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# Binary Options Trading Strategy

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Professional Binary Trading Manual Strategy

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# Introduction to Binary Options

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Binary Options are also called all-or-nothing options, while trading binary options trader has two positions to decide i.e. will the value of an asset appreciate or will it go down over a set period of time? Depending on trade outcome the payout is a predetermined percentage or nothing.

For Example, if a trader anticipates that the value of gold will appreciate in a given period of, and is correct, then he profits a fixed amount. If the value of gold drops however, the trader loses the entire amount of the investment. It does not matter if the asset exceeds the original price, the strike price, by \$1 or \$100: the payout is the same.

Two possible outcomes when trading options make is simpler to trade. Apart from being simpler than traditional investment binary options are shorter term, sometimes as quick as just 60 seconds, allowing for repeated trade and successes. Furthermore it enables investors to take advantage of both bull (upwards) and bear (downwards) market trends.

Trading itself is simple. Once you've opened your account, go to the trading platform. Select the asset you wish to trade, the expiry time, whether the value will go up (Call option) or down (Put option), and then enter the amount you wish to invest. You are in control of your investment at every stage. At the expiry time, the set payout will be automatically added to your account if you traded successfully, or the investment amount deducted if not.

# Binary Options Strategy Introduction

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Fibonacci Binary Options is a robust and profitable trading strategy that uses MetaTrader4 platform Charting in order to identify binary options trade opportunities. The strategy has proved to be profitable over multiple pairs however when starting out with this strategy it is recommended that you limit to 3-4 Currency pairs.

Each currency has different peculiarities therefore once you get to know major currency pairs, i.e. (EURUSD, GPBUSD, USDCHF, USDJPY) you can then branch out to other pairs.

# Binary Options Trading Logic

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This section is the most important section of the trading strategy it outlines the trading rules, entry/exit criteria and indicators confirmation. There is always possibility in the market that the price might move against you, so be sure that there is possibility of losing trades; therefore money management comes into play.

Following are the logic step we must follow:

**Form a daily trading bias.** Every day you have to have a bias, bias is what direction you expect the market to go (bullish or bearish). You can be bull in bearish market or bear in bullish market but it will be lot harder. It's rather easier to form a bias based on the market trend. It's better to go with the flow as oppose to going against it.

You form bias by looking at the trend is the market making higher high or is it making lower lows. Longer term timeframe such as 4 Hour or daily will help you form a bias.

Once you form a bias you will look for same direction trades on that day for the currency pair.

There are innumerable ways to form a daily bias; however one of the recommended methods is using Fibonacci Channel to identify daily market bias.

Open 4-Hour chart, you will encounter one of three types of market movement i.e. (Upward, Downward or sideways).

## **For Upward Trending Marketing**

Identify higher lows of a one to two weeks period and join the points with Fibonacci Channel.



We will connect the two points with Fibonacci Channel and it will automatically draw multi-lines channels as shown in the diagram below:



The chart above shows channels and price action which naturally flows in the Fibonacci channels.

In this example we will have a long bias, as the price has crossed the trendline and between the resistance.

(If the price has crossed below the support level then we should have short bias as the price is expected to reach the next trend line.)

### For Downward Trending Market

Use same technique is opposite direction i.e. join lower high of the downward sloping trend to draw Fibonacci channel.

The 4 hour bar just crossed above the resistance so we should have long bias until the price reverts back or bounces the top trend line.





## For Sideways Market Type



For sideways market we will simply draw resistance. If the price is on base of trend line or has just crossed above the support level, then we should have long bias as the price is expected to move towards the next level.

If the price bounces of the support level then we should have short bias as the price wave back to the initial support.

