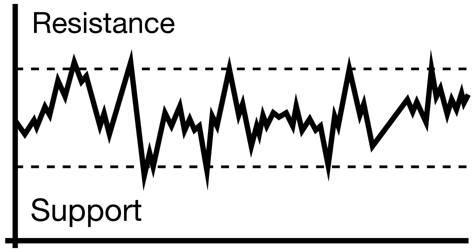
2) Once a price trend has been established, it is likely to continue in the same direction.

3) History repeats itself as investors tend to react in the same way when confronted by similar market events.

'Chartists', as they are known, like to get in and out of trades quickly. As such, technical analysis is well-suited to binary options trading as it deals with short-term, up/down price fluctuations, rather than waiting for the market to correct a perceived undervaluation.

Resistance & Support

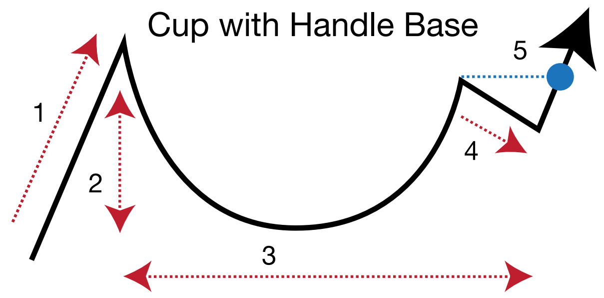
Resistance and support levels are lines on a price graph at which technical analysts expect the price of an asset to bounce back after a decline (the support level), or reverse following an increase (the resistance level).



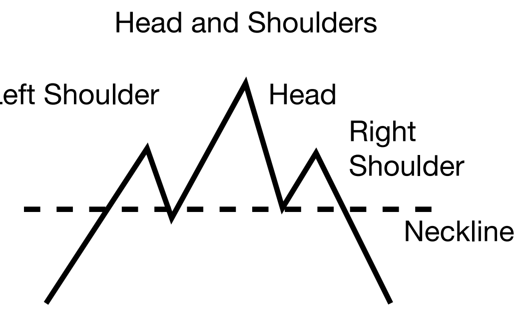
In terms of binary option strategy, placing a CALL (up) option on an asset as it hits a support level, or a PUT (down) option as it approaches resistance, is the way to go.

Chart Patterns

Take a look at the figure below. This shape is known as the 'cup and handle'. It is one of the easiest patterns to spot, and technical analysts love them. Once you've spotted a 'cup' in the graph, and price begins to level out into a 'handle', it's time to place a call option on the asset – a breakout is on the way.



The figure below shows the bearish 'head and shoulders' pattern. A peak is reached followed by a brief decline (the left shoulder), a higher peak with a greater decline (the head), and finally the right shoulder which mirrors the left. Once you see the right shoulder developing, technical analysts will tell you to place a PUT (down) option, as the asset's price is likely to continue to fall.



Using technical analysis to inform your binary options trading decisions is not for the inexperienced. You have to be on the ball as markets can change very quickly. It's wise to stick to a game plan and only trade when the trends are strong and definitive.

Technical Indicators

Technical indicators are metrics that use past and current chart data to predict future price levels or the general price direction of tradable assets. They are normally used to predict short and long term movements in the markets, making them eminently suitable for binary options traders.

Binary options traders should be familiar with three of the main technical indicators. But before we can understand them, first we need to understand “moving averages”.

Moving Averages

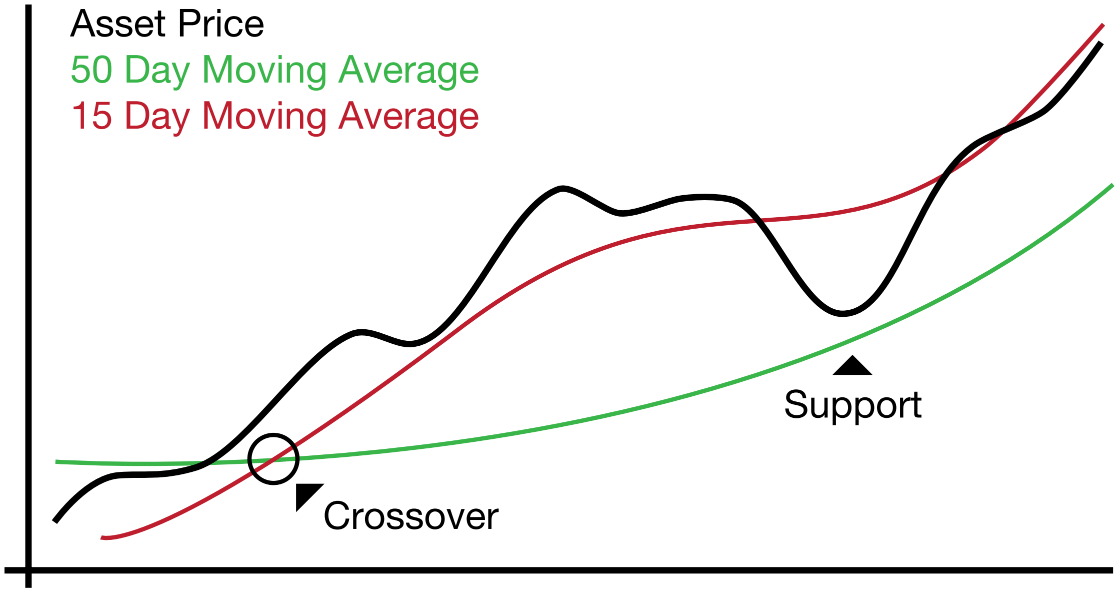
A moving average plots the **average** value of a tradable asset over a given period of time. It serves two purposes:

1) To give a visual representation of the momentum of an asset’s price.
2) To highlight areas of possible support and resistance.

