

Understanding **BINARY OPTIONS**

Lesson 1



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StartOptions



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Getting Started

Basic Terminology

Binary Options, sometimes called digital or fixed return options, is a simplified yet exciting method of trading the financial markets, based on a determination of whether the price of an asset—such as a share price or commodity like gold—will close ABOVE or BELOW the current price within a set time period such as the next one hour. If our prediction is correct we win the trade and earn the payout established for that particular asset and time period—generally 70-80% of the value of the trade.

What are the basics involved in binary options trading?

There are a few basic considerations to binary options trading: the asset to trade, the direction of the price at the option expiration time relative to current price, and the trading value. If we believe the price of the asset will close ABOVE current price at expiry, we want to buy a CALL option. If we believe the price of the asset will close BELOW the current price at expiry, we want to buy a PUT option. As a trader we determine the value which we want to place on any given trade, whether it is \$50, \$100, \$500 or any other value depending on our confidence level and risk tolerance. If our speculation is correct, we are “in-the-money”. If the market moves in the opposite direction from our prediction, we are “out-of-the-money”. If the asset price on our option closes at the exact same levels, we are “at-the-money” and receive our original trading value back with neither profit nor loss.



How can binary options trading be so profitable?

Binary options trading is high risk activity based on speculation of market prices driven by near term economic events. Trading in binary options involves high volatility movements and risk of loss. Traders should pursue a responsible and disciplined approach to the market using risk capital only – meaning money that you can afford to lose.

How will I know which assets to trade and when?

As pioneers in the field, StartOptions has developed a systematic approach to providing the trading tools, market knowledge and customer support our traders need to succeed in the world of binary options. We offer a range of training modules from basic to more advanced trading strategies geared towards first time traders as well as the more experienced forex or general market investor. Binary Options can be an ideal complement to traders who enjoy trading in forex markets and are looking to expand their trading “tool kit” into binaries, gaining exposure to additional markets such as shares and commodities. We are continuously learning from the market and sharing that knowledge for the benefits of our clients.

What are the benefits of binary options trading?

→ **Simplified Trading**

StartOptions simplifies the trading process to allow you to trade in multiple markets--forex, commodities, stocks and indices--in an easy and exciting way.

→ **Defined Risk & Return**

Keep your risk known in advance by trading options that offer pre-determined payouts whether they close "in-the-money" or "out-of-the-money". Options opened on the StartOptions platform automatically close out at expiry time, so there's no need to constantly monitor your trades.



→ **Profit from Rising & Falling Markets**

Binary options are ideal for traders who want to profit from both rising & falling markets. If you believe the price of an asset will rise, buy a call option. If you believe the price of an asset will fall, buy a put option. If your prediction is correct, earn up to 81% profit on your trade.

→ **Free Training & Support**

StartOptions offers our clients free training & support, depending on initial deposit levels.

Ask us today for the range of support levels and trading tools we provide our clients.

→ **No Commissions**

StartOptions offers its clients the ability to trade online with no commission charged on trades.

What are the advantages of Binary Options over Forex or “plain vanilla” share trading?

→ **No leverage or margin to calculate.**

Unlike forex trading binary options offers a simpler, pre-determined P&L calculation on every trade.

→ **Profit opportunities in multiple markets.**

Binary options are traded in multiple markets including forex and shares, commodities like oil futures and market indices. Often times a forex trader will need to endure long periods of relative inactivity and short bursts of trading. Binary options trading is more versatile and therefore more exciting.

→ **Positions automatically expire.**

Binary options automatically expire at the expiry time of the trade, so there is no need to wait out optimal trades or constantly re-calculate margin, risk and P&L considerations.