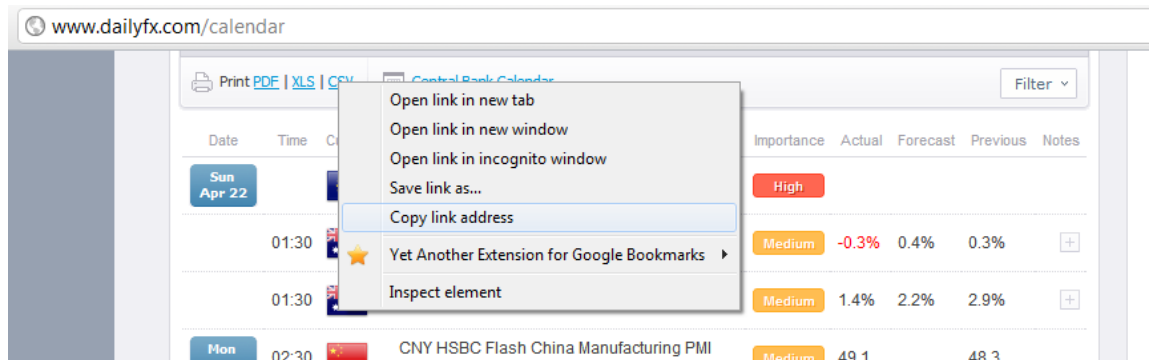
**Look At News being released that day.**

News for example Non-Farm Payroll influence price action very strongly. Whatever the price is doing when an economic number is released price can completely change course on the spot. If price is going in one direction it will continue to go in that direction unless some external event occurs which affect its course, just like physics. So if the market is falling it should keep on falling until the price hit important support or a news release change everyone bias.

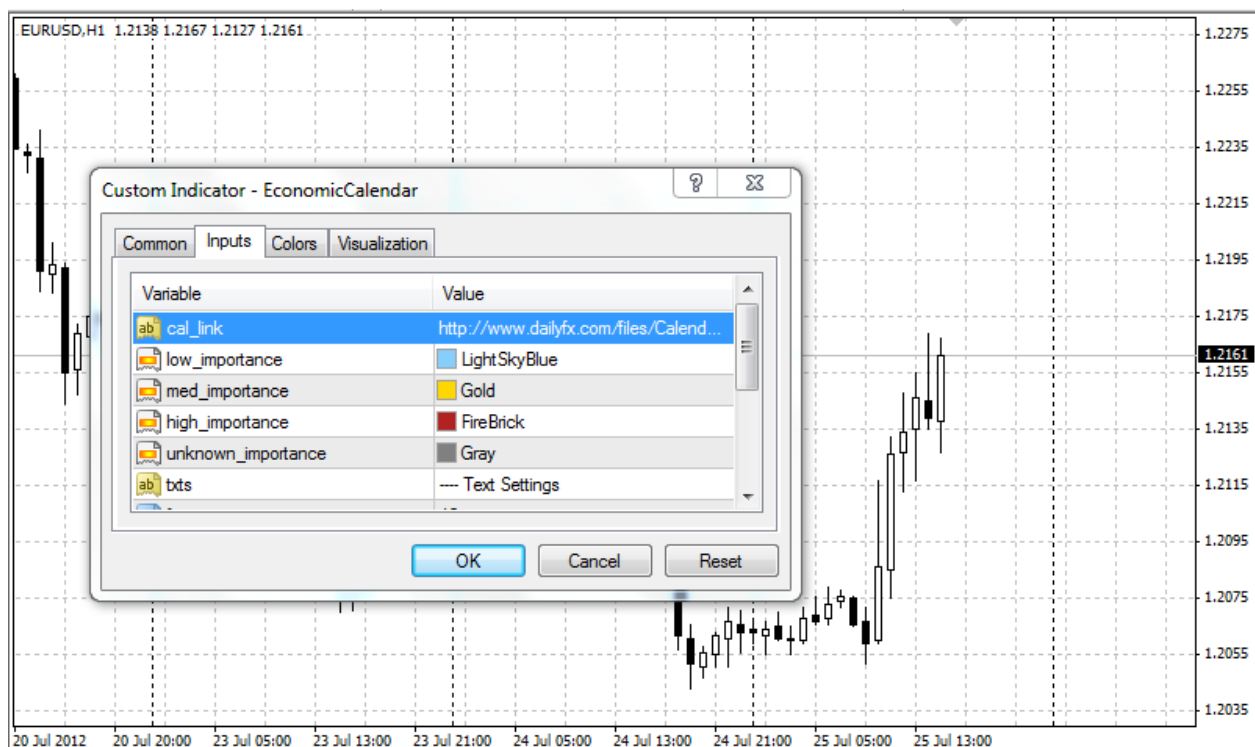
You need to be aware of what news are coming and how it will influence the currency pair you are trading.