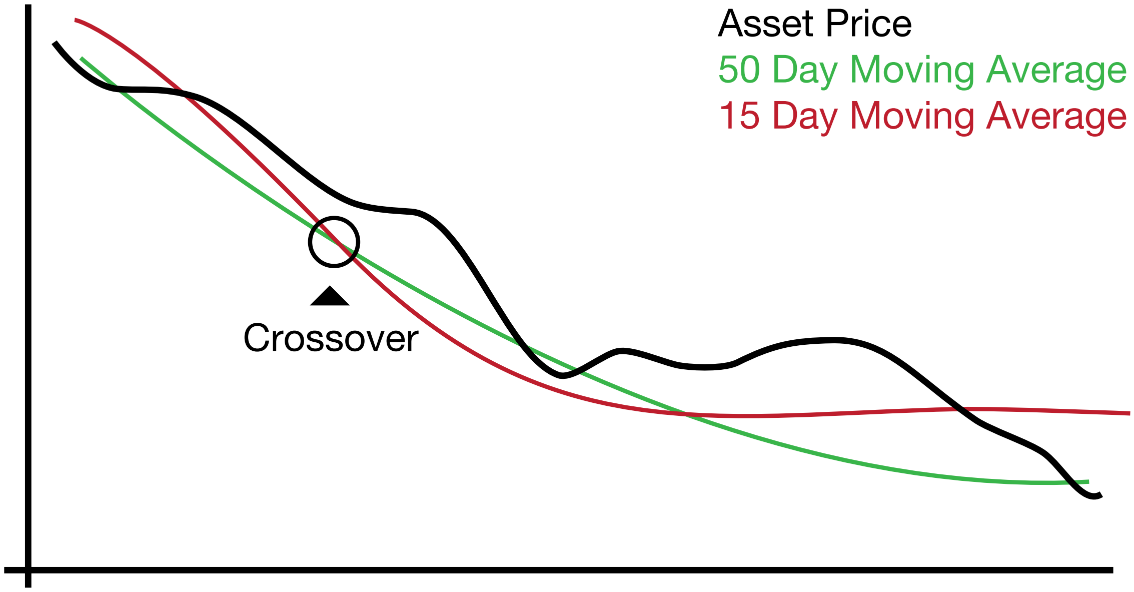
Moving averages “iron out” short-term volatility and allow investors to see long-term trends more clearly.

How to use moving averages to inform your trades

When a short-term moving average crosses **above** a long term moving average, it signifies upward momentum for that particular asset.



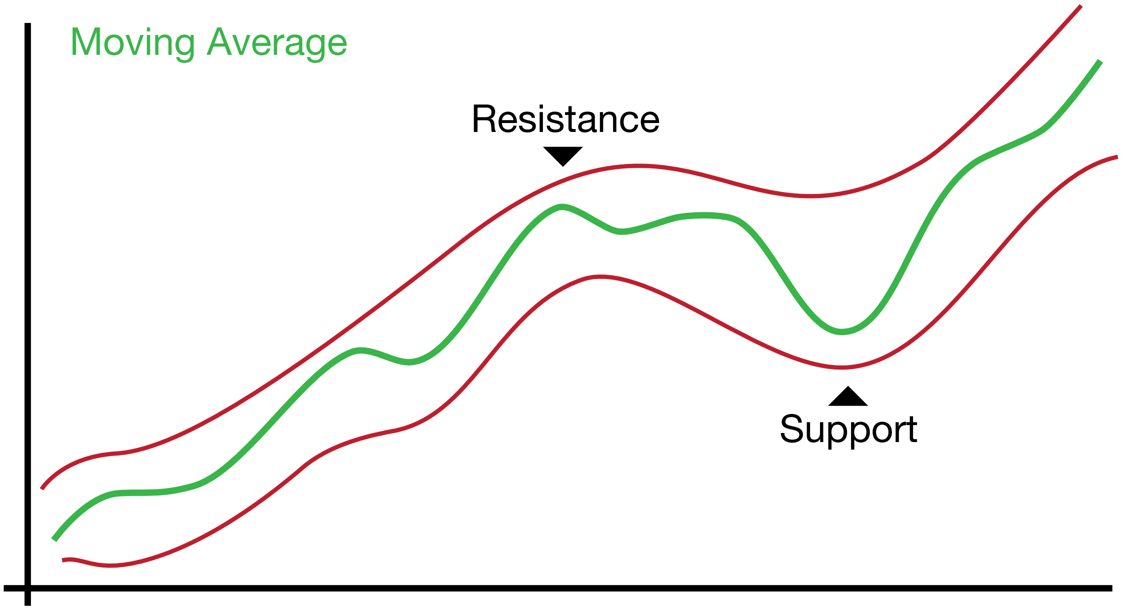
Conversely, when a short-term moving averages crosses **below** a long term moving average, it suggests downward momentum.



So, now you know all about moving averages, here are the top three technical indicators:

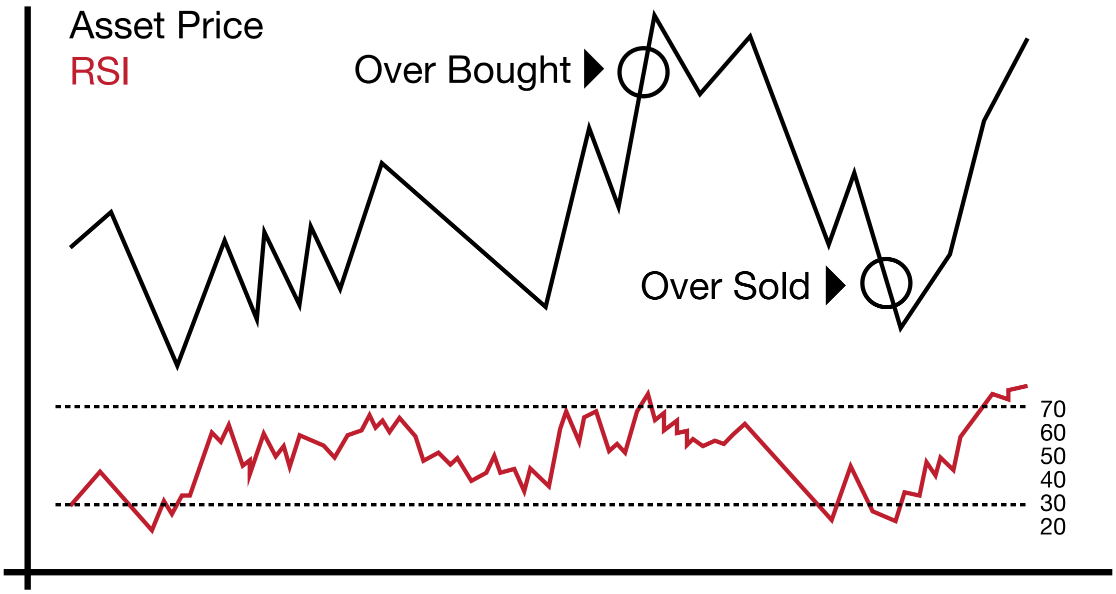
Bollinger Bands

Bollinger Bands are lines plotted two standard deviations above and below a simple moving average. Bollinger bands have two main uses: One, they provide non-linear support and resistance lines; And two, they alert traders to volatility. The further apart the bands, the more volatile the price.