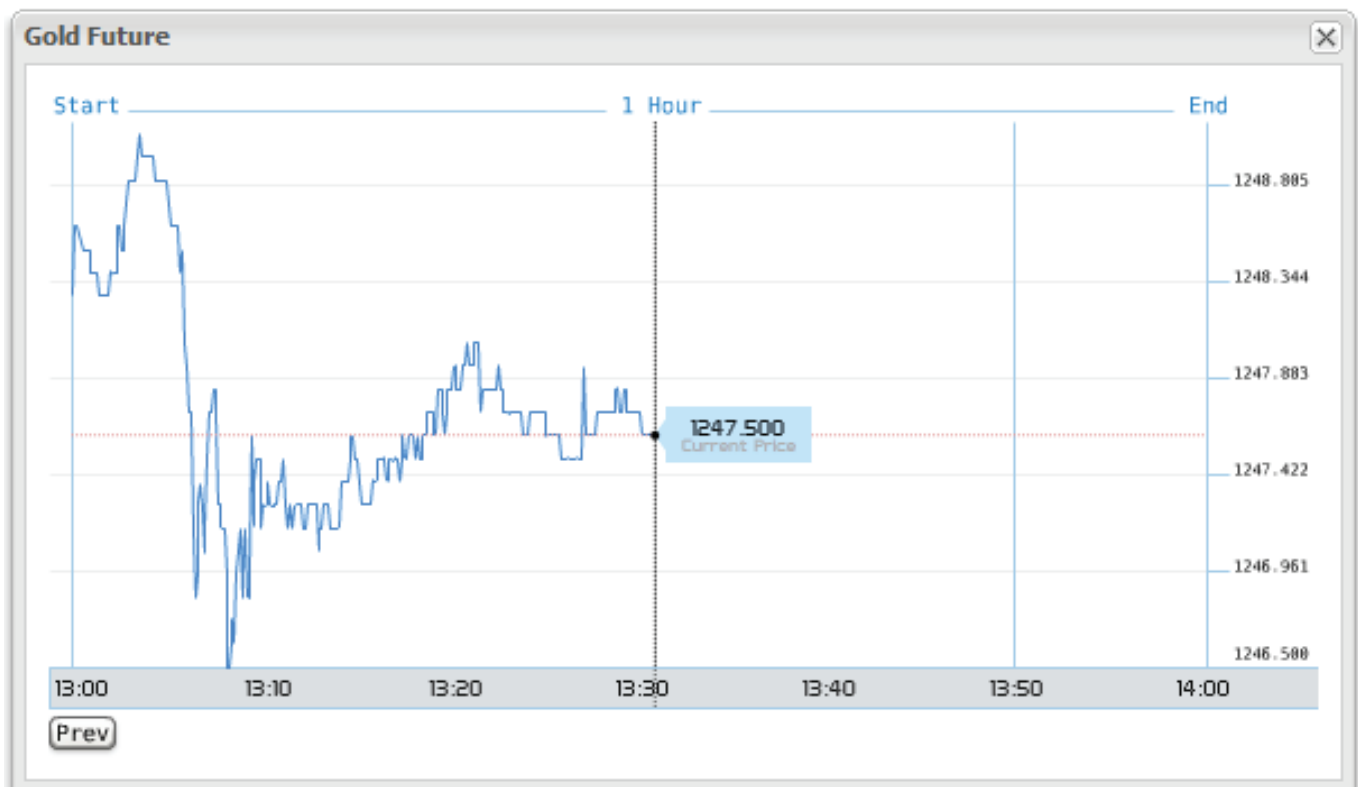
→ **Lower risk profile.**

Binaries offer a lower risk profile than forex trading in that the payout on any option is predetermined, with out-of-the-money trades paying out up to 10% of the original trade. In no case can a trader lose more than his or her original capital.



How Does it work?

Example: It's 1:15pm and Gold is trading at 1,204.3. Positive economic news on US jobs is moving the US dollar up, and you believe that gold prices will fall as investors move their money out of safety and into higher profit US assets. Current payout on the trade is 81%.



You believe gold prices will fall below current levels and execute a \$100 trade or “Put Option” for 2:00pm expiry. The strike price on the trade is 1,204.3. You were right and gold prices closed at 1,203.80, below the strike price of 1,204.3. In this case the in-the-money payout is 81% of our trade so you win \$81:

$$\mathbf{\$100 \times .81 = \$81}$$

If you were wrong and gold prices closed above the strike price of 1,204.3, say 1204.8, you would receive back the out-of-the-money payout of 10%, in this case \$10.

$$\mathbf{100 \times .10 = \$10}$$

Binary options trading are based on limited risk, meaning in the above example \$90 represents the maximum loss on that trade.