You can view the news report list on <http://www.dailyfx.com/calendar>  
Or use the economic calendar indicator for MetaTrader 4 platform that comes with Binary Options Trading Strategy.

In order to attach the indicator you need to update the news source. On Your web-browser First visit <http://www.dailyfx.com/calendar> webpage, right click the CSV and click copy link address



Attach the Economic Indicator to chart and update the cal\_link parameter by pasting the link (ctrl+v) which you copied previously from the dailyfx website to the field.



## Look For Support and Resistance

The next thing you need to do is to mark support and resistance. You need to use Fibonacci retracement to mark important levels. The retracement levels need to watch very carefully. You can scale out (partially close) order when price hits any of these levels.

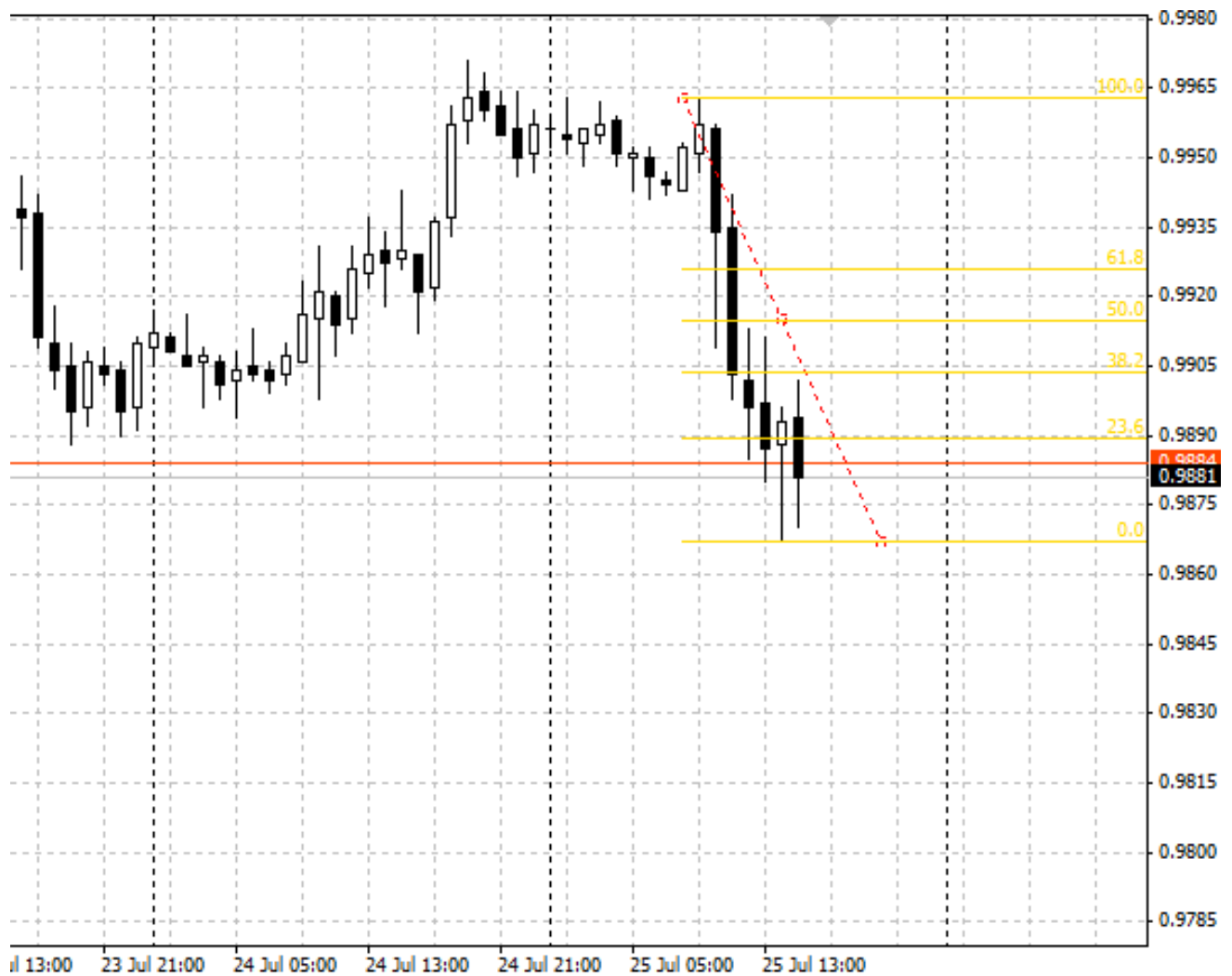
Fibonacci retracement will draw yellow horizontal lines at the following levels: 0.00%, 23.6%, 38.2%, 50%, 51.8%, 61.8%, 100%, 161.8% and so on.