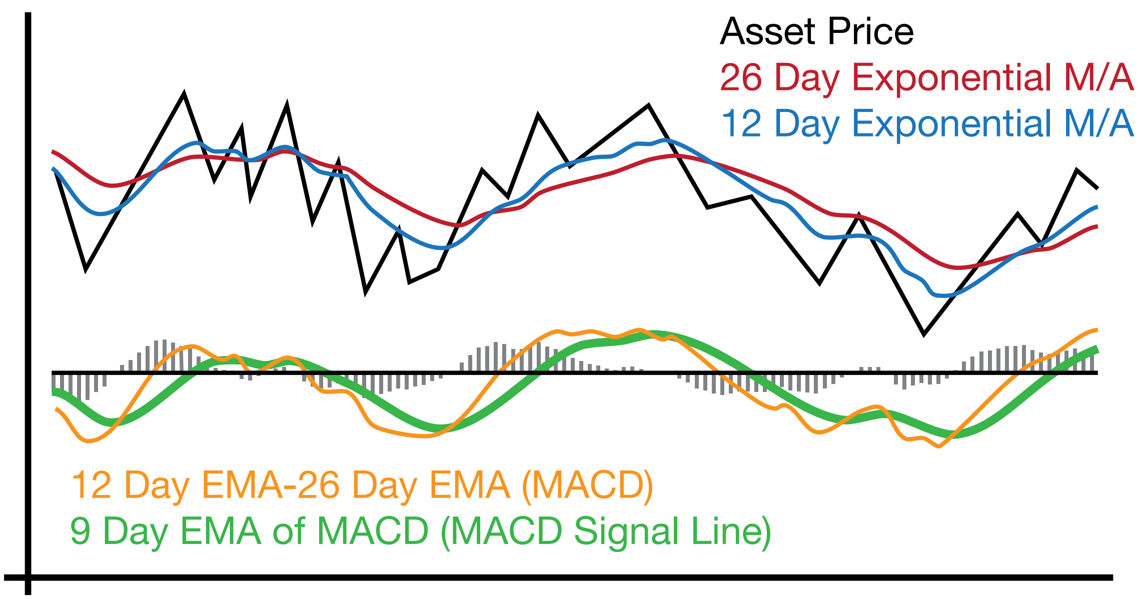
RSI - Relative Strength Index

RSI stands for “Relative Strength Index”. It’s a measure of recent gains and losses that shows traders whether an asset has been over-bought or over-sold. RSI is measured on a scale from zero to 100. When the RSI of an asset breaks 70, it is likely that it has been over-bought and is heading for a price reversal. An RSI of 30 or less indicates an asset has been undervalued recently.



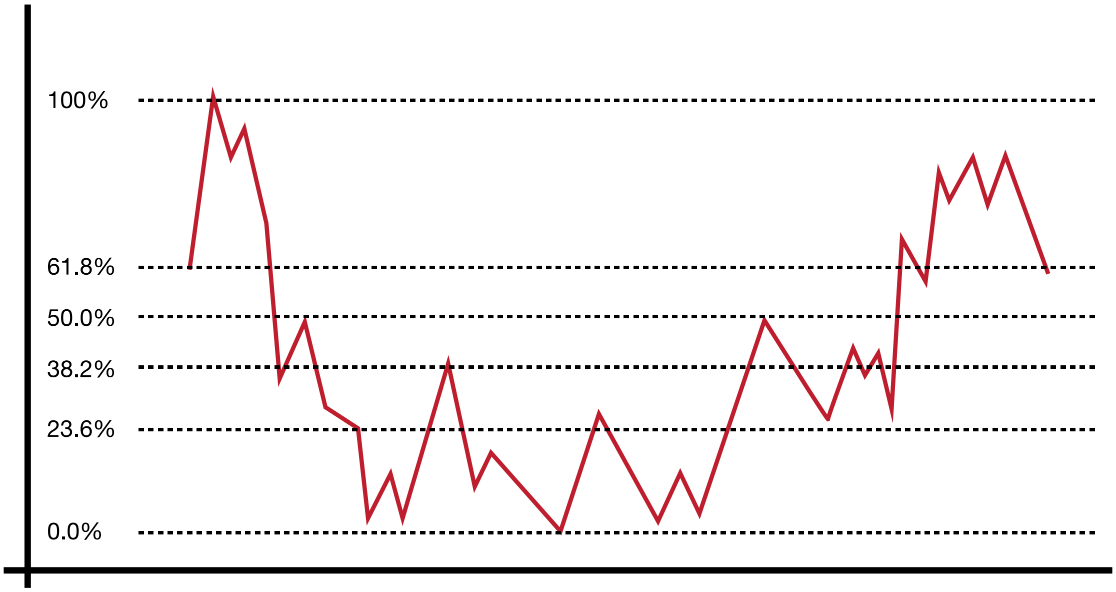
MACD

MACD stands for “Moving Average Convergence Divergence”. MACD is a combination of three exponential moving averages. The 26 day, the 12 day and the 9 day. In essence this combined data creates a “signal” line which traders can use to place “up” and “down” binary options trades.



Fibonacci Retracement

Fibonacci retracements are lines of support and resistance drawn between price highs and lows that represent the Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8% and 100%.



These lines allow binary options investors to isolate potential entry points and are particularly useful when used in conjunction with RSI.

Binary Options Trading Strategies

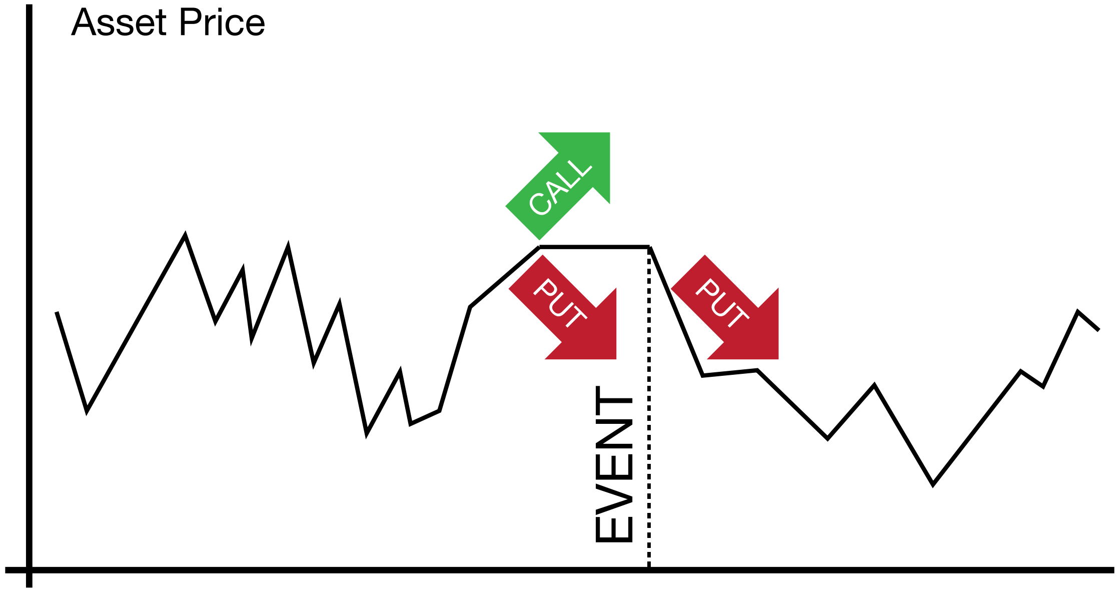
Every binary options investor develops his or her own trading strategies over time. Some like to adopt a fundamental approach – trading news and economic events; while others apply a more technical methodology.

Whichever camp you fall into, it is important to know a few tried and tested binary options trading strategies.

The Double-Down

The double-down is a strategy that reverses everything you know about binary options. Instead of focusing on price direction, the straddle works by allowing investors to profit by the magnitude of price movements.

Put simply, before the release of important economic data, an investor will place both a “put” and a “call” option on the same asset at the same time (same strike price and expiry time).



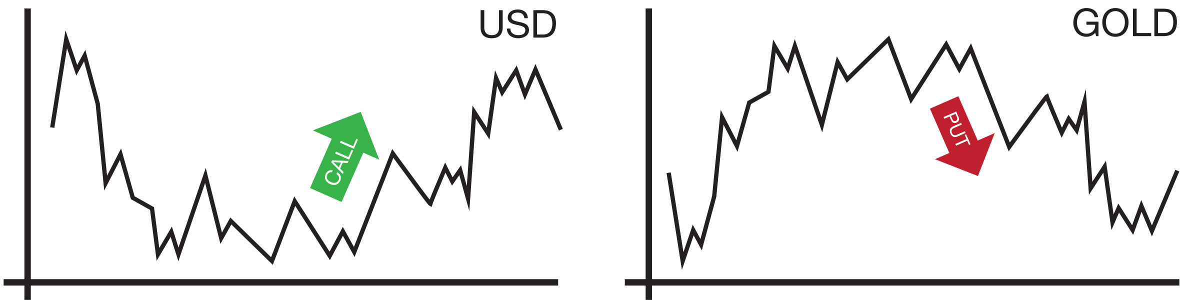
While this may seem counter-intuitive (your losing trade will incur more losses than your winning trade will profit), it allows investors to enter their winning trade at the best possible strike price. Once the impact of the data (and thus the price direction) is known, a third option is placed, doubling potential returns.

The Knock-On Effect

The knock-on effect uses established market correlations to place multiple binary options trades based on a single event.

For example, gold is considered a "safe haven" commodity – it's what investors turn to during economic recessions (or the threat of a downturn).

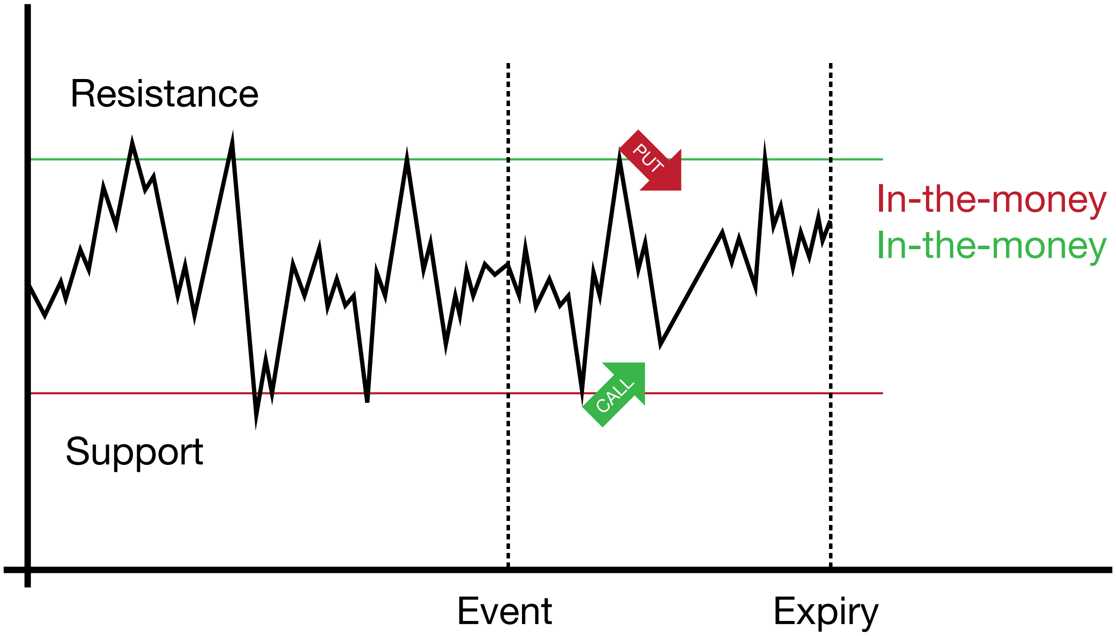
For example, if the Non-Farm Payroll number is extremely disappointing, binary options investors can a) place a "call" option on the EUR/USD currency pair (figuring the dollar will fall against the euro), **and** a "call" option on gold (figuring demand for this safe haven commodity will rise).



The Straddle

The Straddle is perhaps the most intuitive binary options trading strategy of all. Once you have isolated strong areas of support and resistance, simply wait until these levels are approached and place appropriate "put" or "call" options.

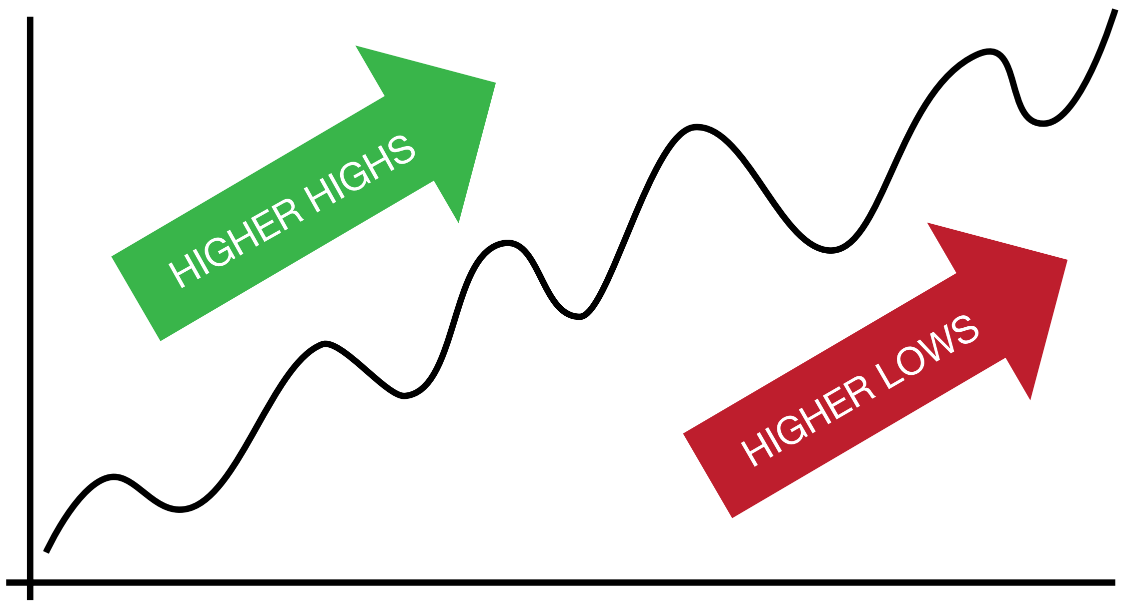
For example, when price approaches support, place a "call" option for a given expiry. Then wait until price approaches resistance, and place "put" option for the SAME expiry. If your support and resistance analysis is correct, both options could expire "in-the-money".