The following image shows the Fibonacci retracement drawn using short-term uptrend.



The image below show Fibonacci retracement drew using short-term down trend.

In simple terms it means if the price retrace it is likely to hit these levels and these levels acts as support and resistance for the price.



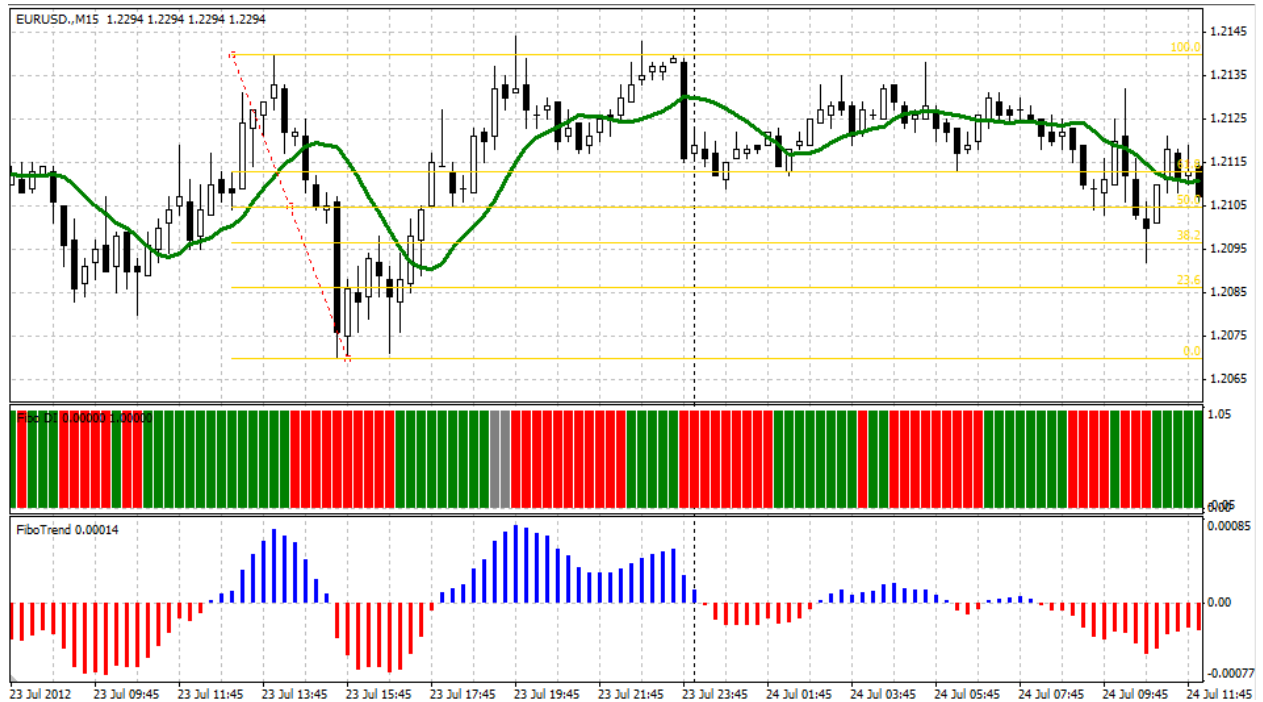
## **Call Trade Rule**

- A Candle must cross the SMA and close above it.
- FD Index should be green for confirmation.
- Trend F histogram must start going up.

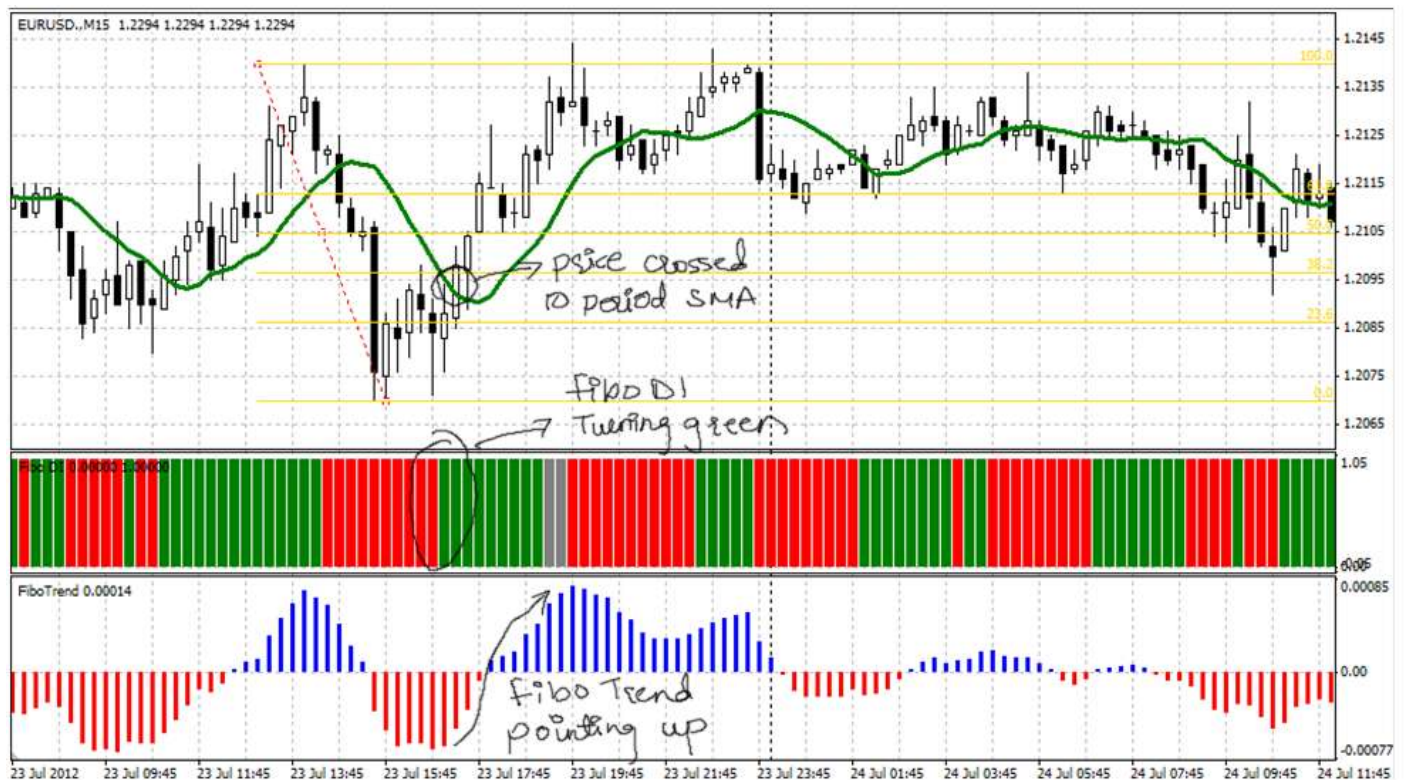
## **Put Trade Rule**

- Price must cross the 10 SMA downwards and the candle must close below it.
- FD Index should be red for confirmation.
- Trend F histogram must be pointing down.