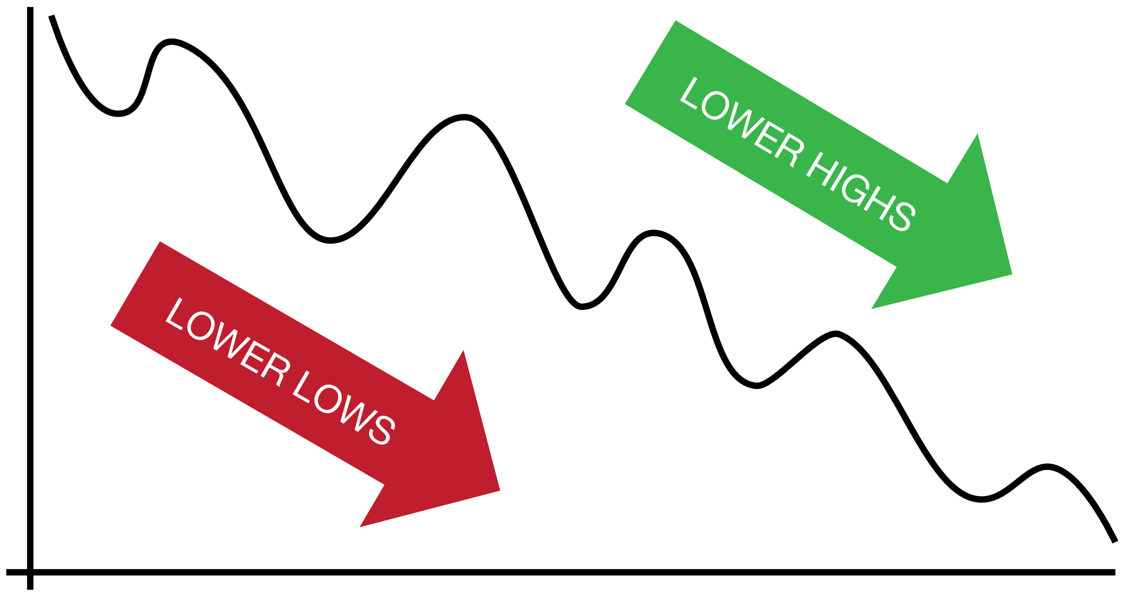
Trend Reversal

Before we get into the specifics of the trend reversal strategy, first we must be clear about what a trend actually is.

An **uptrend** is defined by a series of higher highs followed by higher lows.

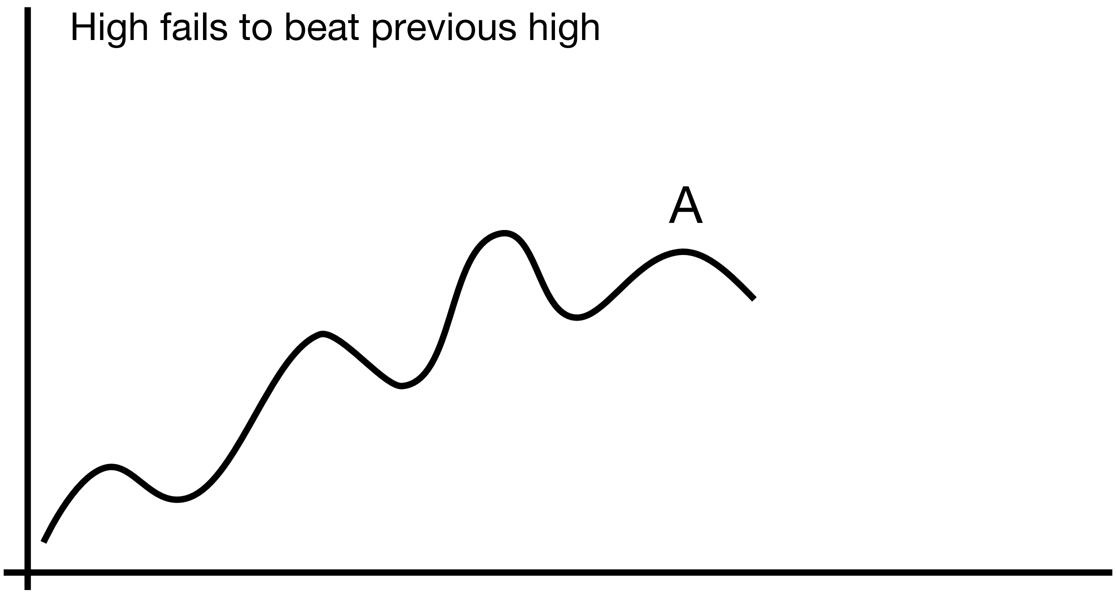


A **downtrend** is the opposite – lower highs followed by lower lows.

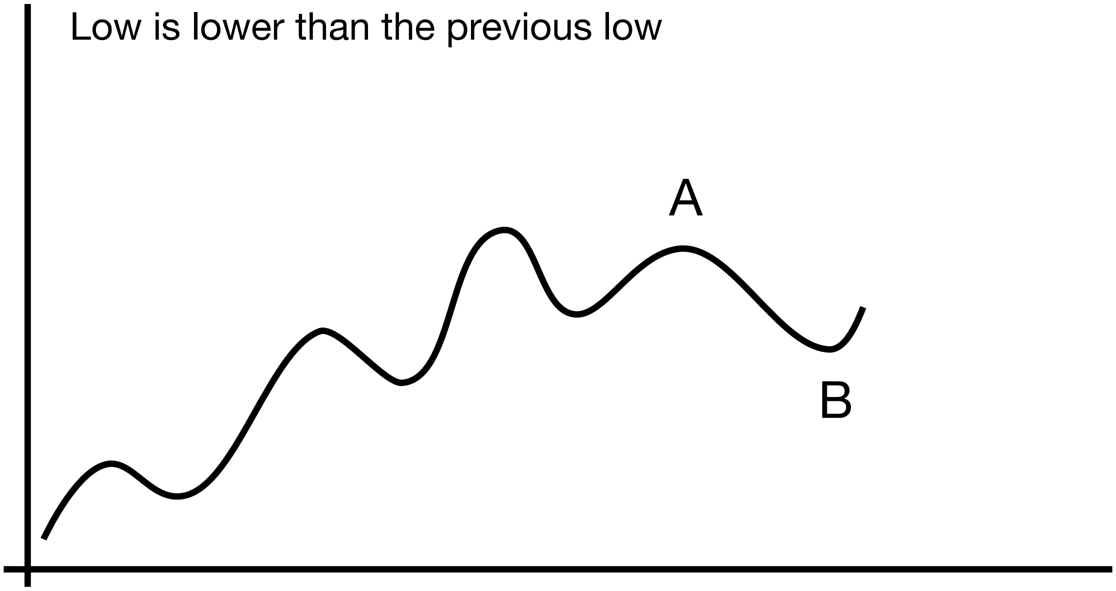


To spot a potential trend reversal is to identify the point at which the highs and the lows fail to correspond to the existing trend.