## Call Trade Example



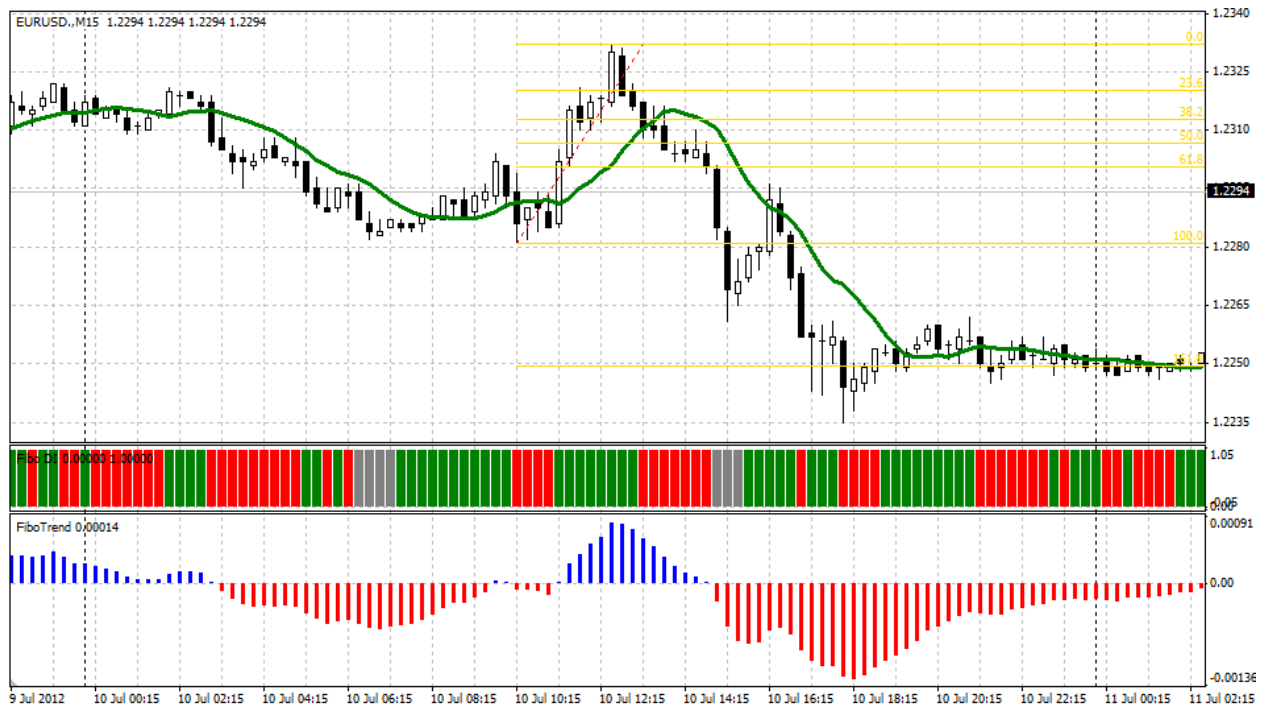
The image above shows EURUSD chart with indicators and Fibonacci retracement levels drawn from last high to recent low. The Fibonacci retrace levels are marked by yellow horizontal lines. These are important levels which should be watched closely.



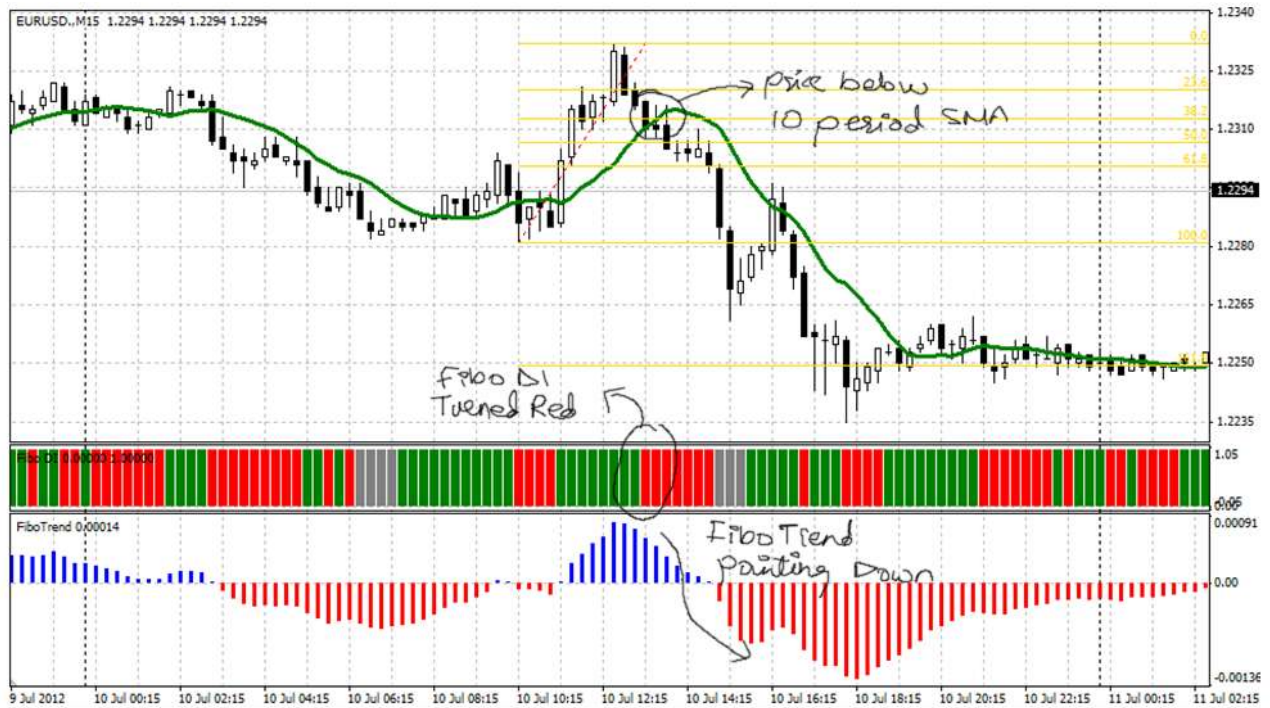
The Image above shows labeled EURUSD chart with Call Trade triggering criteria. The price closed above 10 Period SMA at 1.2098, for confirmation we will check FiboTrend and FiboDI. FiboTrend bars are going up whereas, FiboDI is green therefore this gives us positive confirmation so we will enter at 1.2098



## Put Trade Example



We will draw Fibonacci retracement for the last swing high from its starting low position. The retracement levels marked by yellow horizontal lines are important levels. These levels could be used as scale out levels means you can partially close trade when price crosses these levels.



The image above shows labeled diagram with trade triggers for Put Option trade. The price closed below 10 Period SMA, for confirmation we will check FiboTrend and FiboDI. FiboTrend histogram is declining whereas, FiboDI is red therefore this gives us positive confirmation so we place a put trade on our binary option platform.

# Money Management

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Money management is one of the most important aspects of trading and is also the most overlooked aspect of trading. Money Management rules help protect our equity and also generate long-term profitability. Trading without sensible money management rules is like playing Russian roulette.

No trading strategy will produce optimum results unless sound money management rules are incorporated and followed.

## Never Risk More Than 2% per Trade

One of the cardinal and most desecrated rules of trading is that traders can lose a substantial amount of their account equity in one single trade by taking too much risk. You will find hundreds of stories about traders who lose years of profits on a single trade that goes terribly wrong. **This is the chief reason the 2% stop-loss rule should not be violated.**

Never risk more than 2% of your available equity on a single trade. So for example if your account equity is \$1000 never risk more than \$20 or trade option with value less than \$20.

Most traders believe frequent trading means more profit; overtrading means too many trades at a time, thus increasing your exposure to the market.

## Adding To A Loser

Most of the time trader increase their position size and keep on adding to them if trade goes against them. This is a martingale technique in which traders desperately hope that a reversal will occur and their losses will convert to profit. However doing so increases the exposure while the trade goes in loss. In such scenarios a smart trader will typically close the position and head toward next trade.

# Broker Recommendation

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To determine whether a particular trading platform is registered with the SEC as a **broker** dealer, visit the [FINRA BrokerCheck](http://www.finra.org/investors/toolscalculators/brokercheck/) website ([www.finra.org/investors/toolscalculators/brokercheck/](http://www.finra.org/investors/toolscalculators/brokercheck/)).

Visit <http://www.daytradingcoach.com/binary-options.html> - Binary Option Systems