For example: The first clue as to this upward trend's reversal is signified at point 'A', the point at which the high fails to beat the previous high.



The reversal is confirmed with the next piece of evidence, when the low is lower than the previous low (Point 'B').



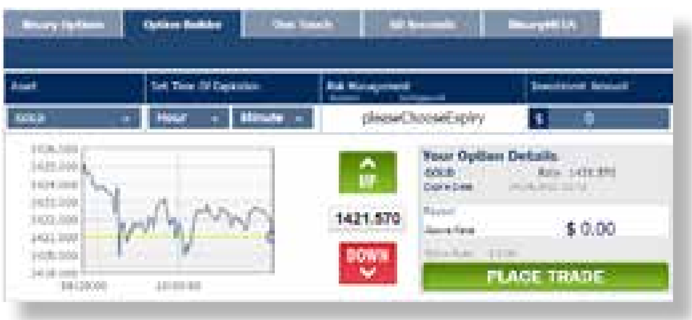
How to Trade Binary Options

Banc De Binary Platform Overview

Binary Options:

The Binary Options platform is the most popular way to trade currencies with Banc De Binary; it is also the simplest and most accessible for novice investors. All you have to do is select the currency pair you wish to trade, enter an investment amount, and choose whether it will rise or fall in value by the time the option expires. If the binary option on the currency pair you have chosen is close to expiry, you may not be able to enter the trade. In this case, simply wait for the next option to begin, or you can select a later expiration time.

Long Term:



Trading binary options has always been about short-term, low risk and high reward investments. The explosion in the popularity of binary trades is largely attributable to their relatively short expirations and the quick feedback they provide traders. Now though, with an ever-growing contingent of educated and experienced binary traders, longer expirations are increasingly coming into favour. Do you have a hunch regarding that smartphone manufacturer's market share come the fiscal quarter's end? Think that China's projected growth figures are wildly optimistic? Now you can place long term binary trades that capitalise on your wider view of the global markets. If your hunches prove to be correct and your trades expire In-the-Money, they will periodically provide your trading account with a welcome boost throughout the year.

One Touch:

One Touch options are slightly different from the rest of the trades that Banc De Binary offers. The way they work is by offering high payouts (up to 500%) if an asset reaches a set goal rate. So, at any time between the trade being placed and the time of expiration, if the asset in question touches or surpasses the goal rate then the trade is *In-the-Money* and the payout is earned.

60 Seconds:

The 60 Second tab on our platform is very similar to the Binary Options platform. The only differences are that all options expire 60 seconds from the moment of entry, and also that investment amounts are capped at $500. Normally favoured by more aggressive traders, 60 Second trades are not only attractive because they provide feedback so quickly, but also because they allow traders to capitalise on extremely volatile trading environments.

Pairs:

Mastered trading on all of our other mini-platforms? Made profits from successful trades across all four of our asset classes? In the market for a new challenge? Well then Pairs is just the platform for you. Our pair options give traders the opportunity to pit two assets against each other and forecast how they will perform. Inspired by the way currencies are paired in the world's foreign exchange markets, our pair options allow you to trade on the relative performance of two commodities such as Gold vs Silver, or stocks like Apple vs Google, or even two indices like the Dow Jones and the FTSE. This opens up a whole world of new trades for the well-informed binary trader. Have you been trading on Gold recently? Or riding the changing fortunes of the equity markets? If so, then you're in the perfect position to lock-in some profitable trades on Pairs. Take your knowledge to our asset Pair platform and profit from it.

A Step-by-Step Guide

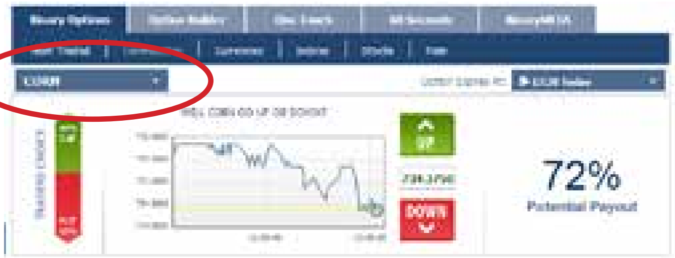
The easiest way to understand how to trade binary options, is to follow our step-by-step guide below:

1) Isolate an economic / geopolitical event that will affect the price of a tradable asset.

For example: The 2012 drought in America's Midwest led to a poor corn harvest that year. As a result, the supply of corn was reduced, thus driving up the price.

2) Log on to Banc De Binary's website (bbinary.eu)

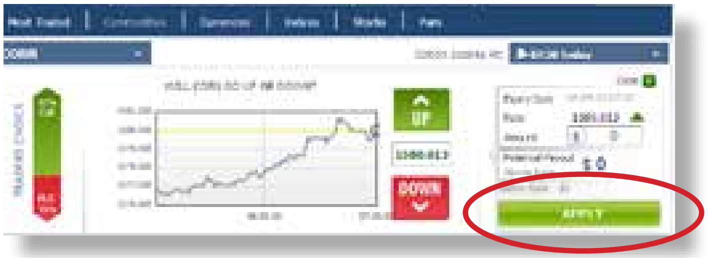
3) Select an asset: e.g. corn



4) Click UP

5) Choose an expiry time

6) Click APPLY

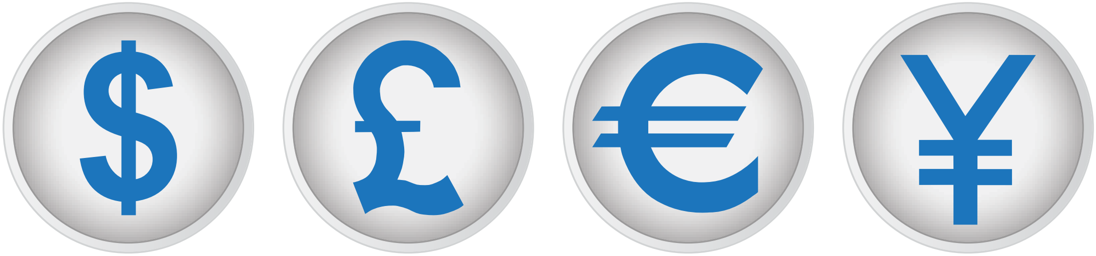


Trading Currencies as Binary Options

Currencies are traded around the clock whenever the markets are open. Normally abbreviated as Forex or FX, foreign exchange refers to the international currency markets that determine the relative value of global currencies. Foreign exchange is essential to international trade, as any transaction across countries or economic regions requires some sort of currency conversion to take place.

Aside from its fundamental role in facilitating world trade, the overwhelming majority of Forex trades are speculative investments. The value of a currency is a direct reflection of the economic health of its parent country or economic bloc. Thus in speculative trading, purchasing a currency is similar to investing in the "stock" of its parent country or region.

Currencies are always traded in pairs, and each currency is denoted by a three letter abbreviation. So for instance EUR/USD refers to the strength of the euro relative to the strength of the US dollar. The first currency in the pair is known as the "base" currency and the second is known as the "quote" currency. If the EUR/USD is trading at 1.3000, this figure relates to how much of the quote currency it costs to purchase a unit of the base currency. Trades can be placed on almost any combination of currencies.



PAIR	COUNTRIES	FX GEEK SPEAK

The major currency pairs always include USD as either a base or a quote currency:

Major Currency Pairs

EUR/USD	Euro zone / United States	“euro dollar”
USD/JPY	United States / Japan	“dollar yen”
GBP/USD	United Kingdom / United States	“pound dollar”
USD/CHF	United States/ Switzerland	“dollar swissy”
USD/CAD	United States / Canada	“dollar loonie”
AUD/USD	Australia / United States	“aussie dollar”
NZD/USD	New Zealand / United States	“kiwi dollar”

The minor, or cross-currency, pairs are different combinations of the majors excluding USD:

Minor Currency Pairs

Euro Crosses

EUR/CHF	Euro zone / Switzerland	“euro swissy”
EUR/GBP	Euro zone / United Kingdom	“euro pound”
EUR/CAD	Euro zone / Canada	“euro loonie”
EUR/AUD	Euro zone / Australia	“euro aussie”
EUR/NZD	Euro zone / New Zealand	“euro kiwi”

Yen Crosses

EUR/JPY	Euro zone / Japan	“euro yen” or “yuppy”
GBP/JPY	United Kingdom / Japan	“pound yen” or “guppy”
CHF/JPY	Switzerland / Japan	“swissy yen”
CAD/JPY	Canada / Japan	“loonie yen”
AUD/JPY	Australia / Japan	“aussie yen”
NZD/JPY	New Zealand / Japan	“kiwi yen”

Pound Crosses

GBP/CHF	United Kingdom / Switzerland	“pound swissy”
GBP/AUD	United Kingdom / Australia	“pound aussie”
GBP/CAD	United Kingdom / Canada	“pound loonie”
GBP/NZD	United Kingdom / New Zealand	“pound kiwi”

Other Crosses

AUD/CHF	Australia / Switzerland	“aussie swissy”
AUD/CAD	Australia / Canada	“aussie loonie”
AUD/NZD	Australia / New Zealand	“aussie kiwi”
CAD/CHF	Canada / Switzerland	“loonie swissy”
NZD/CHF	New Zealand / Switzerland	“kiwi swissy”
NZD/CAD	New Zealand / Canada	“kiwi loonie”

Finally exotic currency pairs consist of one major currency and either a less traded one such as the Swedish krona, or a currency belonging to an emerging economy such as Brazil.

Exotic Currency Pairs

USD/HKD	United States / Hong Kong	
USD/SGD	United States / Singapore	
USD/ZAR	United States / South Africa	“dollar rand”
USD/THB	United States / Thailand	“dollar baht”
USD/MXN	United States / Mexico	“dollar peso”
USD/DKK	United States / Denmark	“dollar krone”
USD/SEK	United States / Sweden	
USD/NOK	United States / Norway	

Further Learning & Resources

Online Education and Trading Psychology

Online Trader Education

Banc De Binary is proud to provide you with cutting edge tools that will enrich your online trading experience. Below you will find links to all of our downloadable content. We are not only in the business of brokering binary trades, we are also in the business of creating educated traders.

Educational Videos and Useful Links

Visit Banc De Binary's educational page to find out more.

Check out our 10 episode series called *Binary Options for Beginners*, featuring in-depth analysis, expert views and a guide to Binary Options trading.

You can also watch other Binary Options Courses - Visit Banc De Binary's Courses page to find out more.

Banc De Binary on Facebook

Visit Banc De Binary's Facebook page for more info, daily news and market updates, and competitions where you can win great prizes.

Banc De Binary on YouTube

Be sure to check out Banc De Binary's youtube channel for the latest videos, including our weekly economic calendar video series, Ahead of the Week.

Daily News & Featured Articles

Every day, Banc De Binary's team of highly skilled researchers and writers bring you the latest up-to-date news, which is posted online on our website BinaryOptions.FM and on our blog The Daily Spread.

Trading Psychology

What will set you apart the other 95% of traders who lose more often than not - or just scrape together small profits - is psychology and knowing when to walk away from a trade.

Analysing the markets and predicting the direction of a price movement is only one part of what makes a successful trader. Discipline, and the ability to manage the stresses of trading are what separate great traders from the rest.

Whatever your trading strategy, it is important to keep your nerve and stick to a gameplan.

Plan and Stay Disciplined

The most important thing when it comes to binary options trading psychology is that you must be disciplined. Find a trading strategy that works for you and stick to it. Professionals trade a defined plan; amateurs trade intuitively, instinctively and often impulsively. If you find yourself making trades based on hunches - if you are behaving impulsively - walk away. Do something else for a while.

Manage your Stress

Moderate levels of stress are stimulating, but make sure to not exceed your “stress threshold”. Make stress *work* for you. A little stress can actually make you a better trader – it keeps you functioning at your peak. However, if you exceed your “stress threshold” you are going to start making mistakes. Too much stress triggers overly defensive or aggressive behaviour. It makes you re-active rather than pro-active. Learn to recognise your stress threshold.

Control your Emotions

When trades go against you, keeping a lid on your emotions, and maintaining a cool head, can give you an unbeatable edge.

Let’s take a look at the psychology of winning and losing. Say you lose out on a trade (that has not gone according to your predictions), the natural reaction is to double down on the next trade – to try to make up for your losses immediately. A big mistake. You have to stay calm and stick to your plan. The same thing applies when you win. Don’t get over-confident and try to ‘ride your luck’. Luck doesn’t exist. Your strategy does.

Money Management

While you can’t control the financial markets, you can control your response to them. Money management helps. Understanding how to properly and sensibly manage your capital is a vital step in learning to become a successful binary options trader. Whether you are experienced or not, and whether you have hundreds or millions of dollars in your account or not, there are always going to be trades that you lose.

Losses present no difficulty if you are expecting them and you remain calm, but they can be detrimental to traders who risk too much on a single trade, then panic, and open other trades without thinking clearly in an attempt to compensate. Instead - using forward thinking - you can limit any losing streaks and maximise your successes and profits.

A good money management strategy is therefore essential for effective, long-term, capital growth.

Minimise your Exposure

1. Passive Money Management Plan

This is the preferred strategy of most traders. It offers guidelines and upper limits so that you can remain in control of your trading and insure against loses. This is the best way to preserve and grow your capital over time.

This strategy is the lower risk of the two, although in the short-term your returns may also be lower. Passive traders follow the 5/15 rule. This means that you can invest up to 5% of your account on any single trade and up to 15% of your account in a whole trading session.

Basically, strictly limit your exposure at any given time, buy having no more than 15% of your available capital in open trades at any given time. That can be one big trade with 15% or three small trades of 5%. The rule is the same. Sometimes you get things wrong. That's natural. It is going to happen from time to time. Just don't put yourself in a position in which it can wipe out your account.

For example, if you have £5,000 in your account, you should invest a maximum of £250 (5% of 5,000) in any one trade and a maximum of £750 (15% of 5,000) in an entire trading session.

Trading Aggressively

2. Aggressive Money Management Plan

This strategy is not recommended for the inexperienced, or those with small accounts. It offers increased flexibility for professional traders with large account balances, and suggests the absolute maximum amount that you should ever be willing to invest.

This is a higher risk strategy, with the advantage of offering high returns more quickly. Aggressive traders follow the 10/30 rule. This means that you can invest up to 10% of your account on any single trade and up to 30% of your account in a whole trading session.

For example, if you have £20,000 in your account, you should invest a maximum of £2,000 (10% of 20,000) in any one trade and a maximum of £6,000 (30% of 20,000) in an entire trading session.

Binary Options Glossary

There is no need to ever be confused again about any unknown terms you may encounter during your trading experience

Asset

An underlying security or financial instrument, the value of which is used to set the strike price of a binary option. Binary traders are able to place options on all four asset classes including: currency pairs, commodities, stocks and indices.

At-the-Money

When a trade expires At-the-Money this means it closed neither above nor below the strike price, meaning no gains or losses were made by the trader.

Bear

Bears are investors who take a pessimistic market view, predicting that a certain asset will decline in value.

Bear Market

Bear markets are markets in decline. They can become self-fulfilling and self-sustaining when negative sentiment causes traders to sell a given asset, provoking more traders to also sell in an attempt to avert losses. This process gains momentum as the asset continues to be sold and drops in value. Typically when a market experiences a sustained downturn for at least two months and loses 20% of its value then it is said to be a bear market.

Bull

Bulls are investors who take optimistic market stances, predicting that certain assets will increase in value in order to be sold later at higher prices.

Bull Market

Bull markets are characterised by positive sentiment and investor confidence. They are said to be in effect when investors are predicting a prolonged uptrend in the value of an asset. Originally the term was used for the stock market but it is now applied to any tradable asset.

Call Option

Call options are one of two positions a binary trader can take. Traders purchase Call options when they are forecasting that a given asset will have a higher value at the time of expiry than at the time of purchase.

Commodity

Commodities are goods of a uniform quality traded on the world's exchanges. They fall into two broad categories. Soft commodities are those that are grown, such as wheat, coffee and corn. Hard commodities are those that are mined such as gold, platinum and oil.

Currency Pair

Currencies are traded in pairs, with the performance of one compared against the performance of the other. The first currency in a pair is referred to as the base currency, and the second is referred to as the quote currency. The price quoted refers to how much of the quote currency is needed to purchase one unit of the base currency.

Digital Options

Digital options are another name for Binary Options: a financial instrument in which only two positions can be taken (up or down), with fixed payouts and losses.

Economic Indicator

Data that indicates economic health or the lack thereof. These are routinely released by the central bank of each nation or economic bloc and are monitored closely by binary traders. Particularly useful economic indicators are employment figures, interest rates and GDP figures.

Expiry Price

The price an asset reaches at the time a contract on it expires. Traders who place Call options are forecasting that this figure will be higher than the strike price. Traders who place Put options are forecasting that this figure will be lower than the strike price.

Expiry Time

The date and time at which a given binary option expires. This can be anything from 60 seconds after the contract was purchased, all the way to the end of the year.

Exotic Options

Exotic options were the precursors of the Binary Options available today to retail traders. They were initially only available to large investors before being brought to the wider public as online binary options.

Fundamental Analysis

Fundamental analysis uses macroeconomic data such as economic statistics, central bank rulings, and geopolitical events in order to determine market conditions and attempt to predict future price movements. The central thesis of fundamental analysis is that assets tend to either be over- or undervalued in the short term but that they do eventually reach a state of equilibrium, and macroeconomic events can be used to forecast this level.

Investment Amount

The amount a trader invests in any given Call or Put trade.

Index

The aggregated performance of a number of stocks traded as derivative instruments and sold by mutual and exchange traded funds. The Standard and Poor's 500 Index is one of the most popular indices.

In-the-Money

A term used to describe profitable trades. Call options expire In-the-Money when an asset's price is higher on expiry than at purchase (strike price). Put options expire In-the-Money when the price is lower on expiry than at purchase. In-the-Money binary trades yield profits that range between 65% - 95%.

Out-of-the-Money

A term used to describe losing trades. Call options expire Out-of-the-Money when an asset's price is lower on expiry than at entry. Put options expire Out-of-the-Money when an asset's price is higher on expiry than at entry. Out-of-the-Money trades typically incur losses of between 80% to 100% of the initial investment.

Payout

Payouts are profits earned by trades that expire in-the-money. In the case of binary options this is between 65% and 95%.

Pip

The smallest unit by which a foreign exchange rate may move (usually calculated to four decimal places, i.e. 0.0001)

Put Option

One of two options that may be purchased in binary trading. The investor earns a profit if the asset expires at a lower price than what it was valued at purchase.

Resistance

A term used in technical analysis to describe a price beyond which an asset has been historically unable to rise.

Risk Management

A collection of strategies used by a trader, usually in the form of checks and balances, to limit the level of risk their capital is exposed to.

Shares

Units of ownership in publicly traded companies that can be purchased by investors, entitling them to an analogous share of profits.

Strike Price

This term is used in a variety of ways that are dependent on the financial vehicle being referred to. In the case of binary options the strike price is the same as the price-at-sale, or the purchase price. This is because Call and Put options are placed on the asset's price at the time of the trade. In other words a trader is forecasting that the asset will either rise or fall in value in relation to the price at the time the trade is made.

Support

A term used in technical analysis to describe a price point beyond which an asset has been historically unable to fall.

Technical Analysis

Technical analysis favours a microeconomic approach in which the only information given any weight is former price performance of a given asset. The central thesis of technical analysis is that all you need to know about an asset is present in its current price. Technical analysts also believe history repeats itself (hence the focus on historical data), and that price action occurs in cycles of trends which can be used to predict future movement.

Trader

An investor who purchases and trades securities. This can be a member of an exchange who conducts transactions on that exchange's floor, or someone who makes retail trades through an online platform.

BANC DE BINARY
SIMPLICITY PAYS